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Promoting “Globalization Within Japan” for Deeper Relations between Japan and Other Asian Countries



While Japanese Shoshas (trading companies) continue their traditional trading activity, they have brought on a dramatic shift to their business model by actively making business

investments and taking a deep stake in the management of the companies they have invested in. In Asia, they work closely with local blue-chip companies as their partners to run a wide range of businesses in different industries, such as logistics, infrastructure, and resource development. Chairman Eizo Kobayashi made the following statements in the Nihon Keizai Shimbun on June 8.

What does Asia mean to Japan?

When we take a fresh look at Japan’s relationship with other Asian countries, they are, first and foremost, Japan’s primary business partners. Japan’s trade with the region makes up half of its total trade figures, and the majority of Japanese companies’ overseas operations are in Asia. These companies are in different types of business, ranging from automobiles, home appliances, apparel, food, and more, and conduct manufacturing and sales activities on a massive scale.

Besides, it is likely that ASEAN regional integration due at the end of 2015 will further empower the Asian region, facilitating even deeper relations with Japan in the fields of trade, investment, and interpersonal communication.

In recent years, Japan has seen ever-increasing visitors from overseas, and the number of these tourists reached over 13 million in 2014. Those from Asia in particular increased significantly. The Japanese government has set a goal of boosting overseas visitors to 20 million per year by the end of 2020. I am guessing the majority of these visitors will be from Asian nations. In many respects, other Asian countries have truly become indispensable partners of Japan.

Issues Japan is facing and how to address them

Now, let’s look at what is going on inside Japanese society. It faces many mid- and long-term issues, and one of them is the diminishing population. Japan’s population was about 127 million in 2014, and there is forecast that it will be less than 90 million in 2060. The decline in the total population will have an enormous

impact on the society in that it will lead directly to labor shortage, and concurrently, there is massive scale migration from the provinces to the Tokyo metropolitan area or other major urban regions. The unevenly-distributed population has deteriorated the regional economy, and inevitably, regional communities.

Coping with the diminishing population and the weakening regional economy and communities is a huge challenge. I personally believe that Japan should envision acquiring talents and expertise from overseas to make up for its shortages. To make this vision a reality, Japan must have in place social systems and business environments that encourage talented people and outstanding enterprises from overseas to relocate to Japan as soon as possible.

To create this path between Japan and overseas, it is vital to look squarely at the realities that have long discouraged these people and businesses from moving to or staying in Japan, and to address each of the issues, including high-cost structures, unwieldy regulations, insular attitudes toward foreigners and foreign enterprises, as well as the lack of user-friendly residential settings for foreigners.

Having international students is also critical because it should lead to developing talents capable of acting as bridges between Japan and overseas countries. I hear that Japanese universities are trying to enroll more international students, yet promising students often opt for schools in other countries because of difficulties connected to social and institutional issues specific to Japan. For example, only a limited number of graduate and undergraduate programs offer degree courses conducted in English, and renting an apartment is no easy task for international students.

Japan must promote “globalization within Japan”

I believe Japan must promote “globalization within Japan” as a major part of its efforts to address these issues. Many people here seem to associate the word “globalization” with Japanese people and enterprises relocating overseas, which I call “outbound globalization.” However, globalization should be a reciprocal movement that allows people and entities to go outside and come inside the country. Unfortunately, Japan has not made enough efforts to “let outside people and entities come inside.”

As part of its endeavors to help cope with the issues, JFTC Monthly started a one-year project to publish

articles about “Promoting Globalization Within Japan” from the April 2015 issue. In these articles, people in different industries express their concerns and make suggestions from various perspectives regarding what Japanese society is facing today and what this society should look like in the future. I do enjoy reading their insightful discussions every month, so please take a look at them on our website.

Developing win-win relationships between Japan and other Asian countries

When I look at Japan and other Asian countries, I see potential for complementary relationships, and thus, it is clear that we can build win-win relationships with them. For example, Japan’s population is declining while Asian countries’ are rising; Japan’s consumption scale is diminishing while Asian countries’ are expanding; and cutting-edge technologies that Japan has are needed in Asian countries. Besides, we have many cultural similarities with the other nations in Asia. Japan’s determined efforts toward “globalization within” coupled with “outbound globalization” for deeper and wider-ranging relations with the Asian region will enormously benefit both sides.

JFTC operates according to its motto, “Uniting the World through a Shared Vision.” We are determined to fully harness the knowledge and insight the Shosha industry has about international business. In doing so, we hope to contribute to Japan’s efforts to connect more closely with other Asian countries for win-win relationships, and then for shared visions underpinned by trust.

The 47th Korea-Japan Business Conference (May 13 and 14)

The Japan-Korea Economic Association and its counterpart in Korea hosted the 47th Korea-Japan Business Conference to celebrate the 50th anniversary of the diplomatic normalization between Japan and South Korea on May 13 and 14 in Seoul, South Korea. JFTC Executive Managing Director Amano attended the conference with about 300 other guests from

Japan and South Korea.

The participants in the conference engaged in serious and vigorous discussions about “A new era for the Japan-Korea partnership: developing a new future for mutual growth and prosperity,” “A path toward integrated growth over the next 50 years,” and “Look Korea (learn from Korea), Look Japan (learn from Japan).” In the closing of the conference, head of Japanese delegates Mikio Sasaki (Senior Corporate Advisor of Mitsubishi Corporation) and his Korean counterpart Kim Yoon (Chairman of Samyang Holdings) led the conference to adopt a joint statement for the future of the partnership the two countries aim to develop over the next 50 years. The joint statement signifies agreement between Korean and Japanese business experts at the conference to work closely together to help the two countries form “one economic block” for the era of mutual growth and prosperity. The economic block should contribute to empowering the Asia-Pacific region for sustainable and well-balanced economic growth, thereby making the 21st century the Asian Century in name and reality through a close cooperation.

The joint statement specifies what the two countries should do for cooperation, including: (1) Cooperation in achieving the creative economy (2) Supporting the Trans-Pacific Partnership (TPP) and other regional and multilateral free trade agreements (FTA) (3) Further collaborative projects in third countries and cooperation in prospective growth areas (4) Expanding cooperation in the banking and communication sectors (5) Enriching and expanding youth and future generation exchange programs between the two nations (6) Mutual cooperation toward the success of the 2018 Pyeongchang Winter Olympics and the 2020 Tokyo Olympics (7) Promoting grass-roots cultural exchange programs.



State Visit to Japan of H.E. Mr. Benigno S. Aquino III, President of the Republic of the Philippines



From left: Vice Chairman Sugata of Japan Association of Corporate Executives, Representative Organizer Kobayashi of Japan-Philippines Economic Cooperation Committee, Chairman Mimura of Japan Chamber of Commerce and Industry, President Aquino, Chairman Sakakibara of Japan Business Federation, and Chairman Kobayashi of Japan Foreign Trade Council.

His Excellency Benigno S. Aquino III, President of the Republic of the Philippines has paid a State Visit to Japan along with his entourage for the promotion of friendship and goodwill as well as economic exchange from June 2nd to June 5th. During his stay in Japan, a welcome ceremony and a State Banquet were hosted at the Imperial Palace, in addition to the welcome luncheon that was held by the economic associations.

State Banquet (June 3rd)

On June 3rd, Their Majesties the Emperor and Empress of Japan hosted a State Banquet in honor of the President at the Imperial Palace, and Chairman Kobayashi of JFTC and his wife were invited to attend.

In His Majesty's speech, the Emperor expressed His welcome to President Aquino, and touched upon the friendship that has been cultivated between the two countries since the establishment of diplomatic relations in 1956. Moreover, the Emperor stated His gratitude for the warm kindness President Aquino extended in the aftermath of the Great East Japan Earthquake.

In turn, President Aquino articulated his appreciation

for the warm hospitality he received, and spoke on the strong ties of their economic relations between the two countries, as well as the cooperation on the Mindanao Peace Process. President Aquino voiced his happiness for the continuous, favorable relations between Japan and the Philippines.

Welcome luncheon by the economic associations (June 4th)

On June 4th, JFTC co-hosted a welcome luncheon with the Japan Chamber of Commerce and Industry (organizer), Japan Business Federation, the Japan Association of Corporate Executives, and the Japan-Philippines Economic Cooperation Committee at Hotel New Otani for President Aquino.

From the Philippines side, starting with President Aquino, Mr. Purisima, Secretary of the Philippine Department of Finance, Mr. Domingo, Secretary of the Philippine Department of Trade and Industry, Mr. Singson, Secretary of the Philippine Department of Public Works and Highway, , and about 100 people attended the luncheon. From the Japan side, apart from Chairman Kobayashi who represented the Council, Chairman Akio Mimura of the Japan Chamber of Commerce and Industry, Chairman Sadayuki Sakakibara of Japan Business Federation, Vice Chairman Shiro Sugata of the Japan Association of Corporate Executives, Representative Manager Ken Kobayashi of the Japan-Philippines Economic Cooperation Committee, and about 100 members from the top echelons of the industrial world attended.

In the welcome address from the co-hosting bodies, Chairman Mimura of the Japan Chamber of Commerce and Industry, and Chairman Sakakibara of Japan Business Federation made the point about building a mutually beneficial relationship between the Philippines and Japan, where the former has an abundance of young and competent labor force as opposed to the latter's decreasing birthrate and aging population. Furthermore, they talked about their expectations of the increasingly important role the Philippines would play as the closest ASEAN country to Japan when the ASEAN Economic Community will be launched, emphasizing further strengthening of the relationship between the two countries.

In response to this, President Aquino talked about the country's automobile industry promotion policy that has just been announced and touched upon the joint

statement that was exchanged last year about human resource development as well as support for small and medium-sized businesses. Lastly, he showed his optimism about receiving support from Japan in regards to Philippines' endeavor for manufacturing and human-resource development.

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Mr. Benigno S. Aquino III, President of the Republic of the Philippines

1960: Born in Manila
1998: Elected to lower house
2007: Elected to upper house
2010: Assume Presidency
(The term is until June 30th, 2016, no reelection).



Mr. Aquino is the eldest son of the late former Senator Ninoy Aquino and the late former President Corazon Aquino, the symbol of democratic revival in the Philippines.

After a landslide victory in the presidential elections in May 2010, he led the ruling party to a win for both houses during the mid-term elections held in May 2013. His public commitment includes eradication of corruption, Mindanao Peace Process, eradication of poverty, educational reform, and attraction of foreign investment.

Overview of the Republic of the Philippines

The Philippines is a sovereign republic nation situated in Southeast Asia. It is an island nation, and is positioned relative to Japan sandwiched by the ocean, as well as the Republic of China, Malaysia, Indonesia, and Vietnam. It is a member of ASEAN, and as of 2014, it boasts the 2nd highest population and the 5th largest GDP among the ASEAN members.

Relationship-wise, Japan and Philippines are on favorable terms. In terms of economic cooperation, Japan is the Philippine's largest export partner country, and had been the top import partner country for three years in a row until 2011, although its ranking has dropped to the third place since 2012. Furthermore, cumulatively, the Philippines has held the top position from 2006 to 2013 for its direct investment from

Japan, and again for investment flow, it has ranked at the top for three years in a row from 2009 to 2011, demonstrating Japan's presence in the Filipino economy.

Basic Data

Area: 299,404km² (Number of islands: 7,109)

Population: Approximately 98,200,000 (2013 Filipino census)

Capital: Manila

Language: Official languages are Filipino and English. There are 80 other recognized languages.



Ethnic groups: Other than the Malays which are the largest ethnic group, there are Chinese, Spanish and other minority groups.

Religion: The only Christian nation among the ASEAN countries. 83% are Catholic, 10% are other Christian denominations, and Muslims comprise 5%.

Government: Constitutional republic

Legislature: Upper and lower house (Upper house: 24 seats, lower house: maximum 292 seats)

GDP: 284.9 billion dollars (2014: IMF) *5th amongst ASEAN member, 40th in world ranking.

Per capita GDP: \$2,865 (2014: IMF)

Rate of economic growth: 6.10%

(2014: National Statistics Office of the Philippines)

Japan's trading status with the Philippines and direct investment

Bilateral trade amount:

Export to the Philippines: 1.0461 trillion yen

Import from the Philippines: 1.0763 trillion yen

Major trade items:

Export to the Philippines:

Machinery, equipment, metal items, chemicals, etc.

Import from the Philippines:

Machinery, equipment, food and animal and plant products, metallic raw material

Direct investment to the Philippines: 35.7 billion peso

[Source: Ministry of Foreign Affairs, JETRO reports, etc.]

“Handbook of SHOSHA” 2014 Version Publication Announcement

Japan Foreign Trade Council, Inc. has been publishing the “Handbook of SHOSHA,” a brief summary on SHOSHA, featuring “What’s SHOSHA?” “Outline of SHOSHA’s Transactions,” “Wide Range of Business Fields of SHOSHA,” and “Earnings Structure of SHOSHA.” The latest 2014 version of the handbook which reflects the shift to the international accounting standards is now available on JFTC website .

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

We hope the handbook will be widely used for you.

- Publication Date: October 1, 2014
- Language: Japanese along with English
- Size: A4, 31 pages
- Price: Free



- Contents:
 - What’s SHOSHA?
 - Outline of SHOSHA’s Transactions
 - Wide Range of Business Fields of SHOSHA
 - Earnings Structure of SHOSHA
 - Appendix Table:
 - The World Economy and Development of SHOSHA
 - Financial Results of SHOSHAs
 - Regular Members of JFTC

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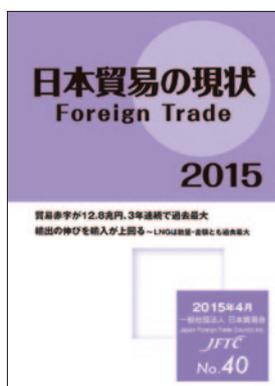
Tel: 03 (3435) 5959

Bilingual “Japan’s Foreign Trade 2015” published in April

The JFTC published “Foreign Trade 2015” 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 2015 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 2014, the global economy in general did not pick up even though the steady but slow economic expansion in the U.S. has continued, because the growth was canceled out by stagnant economy in Europe and the emerging economies along with the slowing Chinese economy. In Japan, the economy was weakened as the consumption tax raised in April turned out to be an unexpectedly heavy downward pressure on the economy.

Under such circumstances, Japan’s foreign trade during 2014 can be summarized as follows.

Exports: ¥73.1 trillion Exports increased 5% (year on year); an increase for the second consecutive year.

Imports: ¥85.9 trillion Imports increased 6% (year on year); an increase for the fifth consecutive year. The highest record was broken for two years in a row.

Trade Balance: Deficit of ¥12.8 trillion, up 12% (year on year); the fourth consecutive deficit. The highest record was broken for three years in a row.

Exports did not increase as expected for the depreciation of the yen, mainly because Japanese manufacturers have already transferred their manufacturing bases to outside of Japan. In contrast, imports increased significantly for high prices of fuel and the last minute surge in demand prior to the consumption tax hike. As a result, the highest record of trade deficit was broken for the third consecutive year.

However, the trade deficit is likely to shrink as crude oil prices have plummeted and exports have been recovering since the fall of 2014. As for the current account, surplus decreased for the fourth consecutive year to ¥2.6 trillion. This value represented the smallest surplus on record, mainly due to growing trade deficit, even though the primary income surplus of ¥18.7 trillion was the largest on record reflecting the increased income from foreign direct investment.

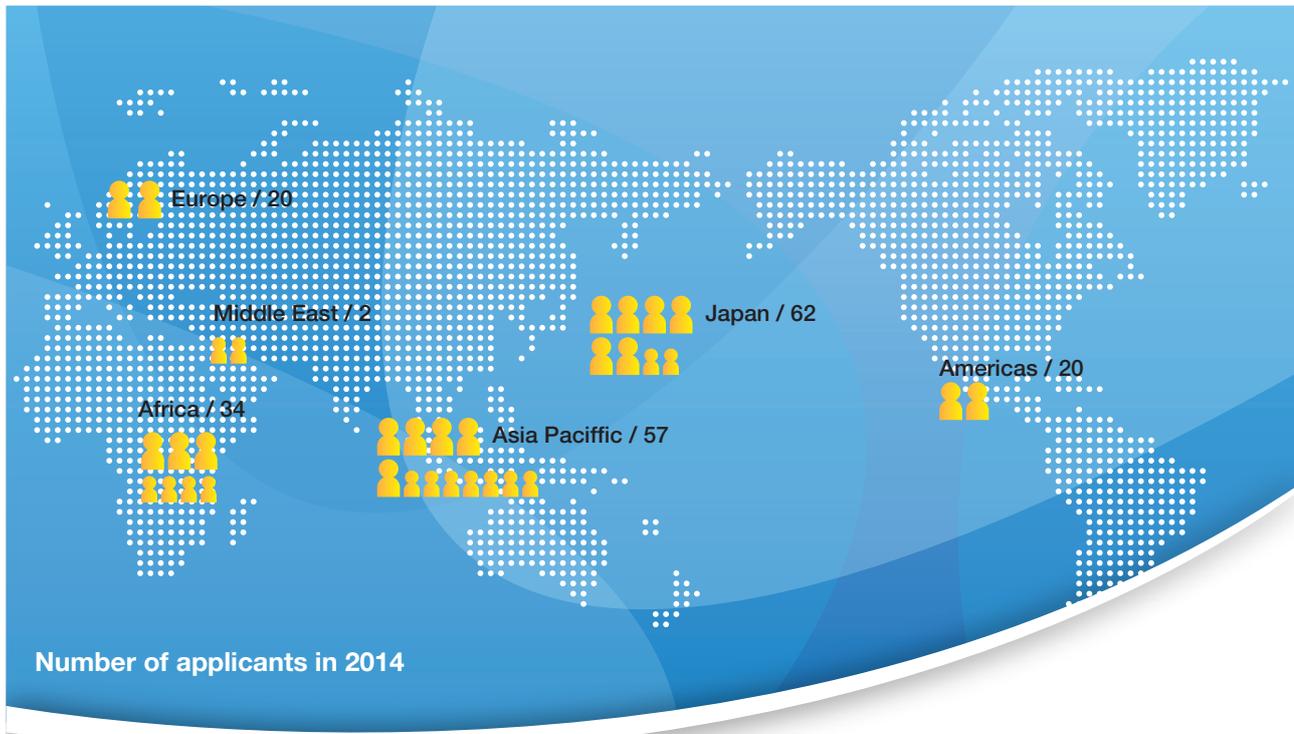
Japan’s current account is likely to improve for steady growth of surplus in the primary income and shrinking trade deficit towards the end of FY2014. In FY2015 Outlook for Japan’s Trade Balance and Current Account, which The Trade Trend Research Committee of the Japan Foreign Trade Council, Inc. released in December 2014, it gives explanation that “In FY2014, exports will increase as the yen depreciates further towards the end of FY2014. On the other hand, falling prices of natural resources in addition to the rebound of the last minute surge in demand prior to the consumption tax hike will put a brake on the growth of imports. As a result, Japan’s balance of trade deficit will start to narrow for the first time since 2011. Furthermore, current-account surplus will grow for the first time in four years since 2010 for the increase of primary income surplus.” Although Japan’s current account is not analyzed in this report, the aforementioned Outlook is included in the Data Chapter for your reference.”

As the recent tendency of Japan’s balance of trade attracts a high level of interest, we will continue to keep a close eye on the direction to which Japan’s exports and imports will step forward.

Foreign Trade 2015 marks the 40th edition since it was first released in 1976.

We hope you will find this volume useful for various purposes, for example, as a reference and for education of new employees (including those at operating companies), and for local employees in foreign countries.

JFTC ESSAY COMPETITION 2015



JFTC is sponsoring JFTC Essay Competition 2015 to encourage students, young researchers and business people to express their opinions on matters of national and international importance.

Theme

**Promoting Globalization within Japan:
An action plan to attract overseas investment,
human resources, and other resources**



Prize

**One Grand Prize of ¥1,000,000,
Three Prizes for Excellence of ¥200,000 each.**

Language : English or Japanese **Deadline :** Sept. 11, 2015,24:00(JST)

Judges Chair : Mr. Atsushi Nakajima, Chairman, Research Institute of Economy, Trade and Industry, IAA

Vice-Chairs : Mr. Junichi Abe, Managing Director, Executive Editor, Editor in Chief, CHUOKORON MAGAZINE Division Chuokoron-Shinsha, Inc.
Dr. Keiko Ito, Professor, Faculty of Economics, Senshu University

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www.jftc.or.jp/english/discourse/

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