

# JFTC News

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### Interview with Chairman Eizo Kobayashi Uniting the World through a Shared Vision



*You have become JFTC’s 11th Chairman. Please tell us how you feel about that.*

JFTC was founded in 1947, so I feel honored to serve as Chairman of an organization with such a long history. I have worked for JFTC for more than a decade as a Director, Vice-Chairman, and an advisor, so I hope

to draw on my experience as I develop and carry out a wide range of plans as Chairman, and I really look forward to that. Since I am also involved in such business organizations as Japan Business Federation (Keidanren), Japan Association of Corporate Executives, and the Japan Chamber of Commerce and Industry, I hope to promote cooperation and collaboration between JFTC and these organizations

when their suggestions and activities meant to contribute to the public interest are consistent with JFTC’s policy. This way, the organizations will be able to demonstrate the suggestions and activities as one business community. I would also like to consider launching collaborative projects with the offices of foreign chambers of commerce in Japan and bilateral goodwill organizations.

*Former Chairmen created simple taglines to express JFTC’s action policy. You have presented “Uniting the World through a Shared Vision” What does this signify?*

With its limited national territory that produces only a limited amount of natural resources, Japan cannot afford to live in isolation from the world. It is vital that the country remains open and makes continuous efforts to connect and live in harmony with the rest of the world. We must keep reminding ourselves that humans carry out economic activities around the world. In addition to importing and exporting goods, making overseas investments and launching local production and sales activities are becoming increasingly common in recent years. And people meet and forge heart-to-heart connections with each other when they engage in these activities.

So I decided on the taglines to emphasize that JFTC aims to connect Japan and the rest of the world, helping people forge emotional bonds. I added the tagline “JFTC Contributes to the World with Renewed Wisdom.” It is said that the first Shosha in Japan was Kameyama Shachu established by Ryoma Sakamoto



at the end of the Edo era in the late 19th century. Businesses called Shoshas have existed for nearly 150 years since, launching and continuing a wide range of dynamic activities. This is because Shoshas have always added considerable value to business processes. The driving force behind the added value is the knowledge and wisdom provided by each person working across the globe for a Shosha. Underpinned by that wisdom, Shoshas have continued to move forward, leading the eras while they changed their shapes when needed, and to contribute to the world. This tagline illustrates this eternal mission that Shoshas have undertaken since their inception.

#### ***What activities should JFTC focus on?***

We cover a broad range of activities. We suggest political measures, exchange views and opinions with the government, promote foreign economic exchanges, collect information about and conduct research on trade and investment, offer lectures and seminars, and make contributions to society through our support for the NPO called Action for a Better International Community.

I believe that we should focus particularly on suggesting political measures. As the economy is increasingly globalized and its international borders disappear, Japan should be clear about what political measures it plans to take so that the country remains capable of competing in international markets. We will offer the government and relevant institutions our detailed suggestions about systems, frameworks, and rulemaking in accordance with wisdom that Shoshas provide, and with information we have gathered from around the world.

For example, Shoshas would reach their full potential in exporting infrastructure. For Japanese enterprises to participate in and make local contributions to

overseas projects for infrastructure development, it is vital that a governmental support system centering on financing is in place, and that the public and private sectors work together to encourage Japanese businesses to participate and contribute. Relying on its own capability, JFTC will collect information, conduct research, and make suggestions, incorporating overseas views.

Besides, I think we should make as many efforts as possible to develop globally-competent talent. We should help develop business talent characteristic of Shoshas. More precisely, we should provide as much support as possible for developing people who are receptive to cultural differences, and flexible enough to plan unprecedented transnational projects. The program for encouraging students to study abroad promoted by the Ministry of Education, Culture, Sports, Science and Technology is consistent with our goals, so I hope we can cooperate with the program.

#### ***How do you perceive the world as it is today?***

It has been more than five years since the global financial meltdown caused by the collapse of Lehman Brothers in 2008. The sluggish growth of developed countries' economies, which used to lead the world economy, seems to have become the norm, whereas emerging countries have strengthened their presence with their powerful economic growth. Population trends, which underlie countries' economic potential, are largely proportional to this phenomenon. The populations of developed countries excluding the United States have remained at the same level or have been declining, while those of Asian and African countries are expected to keep rising.

#### ***What do you think will become of the world?***

As international political scientist Ian Bremmer describes it as "G-Zero," you can say that the world today has no leader. The United States used to exercise powerful leadership, but the country has shifted its focus to domestic affairs, and Europe cannot afford to care about any issues outside the region because of the government debt problems. Emerging countries like China and Russia, on the other hand, are becoming politically articulate, while the situations in Ukraine and the Middle East are changing every moment. World affairs have become extremely complicated.

Unpredictable as it is, what the world will look like by the end of this century can be envisaged. The international economy over the first fifty years of the century will be led by the United States, China, and Asia, and I would say it is highly likely that Africa will have a strong presence over the second half of the century. A part of Asia, Japan has ample experience in relationships with the rest of Asia, but not in those with African nations. Therefore, Japan has to figure out how to connect and work with Africa in the long run. It should start communicating with countries in Africa as soon as possible to have a deeper mutual understanding of culture, history, and economic activities. I think that it is time to accelerate our preparation for “the Age of Africa” that I believe will begin during the second half of the 21st century.

***What would you say is important for Japanese corporations expanding their overseas operations in the midst of such changes?***

I would say that it is important to have flexible ideas free from conventional common sense as they evaluate a situation correctly for future prospects. It is also vital that, when they launch business activities overseas, they learn about not only the country’s political and economic situations, but its history and religions, so that they keep in mind local values as they interact with local people.

Besides, given that the world has no leader today, Japan should communicate much more with many different countries, in addition to maintaining the strong relationships it already has with a few. I think that private enterprises will also need to forge relationships with political and economic leaders in various countries.

***What would you say is Japan’s strength that sets the country apart from the rest of the world? What should Japan focus on down the road?***

I believe that the strength Japan has is the capacity to provide high quality of life. The key words are “safety, security, cleanliness, convenience, comfort.” These elements shape the “Japan Brand,” as it were, and served as a driving force to win a high level of trust in Japanese products on overseas markets. In addition, as the increasing number of visitors to Japan and the boom in Japanese food indicate, service businesses that take advantage of the value of the “Japan Brand”

have been growing.

The “Japan Brand” is underpinned by world-class technologies and a talent pool. So, while it continues to enhance its technologies, Japan should develop members of its younger generations into people capable of flexible thinking to cope with the increasingly complicated world. When the entire nation becomes fully aware of the importance of having such human resources, I am certain that Japan will become a great country that enjoys an abundance of excellent talent.

***What would you say are the issues that Japan has? How does the country address them?***

I would say Japan has two major issues. One is that, compared to Western countries, both the government and private corporations tend to pursue partial optimization, often at the expense of total optimization. I think that this tendency should be corrected. They should always envision total optimization, or they will find themselves left in the dust amid dynamic competition in Western markets.

Competition for desalination projects is a good example. Japan has the world-class technologies applicable to individual key components, such as thin-film technology. Nevertheless, Japanese corporations have had difficulty putting these components together into one coherent project, and so they have been unable to win. Offering an advantage over their competitors for just one part of the whole project is not enough. If they are able to put together different pieces of knowledge and wisdom into a coherent whole centered on the key components, the result would be in the best interest of not only the companies, but the whole of Japan.

Instead of competing to do everything on their own, they should form an alliance in which the members make up for the others’ weaknesses, so that they will work together toward total optimization. I think that the key concept in the 21st century will be, “from partial optimization to total optimization.”

The other issue is the way to deal with the aging population and the declining birth rate. Since Japan’s total population is expected to be less than 100 million in 2050, it is vital to create an environment that attracts talented people from overseas countries. Japan has made considerable progress in “outbound globalization” by promoting overseas business

operations. Now, Japan should launch more efforts to make the life of non-Japanese nationals easier as the country works toward “globalization within.”

Japan is called an “advanced nation of social issues” because of its aging population and declining birthrate. I think that the country should take advantage of this situation. I would like to expect the government to proceed with deregulation and take the lead in creating best practices in the areas that many other countries will have to work on, such as the issues of scarce successors to business operators, the need to strengthen the social security system, and to achieve financial reconstruction and economic growth at the same time. For example, to address the issue of scarce successors to agribusiness operators that accompanies the aging of farmers, the government should develop and promote bolder and more workable growth strategies as soon as possible. This would simplify the creation of new business models, and help focus more on training young people employed in agriculture.

The forestry industry has many problems too. Poorly maintained forestlands do not have much undergrowth, so wild animals that feed on it come down to towns for food. Also, these forests may not have enough water-holding capacity, which can cause flash floods. This is an alarming situation, given that forestlands make up seventy percent of Japan’s national territory. Forestry is not only about planting trees, but about maintaining forests by cutting down trees systematically. Both agriculture and forestry must take into account production efficiency, so, although it would be no easy task, the business world should do what it can to help these industries. I hope that there will be workable collaboration between business and the industries to create win-win situations.

***What are your thoughts about the economic environment surrounding the trading circle?***

As emerging countries gain power, the world economy will be further multipolarized and globalized, prompting more people, goods, money, and information to move across national borders. Japanese corporations must find ways to take advantage of this tide because, with Japan’s population diminishing, they cannot rely solely on domestic markets for opportunities to continue their growth. They must also keep in mind that, while globalization enables

businesses to expand into international markets, it also puts them on an equal footing with their overseas counterparts, which further intensifies competition. They need to remain alert to this downside.

***What do you think Japan can do to cope with this economic environment?***

I believe that it is vital to strengthen Japan as a nation built upon these three pillars: trade, technology, and human resources. Globalization may make us feel unsettled, but we need to determine that Japan will continue to live in the world of free trade. I very much hope that the Japanese government will promote economic partnerships, including the Trans-Pacific Partnership (TPP), to help Japanese corporations survive fierce competition with overseas corporations.

That said, trade liberalization will have negative effects on some domestic industries. So it is also crucial to take measures to relieve these industries, by negotiating with partner countries for gradual tariff reductions, and developing domestic support measures to mitigate damage caused to the industries. As for agriculture, I think it is necessary to find a way toward “aggressive agriculture” competitive in export. The government should take every possible measure—such as assisting businesses to acquire international certificates, and promoting primary producers’ diversification into processing and distribution (“sixth sector industrialization”)—and develop detailed schedules for courses of action.

Besides, it is important to build a solid industrial foundation through tax reforms (including corporate tax) and promotion of the energy policy to develop the country’s strength to survive international competition. This will lead to improve Japan’s locational competitiveness.

***What should the trading circle do?***

The excessively strong yen was stemmed, yet exports have not increased because Japanese companies have moved their production bases to overseas locations. Hence, it is vital that the trading circle racks its brain to figure out what it can do to revitalize the Japanese economy. As emerging economies grow, markets that demand the life-enriching “Japan Brand” will definitely grow. The value of “made-in-Japan” products and services should be reassessed, including those offered by industries that



have been non-exporters so far, to expand business with ingenuity.

### ***What would you say are the strengths that Shoshas have in Japan's industrial structure?***

As the tagline I created indicates, the major strength that Shoshas have is their ability to “connect” Japan to the world, or a corporation to another corporation. Shoshas’ business is, in a sense, about “creating a river flow.” Supply begins up the river, demand lies down the river, and there are distribution and finances in-between. Shoshas are capable of connecting and covering all of these. Besides, with their global networks, Shoshas are able to freely create “connections” across the world, such as meeting downstream needs in one country by bringing goods from upstream suppliers in another country.

As you see, Shoshas develop global business processes, form value chains, and enhance the efficiency of distribution to improve the traceability of products and their added value. Or they connect enterprises in different lines of business to create another business that these enterprises each cannot create alone. Furthermore, they can pick up and plant seeds of small businesses to grow them into a large business.

Therefore, Shoshas act as organizers who participate in business to create businesses. They are capable of connecting one with another to make three as a result of synergy effect, instead of two. I think this is the greatest strength that Shoshas have.

Another strength they have is that Shoshas are able to “transform” themselves. Their business used to be centered on B-to-B buying and selling. It has been transformed significantly with time. Today, they make investments to earn their interests through stock dividends, form alliances with overseas corporations, or acquire ownership of businesses to run the affiliated companies as one group.

### ***What contributions do you think Shoshas can make to Japan and the world?***

I think that their “ability to connect” is the key. They connect Japanese corporations with the world, and overseas corporations with Japan, as if building bridges. When Japanese enterprises cross these bridges, they help the entire Japanese economy absorb the dynamism of growth in international markets.

Also, Japan’s excellent technologies and know-how conveyed by Shoshas bring significant advantages to overseas countries. Environmental and energy-saving technologies along with processes and know-how for providing safety and security are Japan’s area of specialty, and I believe the world needs them.

Shoshas must also keep asking themselves if their business operations are in harmony with the international community, civil society, and the global environment, as they move forward with their business activities. That is, they must remain “good corporate citizens.” To do so, it is integral that their activities earn public trust. They should maintain objectivity to look at themselves from society’s point of view.

### ***What are the characteristics of business talents in Shoshas?***

I think that many people working at Shoshas are flexible and capable of remaining undaunted by changes. They are curious about everything, always ready to take action, and remain active and positive in the face of difficulty. In short, they are tough. Shoshas were claimed to be declining or unnecessary many times in the past, but they have survived nonetheless. I think this is because their people took what seemed to be negative changes as opportunities, and worked hard to transform their companies.

Asian and African countries are likely to achieve remarkable growth in the years to come. Shoshas should continue to launch dynamic projects in global settings expanded by their growth, making the 21st century “the Age of Shoshas.” Talented and experienced people can make anything possible.

### ***How should Shoshas develop their talent pool for the future?***

To serve as bridges between Japan and the rest of the world, Shoshas must continue to develop globally-competent talent. To be more specific, these individuals should have reliable language skills, and should be flexible enough to respect different cultures, traditions, and religions as they collaborate with their overseas counterparts. For an individual to be globally competent, they should jump into overseas society with different cultural backgrounds to learn about local people’s ways of thinking and points of view from hands-on experience, which requires courage, curiosity, and flexibility. As globalization progresses,

not only Shoshas, but the whole of Japan needs these human resources capable of accepting, understanding, and collaborating with people from diverse cultures.

As I said, I think that many human resources working for Shoshas are flexible and always up for taking action, so they can easily be developed into globally-competent business talents. To hone their skills, I think it is best that their companies assign them to positions in overseas offices at an early stage of their careers, so that they immerse themselves among local people, learn to speak the local language, and acquire the skill to cope with cultural conflicts.

And, in addition to Japanese talents, it is also vital to hire more non-Japanese. For non-Japanese employees to acquire Japanese language skills and learn about Japanese culture and business practices from hands-on experience, Shoshas need to offer them opportunities to work in Japan. I also believe that working in a third country—that is, a country other than Japan and their homeland—would be an invaluable experience for them.

#### ***What do you expect from employees working for Shoshas?***

I expect them to value their interests and curiosity, and, by extension, to dream big. I would like them to flesh out their dreams as visions, convert the visions into strategies, and then into tactics to carry out as they move on with their lives. Having solid grand strategies is important, and converting them into detailed tactics is equally important. The same applies to running a company.

That said, not everyone is able to live out their dreams without a hitch. Life is full of ups and downs. When they are experiencing downs, they should look further into the future as they endure the predicament, so that they accept and digest everything that happens. Whatever happens in their lives is going to happen, but they should make efforts to make things work out. I would like people working for Shoshas to maintain this positive attitude. I expect them to persist with their efforts even when they do not see immediate results, so that they will cultivate humanity and dignity within that are respected anywhere in the world.

So, I believe it is integral that they set long-term goals, and keep “upgrading themselves” toward the goals. Becoming better people enables them to make their families happy, and to help improve society. To

achieve this, they should follow their own Plan-Do-Check-Act (PDCA) cycles as they brush up on their skills and personalities.

#### ***What should an organization do about talent development?***

It is vital to assign the right people to the right jobs, first and foremost. Within a company, no one is useless; everyone is capable of contributing to the company’s strategies in some way. The organization should consider which position will allow each of its employees to achieve his or her potential. To do so, maintaining internal day-to-day communication is crucial. Fortunately, a Shosha offers many different functions in its wide array of business domains, so it is a great place to work for in that it is able to assign its employees to positions in accordance with their talent and characteristics.

Second, the organization should be aware that no one is perfect. Everyone has his or her own strengths and weaknesses. The organization, as a group of people with many different personal qualities, should make up for their weaknesses, while it skims off their strengths. I believe this will incredibly empower the organization. One person cannot do everything on his or her own, but one group of people with different strengths may be capable of doing everything on its own. The organization may not be able to turn its employees’ weaknesses into strengths, yet it can help further develop their strengths, and have the weaknesses made up for by people working with the employees.

#### ***<Personal Questions>***

#### ***What do you remember the most of all your experiences so far?***

I was in the information industry, so now and then I traveled on business to Silicon Valley where I had many stunning experiences. For example, when I met with Scott McNealy, CEO of Sun Microsystems, he surprised me by saying, “Take a lunch, or be a lunch.” The words seemed to represent his vigor amid eat-or-be-eaten competition, and his vitality and passion. And when I met with Sheryl Sandberg, COO of Facebook, I was overwhelmed by the free atmosphere in the office. I remember thinking that for a leading-edge international company to stay creative, it must provide this atmosphere for its employees.

## **What is your motto?**

“Treasure every meeting, for it will never recur.” I once thought about how many people I would get to meet face-to-face in my lifetime. Compared to the world’s population, the number is, of course, astonishingly small. So I began to believe that I am destined to meet people I get to meet. I appreciate every meeting, and value my relationships with my friends and acquaintances.

## **What are your hobbies?**

I play golf, but most of all, I enjoy meeting and talking to people. There is always something to learn from people I meet, but, above all, I just love to meet and talk to people. When I meet someone for the first time, I imagine what type of person he is, what he thinks, and how he acts. As our conversation proceeds, I discover and learn something new and genuinely interesting about him. The more I get to know something wonderful about the person, the more I come to like him.

## **The Importance of Asian Markets and the Roles of “Shosha”**

**The global economic presence of Asian economies has been increasing continuously. Asian countries are showing a high rate of contribution to global economic growth. The roles demanded of Japanese companies that have built robust supply chains in these countries and those of “Shosha” have increased in direct proportion to the growing presence of Asian economies. Japan has embraced a national Growth Strategy. Under this strategy, infrastructure development and regional economic partnerships are crucial themes of the Strategy of Global Outreach for capturing growth overseas. These themes will contribute immensely to the advancement of the global economy. Against this backdrop, in an advertisement feature planned by the Nikkei business newspaper and issued on June 6, JFTC made the following remarks on the importance of Japan’s initiatives and the roles of Shosha in contributing to the growth of Asian economies.**

## **A Growing Asian Market Presence Driven by Fast-Paced Economic Growth**

Despite slowing economic growth in certain Asian countries such as China and India recently, Asian economies will remain the driving force behind the global economy, with no change in their roles in this respect. Indeed, the presence of Asian economies in the global markets has only continued to increase further.

According to the International Monetary Fund (IMF), the rate of contribution of Asian economies to global economic growth for different periods (comparison between 1980-2000 and 2000-2018) has increased substantially across the board, with the rate of contribution to global economic growth for China increasing from 4.6% to 21.1%, India increasing from 1.3% to 3.8% and five ASEAN member states (Indonesia, Malaysia, Philippines, Thailand, and Vietnam) increasing from 1.3% to 4.2%.

Particularly noteworthy is the large growth in the Asian region’s middle class, which will form the largest segment of each Asian country’s market. This is one major factor underpinning the region’s strong economic growth prospects going forward.

## **Building Supply Chains as Part of Offshoring Operations**

In response to continuing global economic advancement, Japanese companies have vigorously expanded into Asia as part of the offshoring of their operations to cut production costs and mitigate the yen’s appreciation. In tandem with the liberalization of trade in the Asian region, Japanese companies have built robust regional supply chains.

Today, upgrading supply chains within the region is essential to the management strategies of Japanese companies. Even when considering recent rises in wages in Asian countries and the correction of the yen’s excessive appreciation, Asian business expansion is still expected to remain crucial, with a sustainable growth trend projected for the future.

## **More and More Expansion in Infrastructure Demand**

As the Asian region continues to strive for further economic development, infrastructure development related to energy conservation, environmental and other technologies will be essential, along with building logistics networks and ensuring the supply

of electricity. Therefore, demand for infrastructure is anticipated to continue to increase further. According to the Asian Development Bank (ADB), the aggregate amount of infrastructure investment needed is estimated at US\$8 trillion cumulatively over the 2010-20 period.

In June 2013, the Japanese government unveiled the Japan Revitalization Strategy. Under this strategy, infrastructure systems exports are positioned as a crucial theme of the Strategy of Global Outreach for capturing demand from the growing Asian economies. In this sense, the Asian markets are becoming increasingly important to Japan.

### **Economic Partnerships Targeted by Asia and Japan**

In the past, JFTC has issued opinion advertisements in conjunction with “The Future of Asia” feature articles issued by the Nikkei business newspaper. There too, it has vigorously advocated the promotion of the Trans-Pacific Partnership (TPP) and economic partnerships in the Asian region such as the Regional Comprehensive Economic Partnership (RCEP) (ASEAN+6) and a Free Trade Agreement (FTA) between Japan, China and Korea as key milestones for realizing the goal of the Free Trade Area of the Asia-Pacific (FTAAP).

The promotion of economic partnerships will reduce and abolish tariffs within the region, along with advancing the protection and encouragement of foreign investment by Japanese companies and coordination of international double taxation. As a result, economic partnerships will promote the free movement of people, goods, capital, and information. Notably, they will contribute tremendously to building robust supply chains, as mentioned above.

### **Japanese Government Measures for Infrastructure System Exports**

In June 2013, the Japanese government established “the Ministerial Meeting on Strategy relating Infrastructure Export and Economic Cooperation” to examine specific overseas expansion measures for infrastructure systems. Since June 2012, JFTC has requested the enhancement of the public finance functions of the Japan Bank for International Cooperation (JBIC), Japan International Cooperation Agency (JICA) and Nippon Export and Investment Insurance (NEXI) as a private-public collaborative project initiative aimed at strengthening the

international competitiveness of Japan’s infrastructure system exports.

As a result, JFTC’s requests have steadily come to fruition. For example, JICA resumed overseas investment and lending operations, and the Trade Insurance and Investment Act was amended to newly cover the easing of conditions on NEXI overseas investment insurance.

### **Shosha Roles Expand in an Increasingly Borderless World**

Shosha are fulfilling a variety of roles to promote infrastructure systems exports. In the project formation and finance stage, Shosha identify and propose projects by gathering and analyzing information on trends in demand, regional characteristics and other factors in the host country, as well as structuring financing arrangements. Furthermore, in the engineering, procurement and construction phase, Shosha are responsible for arranging logistics and negotiating with the government officials of the host country. In the project management and operations phase, Shosha manage projects to secure profits while controlling business costs. Specific examples of major infrastructure projects in Asia are the industrial parks in the Thilawa, Dawei and other zones of Myanmar, the Indonesia Economic Development Corridor, and the Delhi-Mumbai Industrial Corridor in India.

## **Welcoming Luncheon Held in Honor of The Honourable Tony Abbott MP, Prime Minister of Australia**

(April 7, 2014)



From April 5 to 8, The Honourable Tony Abbott MP, Prime Minister of Australia, visited Japan as an official guest. On April 7, a welcoming luncheon was held in his honor at Tokyo Kaikan, hosted by the Japan-Australia Business Cooperation Committee with the backing of five groups (Keidanren (Japan



Business Federation), Japan Chamber of Commerce and Industry, JFTC, Australian and New Zealand Chamber of Commerce in Japan, and Japan External Trade Organization (JETRO)).

Before the luncheon, meetings were held between Prime Minister Abbott and the representatives of the host and supporting organizations. Mr. Abbott discussed the substantive agreement on the Japan-Australia bilateral Economic Partnership Agreement (EPA), and noted that the investment climate would improve with the repeal of the carbon tax and minerals resource rent tax (MRRT). He also affirmed his intention to further develop the strategic partnership between Japan and Australia.

Chairman Utsuda attended as the representative of JFTC. He explained the roles and activities of “Shosha” in conducting a wide range of business globally. He discussed the large investments made in Australia in recent years by “Shosha”, particularly in the resources and energy fields. Chairman Utsuda also pointed out that ever since Mitsui & Co., Ltd. opened its first Australian office in Sydney in 1901, the year Australia gained independence from Great Britain, the company has developed business in a variety of fields. He stressed that the company intends to continue contributing further to the economic advancement of both countries through its businesses.

The luncheon was attended by nearly 200 participants, including dignitaries of both countries’ governments, business leaders and others, with discussions held in a pleasant, relaxed atmosphere.

**State Banquet in Honor of His Excellency  
Mr. Barack Obama, President  
of the United States of America**

(April 24, 2014)

From April 23 to 25, U.S. President Barack Obama visited Japan as a state guest. In the evening hours of April 24, a state banquet was held at the Imperial Palace, hosted by Their Majesties the Emperor and Empress of Japan in honor of the President. Chairman Utsuda of JFTC and his wife attended the event as invited guests. President Obama was the first U.S. president to visit Japan as a state guest in 18 years, since President Clinton. The state banquet was

attended by approximately 170 guests, including dignitaries from the governments of both countries, notably the heads of the three branches of the Government of Japan, led by Mr. Shinzo Abe, Prime Minister of Japan, and Cabinet ministers, as well as Ms. Caroline Kennedy, Ambassador of the United States of America to Japan, and Mr. Michael Froman, United States Trade Representative.



U.S. President  
**Barack Obama**

August 1961  
Born in Honolulu, Hawaii

- 1983 : Columbia University (B.A.)
- 1985-1988 : Community organizer in Chicago
- 1991 : Harvard Law School (J.D.)
- 1992-2004 : Attorney and Senior Lecturer, The University of Chicago Law School (Constitutional Law)
- 1997-2004 : Illinois State Senator
- January 2005-November 2008 : United States Senator (from Illinois)
- February 2007 : Announces intention to run for president
- November 2008 : Won the U.S. presidential election
- January 2009 : Inaugurated as 44th President of the United States
- November 2012 : Re-elected as President of the United States

**Bilingual “Japan’s Foreign Trade 2014”**

published in April

The JFTC published “Foreign Trade 2014” in April this year. A series of this handy booklet, a kind of the “Small-White Paper on Trade” has been widely used among those interested in Japanese economy and

trade since first edition in 1976.

**Foreign Trade 2014 is written bilingually in Japanese and English. Booklet (¥500 including tax) is available for purchase at large book stores and government book centers. Inquiry for mail order should be addressed to chosa@jftc.or.jp or by fax 03-3435-5979.**



#### **-Introduction-**

In 2013, Japanese economy came along with the challenging actions, called Abenomics. It is a series of economic measures induced by Prime Minister Abe after his re-election in December 2012. His aim was to overcome the economic slump with the “Three arrows”. With releasing the first arrow, “aggressive monetary easing” and then the second one, “a massive fiscal stimulus package”, the value of domestic currency was yet adjusted sharply. The appreciation of yen, which had imposed a hardship on Japanese economy for many years, saw depreciation of more than 20% from the ¥80/US\$ level to above the ¥100/US\$ level. Not only for the dramatic weakening of yen, but for the inflation target of 2%, we’ve seen decent results by the same token. These stimulus packages proved effective. Business confidence in Japan has greatly improved, by and large, and corporate performance also picked up, more significantly among exporting companies. Only in one year, eventually, the Nikkei Stock Average soared more than 50%.

However, Japan’s balance of trade in 2013 was a deficit of ¥11.5 trillion, which was not just the third consecutive deficit but the largest deficit on record.

**Exports:** ¥69.8 trillion

Exports turned to an increase after two years of decline, although exports declined on a volume basis for the third consecutive year.

**Imports:** ¥81.3 trillion

Imports broke the highest record. The total volume of imports grew for the fourth consecutive year.

**Trade Balance:** ¥11.5 trillion

Japan’s balance of trade deficit with China became ¥5.0 trillion, reflecting the record breaking high imports of ¥17.6 trillion.

Export volume did not increase despite J curve effect expected from the ongoing depreciation of the yen. In “FY 2014 Outlook for Japan’s Trade Balance and Current Account”, which The Trade Trend Research Committee of the Japan Foreign Trade Council, Inc. released in November 2013, it is analyzed as follows.

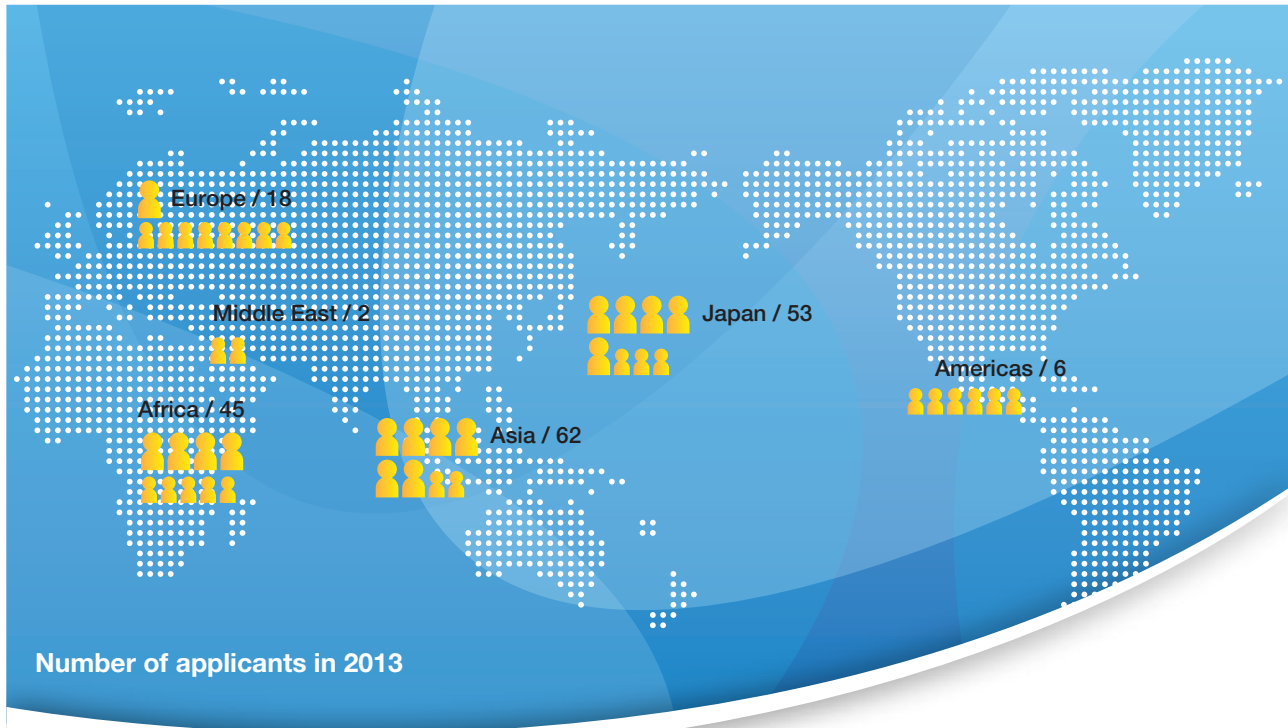
- 1) Due to years of the appreciation of the yen, many companies have already moved their production lines to overseas by now.
- 2) Due to the economic recovery in Japan, Japan’s domestic demand for imports was so strong leaving less capacity for exports.
- 3) Many product parts that used to be exported from Japan to production lines abroad are now locally manufactured.

Recovery of exports is a key factor that predicts Japan’s future trade structure. We must keep a close eye on the direction to which Japan’s exports will step forward in 2014.

Foreign Trade 2014 marks the 39th edition since it was first released in 1976.

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