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2019 New Year's Reception

(January 8, 2019)

On Tuesday, January 8, 2019, the Japan Foreign Trade Council, Inc. (JFTC) hosted a New Year's Reception in the Tsuru Room of the New Otani Hotel. Approximately 800 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 Kuniharu Nakamura. This was followed by remarks by the State Minister of Economy, Trade and Industry, Mr. Yoshihiro Seki and by a toast given by JETRO Chairman Mr. Hiroyuki Ishige. With the venue filled with pleasant conversation, the reception was brought to a successful conclusion.

2019 New Year's Reception Address by Chairman

Japan Foreign Trade Council, Inc.

2019 New Year's Reception Address by Chairman Kuniharu NAKAMURA

On behalf of the Japan Foreign Trade Council (JFTC), I extend my warmest wishes for a very happy new year to everyone.

Before proceeding, I would like to express my special gratitude to Your Excellencies, the State Minister of Economy, Trade and Industry, Mr. Yoshihiro Seki, JETRO Chairman, Hiroyuki Ishige, and all the leaders from various sectors present here today.

Allow me also to convey my sincere thanks for your ongoing support of JFTC activities.

Japan has recovered from deflation and kept its economy on track to recovery. I appreciate the leadership displayed by the Japanese government, and I am truly grateful for all its efforts.

Turning to the international situation, 2018 was a year of the Trump storm. Trade friction between US and

China became worse than ever and showed no signs of dissipating. In these circumstances, Japan played a prominent role as a bastion for the preservation of free trade.

Great strides were made in this regard: TPP11 came into force at the end of last year, and the Japan-EU Economic Partnership Agreement will take effect in February. For the JFTC, adherence to the rule-based system of free trade is paramount.

This year Japan will attract global attention as G20 chair and should make its presence felt. The JFTC will take every opportunity to communicate the need to maintain and develop a free and fair environment for trade and investment, and will proactively contribute to prosperity in Japan and throughout the world.

I hope that the government of Japan will bolster its efforts to create rules and environments that allow Japanese companies to operate freely.

Another key trend last year was the improvement in relations between Japan and China. Various events were held to commemorate the 40th anniversary of the Treaty of Peace and Friendship between Japan and the People's Republic of China, and the JFTC took a new initiative by holding a symposium in Beijing last September.

I had the opportunity to deliver a speech on behalf of Japanese companies at the first Japan-China Forum on Third Country Business Cooperation held in Beijing in October. In my address, I emphasized the importance of international standards and free and fair environments for trade and investment when Japanese and Chinese companies collaborate on third-country projects.

With a view to expand TPP11 and promptly conclude RCEP talks, this year the JFTC will sharpen its focus on these agreements and pursue deeper cooperative relationships with companies based in various countries. By doing so, we aim to secure a free and fair environment for trade and investment in the hope that this will lead to more prosperous societies.

When I was appointed as JFTC chairman, I adopted the slogan "Shaping the future toward a prosperous world." This phrase encapsulated my desire for our member companies to precisely identify the needs of the times and evolve the Shosha business model in order to create a sustainable and prosperous world in a concrete form not yet seen or experienced by anyone.

The UN's Sustainable Development Goals (SDGs) set objectives to be achieved by 2030 through cooperation

among all countries and companies. There is a high degree of affinity between the SDGs and Shosha activities, and we will proactively contribute to the creation of a sustainable and prosperous world and shape the future by remaining mindful of the SDGs as we fulfill the functions of Shosha.

Finally, I would like to outline the activities of Action for a Better International Community (ABIC), a JFTC initiative aimed at creating sustainable societies.

We established ABIC in 2000, and it continues to contribute to society through wide-ranging support activities. Almost 3,000 former corporate personnel with extensive business experience, expertise, and contacts both in Japan and abroad are registered with ABIC and they respond to a diverse array of needs, including support for national and local government organizations, small and medium-sized enterprises (SMEs), and foreign students in Japan. They also contribute to university classes and education to promote international understanding at elementary, junior high, and high school levels.

At the end of last year, I was delighted to hear that ABIC had become the first organization to receive an award from the Japan Student Services Organization (JASSO), which supports foreign students, for its distinguished service in supporting JASSO projects and operations.

ABIC will continue contributing to society through further expansion of its activities in introducing a wide range of highly experienced people to meet the diverse personnel requirements of government organizations, SMEs, and foreign students in Japan.

We have set up an information panel at the exit providing an introduction to ABIC's activities, and I encourage you to take a look at it on your way out.

We sincerely look forward to your continuing



From left to right:
Chairman Nakamura, Vice Chairmen, Kokubu,
Yasunaga, Kakiuchi, Fujimoto, Suzuki, Kashitani

understanding, advice, and support for the activities of the JFTC and ABIC during 2019, and earnestly hope that this will be a fruitful and prosperous year for all.

Thank you.

Special New Year's Talk

- What the Future Holds for Japan and the World in 2019, from Economic to Social Issues -
(JFTC Magazine January and February, 2019)

In this unstable world state, how will Japan find its path through the ongoing turbulence...

Sakurai: Thank you very much for this discussion today. You have been gracious enough to provide me with your thoughtful guidance since you were General Manager of the Corporate Planning and Coordination Department when I was working in the Economic News Division of NHK covering the Shosha industry. Today I would like to move on to topics for 2019 to ring in the new year. We can consider 2018 to have been a turbulent year, with heightening uncertainty affecting various regions and fields in different ways. What type of year do you think we will see in 2019?

Nakamura: Thank you as well for agreeing to this discussion today. I still clearly remember those days, and I have been happily observing your great work on a daily basis since then. As for current matters, yes, 2018 was indeed a turbulent year of fast-paced changes. For a time, it was common to hear the term “dog years” used in Japan comparing the speed of technological innovation in the IT industry to the ratio of dog years that pass for each human year, but now it seems that change is accelerating in every field to the point that this comparison is no longer valid. Amidst the changing state of the world and society, 2019 will be packed with events and developments both domestically and abroad, making it even harder to get an idea of what to expect. That is particularly why Shosha need to be closely tuned in to developments, predict what might happen next, and prepare accordingly.

Sakurai: In Japan 2019 is the year of the Boar. Contrary to common perceptions, the boar seems to always act carefully and prudently, but then suddenly displays

surprising speed when it spots an opportunity. I get the feeling that in 2019, Japanese companies including Shosha will need to show greater prudence, yet also a greater ability to charge forward, than ever before.

Nakamura: Rather than charging forward blindly, we will need to clearly assess the direction they are heading.

Sakurai: First things first, how do you think the fundamentals of the global economy will be?

Nakamura: The global economy seems set to continue its strong performance, but we will have to find out what kind of impact U.S.-China trade friction will have. If it escalates to involve more than just those two countries, I think it will inevitably have a negative effect on the global economy. Of course, it is my hope that trade frictions calm down quickly.

Sakurai: If that is the case, we will first have our eyes on developments in the U.S. How do you see the results of the U.S. midterm elections that took place in November 2018?

Nakamura: Deliberations on legislative measures may take longer than before since the Democratic Party gained the majority in the House of Representatives, but I think the way the Trump Administration operates will generally remain unchanged.

Sakurai: I also believe that the “America First” mentality which structurally underlies U.S. politics will remain unchanged. I have also heard the opinion that “After President Trump is gone, another President Trump will appear,” but will we also need to be prepared for such a situation? Do you have any type of concerns about U.S. politics?

Nakamura: The Trump Administration only evaluates its relationship with the other countries in terms of whether the trade balance is a deficit or surplus, and appears to be seeking a surplus, but this will not necessarily bring about profitability for the U.S. long-term. For example, U.S.-China trade friction could bring about a negative chain of events for not only the economy of China but for the global economy as well. This would likely come full circle and also hurt the U.S. economy. That would seem to run counter to their own interests.

They need to consider how to steer the U.S. economy forward with a mid- to long-term perspective that takes worldwide circumstances into account.

Sakurai: It has been surprising that even some liberal think tanks in Washington DC are saying that the Trump Administration has been successful with “America First.” While it is true that the U.S. economy is doing well, this

is partly due to the effects of large tax reductions, and it will take time for the negative aspects of this to emerge. As the government financial position deteriorates, interest cost on the national debt is increasing and is predicted to exceed defense spending as quickly as four years from now. This also seems to warrant a mid- to long-term perspective as well. On the other hand, what do you think of economic trends with China?

Nakamura: The impact of higher U.S. tariffs is indeed worrisome. In addition to Shosha, there are many Japanese companies doing trade with China and they are also investing, but since China does a larger portion of its trade with the U.S., the effects of U.S.-China trade friction would gradually expand. I believe that China is also implementing domestic policies aimed at supporting growth rate. I hope these do not heavily lean toward Chinese companies and end up distorting the free economy.

Sakurai: I also expect that even if U.S.-China trade friction calms down, the relationship between the two countries has entered a new stage and will not return to what it was before the friction started. What role do you think Japan can play in these circumstances?

Nakamura: I think we can be proud of the leadership Japan exercised rallying together the other member countries of TPP11 despite the withdrawal of the U.S., and this is definitely a role that Japan can also serve in the future. Specifically, if Japan can keep the U.S.-China relationship together and guide antagonism between the countries to a soft landing, it can have the added effect of increasing Japan's global presence. Germany's

government is losing political power, and the U.K. has its hands full with Brexit. As the most politically and economically stable country in the world, Japan should exercise leadership, and the world is looking to Japan to do so.

Sakurai: That is very true. There does appear to be potential for Japan to exercise leadership for TPP11 (CPTPP), such as expanding membership to include Thailand and the U.K., etc. Considering that, I am very interested in seeing possibly greater hopes for Japan within the U.S. Recently an article in Foreign Affairs Magazine raised the hopes for a G-9 framework that includes neither the U.S. nor China. I would like U.S. allies and countries that share the same values as the U.S. such as Japan, Europe, Canada, and Australia to join hands in exercising leadership to "fill the void left by the U.S.," and I hope that together they can convince the U.S. of these values. Some years ago, thoughts like these would have been a joke, or an idea cooked up in Tokyo, but now I think it very significant that rumors about this actually being plausible are being . The hopes resting on the shoulders of Japan and other U.S. allies to protect the values of free trade, globalism, and the American Dream—that you can be wealthy if you work hard even as an immigrant, which the U.S. cultivated but is now losing sight of, should also provide momentum for Japan as it chairs the G20 this year (2019).

Nakamura: The U.S. itself also needs to accurately understand the impact of the policies of President Trump. Increasing tariffs on steel and aluminum will raise manufacturing costs in the U.S., and ultimately



Kuniharu Nakamura, Chairman of the Japan Foreign Trade Council (JFTC) and Chairman of Sumitomo Corporation

Reiko Sakurai, NHK Senior Economic Commentator, NHK World Special Affairs Commentator

consumers will end up footing the bill. Concerning the WTO as well, rather than call it “unnecessary” because it is not fulfilling its function, isn’t it important to consider how necessary it is as a framework, and what impact withdrawal from it might have?

Sakurai: While President Trump calls for withdrawal from the WTO, Japan and Europe are working together with the U.S. on efforts to reform it. It will not be easy, but I think the idea of utilizing momentum created by Trump to set this reform into motion will be important.

Nakamura: I also agree with that thinking. I believe it would be ideal to have cooperation from the U.S. in an open negotiation setting that also includes China.

Sakurai: At the same time, with negotiation tactics and trade strategy getting mixed together I do not think it will be easy finding a radical solution to this situation. To cite an example, before the midterm elections in the U.S., China requested that the U.S. suspend punitive tariffs in exchange for purchasing large volumes of U.S.-grown soybeans among other things. At first, negotiations appeared to be leading somewhere, but ultimately President Trump flatly said no. From there, the E.U. wasted no time in proposing that Europe would buy U.S.-grown soybeans. Fearing reprisals from domestic farmers President Trump agreed to the proposal and temporarily froze the tariff hike on cars from the E.U. Normally the White House would react to criticism from farmers by revising its China strategy, but this agreement with Europe had quieted the criticism, albeit temporarily. This speaks to the high capabilities of the EU at gathering information as well as the skill of its diplomats, but if we take a step back we can see that the Trump Administration employs tactics that prioritize bilateral discussions. When presented with the idea of a G-9, some people might argue that a framework without participation by the U.S or China is impossible, but just the fact that this idea was even conceived seems to indicate that Japanese diplomacy is entering a new phase.

Nakamura: Looking back at history we can see that the U.S. and Japan have overcome disagreements over economic matters before. It may be “what needs to be done” in 2019, a mission for Japan, to make the Trump Administration aware that nobody wins long-term in head-on confrontations, and to seek out and present good ways to resolve the matter just as Japan and the U.S. were able to before.

Shosha developing and deploying personnel capable of dealing with environmental change

Sakurai: It seems “what needs to be done now,” in your words may be an expression of your determination that leaders should not shy away from predicted inconvenient truths, such as loss of employment opportunities due particularly to the fact that our technological innovations such as AI and IoT are irreversible rather than temporary.

Nakamura: We may lose some jobs to AI and IoT, but new jobs will also be created. It comes down to how these jobs are utilized to boost productivity. Changes that nobody has ever experienced are occurring one after another. While asking ourselves what kinds of impacts these changes will have and how we can use past experience to overcome them, we must also remember that we are facing an entirely new world where the rules of the past do not apply.

Sakurai: The significance of countries will likely be called into question.

Nakamura: That applies in business as well. Borders between countries and industries will disappear, and we need to be ready to handle new business models that are forming one after another.

Sakurai: What do you think of the sense of speed with which the Japanese government and business world are moving in response to change?

Nakamura: It would be hard to say they are moving with a sense of speed. For example, I think they are behind at cashless payments. Moving forward, the use of AI and IoT not only in business but in everyday life will be quickly accelerating throughout the world, so Japan needs to also catch up on this.

Sakurai: Recently I had a chance to hear from Japanese people who have lived in India for a long time, who told me that an IT and cashless revolution is now taking place in India’s rural areas, focused mainly on women. There, women are apparently now using tablets to do business, manage their savings, and even compensate for insufficient English education by taking web-based distance learning courses. The Japanese people I spoke to say that this will lead to an economic explosion in the truest sense in the Indian economy. China is also putting an emphasis on innovation with its “Made in China 2025” program. Wouldn’t Japan seem to be lagging behind?

Nakamura: Precisely.



Sakurai: Do you have any ideas about what you would like the Japanese government to do?

Nakamura: Japan is currently facing increased anxiety over the upcoming consumption tax hike and higher social security costs. Because of this, even if wages increase individual consumption does not. Now in particular I think they should present something similar to what companies do with midterm management plans, which outlines a vision toward fundamentally eliminating the anxieties of citizens, and a roadmap toward fiscal health.

Sakurai: What do you think about the role of Shosha in the new era?

Nakamura: Borders between industries are increasingly disappearing, and I predict that in five to ten years we will not even be able to separate anything out into industries anymore. For example, the automobile industry will also no longer be about selling cars, but its role will be to provide mobility. A movement called CASE (connected, autonomous, shared, electric) is taking place, and companies are increasingly entering into different fields of business—with Google in the automobile driving business, and finance companies in the shared services business. We are in an era where changes such as these are taking place in every industry. In this scenario I think Shosha which have their fingers in every industry can serve the role of connecting multiple industries to create entirely new business and spur the Japanese economy. This means they need personnel who are capable of connecting businesses. As you know, it has been said that “the strength of Shosha is their people,” and now they will have the further need to develop personnel who have knowledge in a broad range of fields, and can generate ideas that connect them.

Sakurai: I think the changing business models in every field are causing confusion for job-seeking college students. Although it also seems that Shosha

which cover a wide range of business realms would be appealing since they can offer multiple options to choose from after being hired (laughing).

Nakamura: It really feels like the job-seeking process for students has also changed. When I was a student, I was particularly interested in this aspect of the “Shosha industry.” However, recently students are starting with their own motivations for what type of work they want to do. Students interested in media business are likely to go beyond specific industries and apply for jobs in Shosha and for mass media. I am surprised at how students are thinking about this so clearly and concretely.

Sakurai: Incidentally, we have been hearing recent times referred to as the era of living to be 100. Will this also change the way Shosha personnel go about their work?

Nakamura: With the current lack of human resources and rumors that the age of retirement will be raised, it will be essential to make use of senior staff. It may be a different angle, but the JFTC has established the Action for a Better International Community (ABIC) NPO, and we have worked to match up senior Shosha personnel to put their experience and abilities to use in human resources training settings, and to support local governments as well as small-to-medium enterprises. The organization now has more than 2,800 active members. One goal for 2019 is to further expand the activities of senior staff.

Sakurai: You have also been repeating and advocating your perspective on work-life balance for at least 10 years, since you were General Manager of the Corporate Planning and Coordination Department.

Nakamura: Personally, I didn’t really like working, so maybe that’s why I had that idea (laughing). I believe that if you are working in a way that you spend your time heavily occupied dealing with the work immediately in front of you, you will not generate creative ideas. As



the Health and Productivity Management Statement also says, people should be healthy in body and mind at work, with manageable workloads. I have long thought of this as the key to doing “good work.” Sumitomo Corporation also implemented telecommuting (work from home or satellite offices) as a workstyle reform. Along with the relocation of head office, the company is also devising office layouts that help people work more actively and energetically. Japanese companies increasingly need to make efforts with the awareness of “changing workstyles themselves.”

Sakurai: The other day I was very surprised to see ping-pong tables (set up inside offices)! It is important for companies to show they are making all-out efforts with employee health in mind.

Cultivate the Mentality to Also Carry Things Over to a New Era

Sakurai: In closing, please tell us the 2019 New Year’s resolutions of the JFTC.

Nakamura: I really do see 2019 as a year of big change in the environment surrounding Shosha and trading. Particularly because we are entering such a phase, I want us to be tuned in to world events, and accurately communicate information about the direction that our member companies should take, as well as the desirable arrangements of their business. We will also provide the necessary support for developing the personnel that can carry Shosha forward, while enhancing the activities of ABIC to a new level.

Sakurai: Again, 2019 will be the end of the Heisei era in Japan. We will also mark a major transition as an important year of preparation in the runup to the 2020 Olympics. Please tell us what you expect from this new era.

Nakamura: While we cannot necessarily be optimistic about the current global situation, there are efforts to build a prosperous society ongoing throughout the world. The capability of the private sector can be harnessed like never before to achieve challenging goals if not only international organizations, national governments, and NGOs, but companies also can seek business opportunities in working toward the Sustainable Development Goals (SDGs) adopted by the United Nations General Assembly in 2015. Japan has the most 100-year old companies of any country in the world, and we have worked in a way that our own

benefits also overlap with benefits to the country and society. The “Sanpo-yoshi” (best for all sides) approach really is the essence of this, and I hope this mentality is employed in working to achieve the SDGs. Last, I would like to express my wish that 2019 can be a bright year of hopes and dreams for everyone.

Sakurai: This may have been before I assumed my post in Washington DC, but you previously showed me a video of the Sakuramasu Salmon Leaping Up a Waterfall (in Aomori Prefecture). Since that day, whenever I faced hardship I would remember seeing the Sakuramasu desperately trying to return up the waterfall, jumping again and again even after not succeeding before, and remembering this “Sakuramasu spirit” would lift my spirits to keep going. As you predicted I do not think 2019 will be an easy year, but I hope we can keep advancing toward the future with the “Sakuramasu spirit” to take on the adversity surrounding us. Thank you again for taking the time to join us today.



(Compiled by the Editor from a discussion which took on November 19, 2018.)

The Path to the Japan-China Social Security Agreement Quickly Going into Effect

(November, 2018)

1.The Diet has completed approval of the Japan-China Social Security Agreement

On January 28, 2018, a Japan-China foreign ministerial conference reached an agreement in substance on a Japan-China Social Security Agreement to eliminate double payments of social security premiums by

detached employees from either country who work in the other. The agreement was then signed on May 9 by Minister of Foreign Affairs Taro Kono and State Councilor and Foreign Minister Wang Yi. The procedure on the Japan side was concluded by approval of the House of Councilors at a plenary session on November 30. The agreement will go into effect four months after the exchange of notes between the two national governments. Once the agreement goes into effect, most detached employees from Japan and China sent to work in the other country will be exempted from obligations to enroll in social security and pay premiums in the country where they work. The agreement is therefore expected to reduce the burden on Japanese and Chinese companies sending personnel abroad, while also helping promote overseas assignments of personnel between the two countries.

Intergovernmental negotiation with China began in 2011, eventually reaching an agreement as a result of eight persistent negotiation sessions spanning eight years. There was concern that the dispute over the Senkaku Islands would cause a suspension of the negotiations, but agreement in substance was reached during the milestone 40th Anniversary year of the Japan-China Peace and Friendship Treaty. We would like to express our appreciation for the dedicated efforts of the government officials who made it happen.

Since the JFTC requested “quick conclusion of social security agreements with major countries” to both the Minister of Health, Labour and Welfare and Minister for Foreign Affairs in 1999, top JFTC management has itself been active in pushing this forward, including efforts such as the chairman backing a petition in the Diet. In cooperation with the Keidanren (Japan Business Federation) and the Japan Overseas Enterprises Association, three separate requests were made to the government in 2002, 2006, and 2011 to conclude agreements with major countries including China as early as possible. The business community of Japan was particularly hopeful of such an agreement with China, which has the next-largest number of long-term Japanese residents after the U.S.

According to the survey by the Japanese Ministry of Foreign Affairs in 2017, about 70,000 long-term Japanese residents of China work for private enterprises, and this agreement will have the effect of reducing the burden of social security premiums on Japanese companies by about 55 billion yen per year.

We look forward to the Japan-China Social security Agreement entering into effect as early as possible.

2.Efforts to Conclude Agreements with Other Countries

Japan has already concluded social security agreements with 18 countries, as shown in the list below. Currently we are anticipating the negotiations steadily progressing with the countries Japan is engaging in intergovernmental negotiations and preliminary talks (Sweden, Turkey, Finland, Austria, Vietnam), while at the same time we are also looking forward to agreements already signed with three countries (Italy, Slovakia, and China) to enter into effect as early as possible.

On the other hand, in Vietnam workers from foreign countries had previously been exempt from paying social security premiums, but the new social security law that went into effect there on January 1, 2016 added foreign workers to those required to enroll. Forced enrollment in local social security increases the burden on the employer Japanese companies that have set up business there, which negatively impacts investment and market entry by Japanese companies. In response, the Japanese Chamber of Commerce and Industry in Vietnam submitted a formal request in February 2018 to the Vietnamese Government and Embassy of Japan in Vietnam urging the countries to conclude a Japan-Vietnam Social Security Agreement. On June 12 of the same year the JFTC also partnered with the Keidanren and the Japan Overseas Enterprises Association to submit a “request to conclude a social security agreement with Vietnam as early as possible” to the Minister of Health, Labour and Welfare, the Minister of Foreign Affairs, and the Minister of Economy, Trade and Industry. This resulted in the start of preliminary talks between the governments of Japan and Vietnam. The JFTC intends to continue working with the Keidanren, the Japan Overseas Enterprises Association, chamber of commerce in each country, and other related agencies to request relevant authorities to initiate negotiations as early as possible with countries where double payments of social security occur (Thailand, Indonesia, Mexico, etc.) or are expected to occur.

Countries in which agreements are in effect

Germany, England, South Korea, United States, Belgium, France, Canada, Australia, Netherlands, Czech Republic, Spain, Ireland, Brazil, Switzerland, Hungary, India, Luxembourg, Philippines

Countries in which agreements are signed but not yet in effect

Italy, Slovakia, China

As of November 2018.
(Source: Website of the Ministry of Health, Labour and Welfare)

Chairman's Comments

Chairman's Comments on the Signing of the Japan-EU EPA July 17, 2018

I am very happy to see that the Japan-EU EPA was signed today.

Since the Japan Foreign Trade Council first began participating in the Japan-EU EIA Task Force formed in October 2007, it has been continuously involved in efforts aimed at the realization of this EPA, and I am overjoyed to see it come to fruition.

Protectionism is on the rise around the world. Japan and the EU account for just under 30% of the world's GDP and over 1/3 of global trade. This high-level, comprehensive economic partnership agreement between Japan and the EU will contribute to the maintenance and expansion of free trade systems and the sound development of the global economy, and we eagerly hope that the EPA rapidly goes into effect.

The Japan-EU EPA includes progressive arrangements in areas such as intellectual property rights protection and electronic trade. We are sure that it will play a major role in the formation of the international economic order of the future. Negotiations are steadily underway on the separately discussed issues of investment protection and investment dispute settlement and we look forward to agreements on these issues being reached quickly.

Chairman's Comments on the Passing of Legislation Related to TPP-11 June 29, 2018

We welcome the passing of the legislation related to TPP-11.

Japan has demonstrated initiative in coordinating the TPP-11, and its prompt completion of internal participation procedures will encourage ratification procedures by other signatory countries, contributing to the TPP-11 rapidly going into effect.

Protectionism is on the rise around the world. The birth of a new, massive free trade area will contribute to the maintenance and expansion of free trade systems and the sound development of the global economy.

We look forward to the TPP-11 and the Japan-EU EPA rapidly going into effect, and the reaching of an agreement in RCEP negotiations, as well as the expansion of free, fair, comprehensive, and progressive high-level trade and investment rules that they will bring about.

Chairman's Comments on the TPP-11 Going into Effect October 31, 2018

We are pleased that six countries have completed the procedure to approve TPP-11, and that it will go into effect starting on December 30 of this year. We would like to pay our respect once more to the Japanese government and the officials involved for their efforts to bring these 11 countries on board despite the US pulling out, and turn this partnership into a reality.

In addition to reducing tariffs, TPP-11 is a high-level, comprehensive economic partnership agreement for the 21st century that also covers rules for a wide range of fields including investment, services, intellectual property, state-owned enterprise, and electronic commerce. It will invigorate trade and investment between the member nations, and is critically important as a model for economic partnership in the future.

Also, amid the increasing tendency of protectionism in the world, the birth of this free trade area with GDP and total trade volume of around 10 trillion and 5 trillion US dollars respectively (both figures based on participation of 11 countries) will be tremendously significant in showing the world that the expansion of free and fair 21st-century rules can facilitate sound economic development.

We look forward to the further expansion of TPP-11 with the hope that the remaining five countries can quickly complete their internal approval procedures, and that other countries also come forward hoping to join the partnership.

Chairman's Comments on the election of Osaka, Kansai to host World Expo 2025 November 26, 2018

The election of Osaka, Kansai as host of World Expo 2025 is a joyous occasion indeed, as Osaka will host the event for the first time in 55 years.

I would like to salute everyone who played a part in bringing this event to Japan, including contributors from the Japanese government, Osaka Prefecture and Osaka City, and everyone at the 2025 Japan World Expo Committee. It is my sincere hope that the World Expo taking place in Osaka, Kansai will not only help develop the economy and social infrastructure of our country, but also serve as a fantastic opportunity to give people from around the world an appreciation for all the great things about Japan.

Chairman's Comments on the confirmation that the Japan-EU Economic Partnership Agreement (EPA) will go into effect December 13, 2018

We are pleased that with consent of the European Parliament, it has been confirmed that the Japan-EU EPA will go into effect on February 1, 2019. We would like to pay our respect to the Japanese government and the officials involved for their efforts to quickly put agreements into effect, including TPP11 which will go into effect on December 30, 2018.

This brings about a large free economic zone with around 30% of the world GDP, and around 40% of world trade. The Japan-EU EPA will not only be a further expansion of free trade systems, but it will also contribute to sound global economic development.

We look forward to even more active trading and investment between both regions, and hope this can lay the foundation for many citizens to enjoy more fulfilling lives than ever before.

Commemorative Symposium for the 40th Anniversary of the Japan-China Peace and Friendship Treaty (at Beijing Foreign Studies University) (September 21, 2018)



To commemorate the 40th anniversary of the Japan-China Peace and Friendship Treaty, Japan Foreign Trade Council, Inc. held a symposium called “The Shosha – The Role They Play in Japan-China Economic Exchange and Recent Developments” on September 21 at Beijing Foreign Studies University in China. Roughly 200 attendees were on hand, mainly undergraduate and post-graduate students from nearby universities and officials including member companies of the Japanese Chamber of Commerce and Industry in China. The lively symposium and question-and-answer session were followed by a networking event in the student cafeteria. Here we will share an overview of what took place.

(1) Greetings and Congratulatory Messages from Officials



Chairman Nakamura

The opening of the symposium was emceed by JFTC Managing Director Hirotoishi Iwaki, followed by Chairman Kuniharu Nakamura who delivered an opening address as representative of the host organization. He expressed his hope that the symposium would help facilitate Japan-China economic exchange while

also providing a deeper understanding of the role and function of Shosha. Next were congratulatory messages from Minister Hirobumi Iida of the Embassy of Japan in China, and Japanese Chamber of Commerce and Industry in China President Yasuteru Hirai (Regional Chief Executive Officer of East Asia, Mitsubishi Corporation).

The moderator of the symposium was non-fiction writer Akiko Aoki, who has experience as producer and emcee of Japanese-language radio programs in both Beijing and Guangzhou.

(2) History of deep involvement by the JFTC in Japan-China economic exchange

For the first part of the symposium, Hiroyuki Kojima (Executive Vice President of Sumitomo Corporation Global Research) delivered an explanation of the history of Japan-China economic exchange, and the role that Shosha and the JFTC play in this exchange.

a) The JFTC has been dedicated to promoting Japanese international trade

The JFTC was founded in June 1947, prior to the resumption of private trade after the second World War, with the goal of contributing to the prosperity of the Japanese economy through sound expansion of international trade. Shortly after it was founded, in November 1948 the JFTC advocated building a new ministry of trade and industry, which came into existence as the Ministry of International Trade and Industry the following year. In 1949 the JFTC supported the launch of the white paper on International Economy and Trade, and also promoted the founding of what is today known as the JETRO. As Japan entered its period of high economic growth, the JFTC maintained efforts to expand trade, adopting the Japan Trade Charter jointly with JETRO and the Japan Chamber of Commerce and Industry, while advocating the approach of being an international trade-oriented country. When backlash against Shosha activities strengthened in the 1970s the JFTC announced its Code of Conduct for Foreign Direct Investment and Code of Conduct for General Trading Companies, setting out an approach of coexistence between the domestic and global economy.

b) Dealing with trade friction

Trade friction between Japan and other countries

became apparent starting at the end of the 1970s. In response, the JFTC established the Import Promotion Association and worked to expand imports. The JFTC also adopted the “resolution on upholding the doctrine of free trade and the stance of Japan” against protectionism, appealing for the removal of non-tariff barriers. In the mid-1980s the JFTC opposed the enactment of strongly protectionist-tinted Omnibus Trade and Competitiveness Act and other such legislation, and sent a written statement to US President Ronald Reagan as well as both the Senate and House of Representatives.

c) Working to improve the for Japan-China Trade practice

Prior to the normalization of Japan-China diplomatic relations in 1972, the JFTC established a China Committee in 1971 and started working on research and proposals for promoting Japan-China trade. Officials were dispatched on missions to China four times from 1975 until 1985. On the 1985 mission, agreement was reached with the Chinese counterpart, the Ministry of Foreign Trade and Economic Cooperation (now the Ministry of Commerce) to establish a Japan-China Trade Issues Liaison Group. Based on discussions in this liaison group the JFTC drafted a Japan-China model agreement, then worked to set up the trade practice through efforts such as holding Japan-China Trade Workshops throughout China.

d) Supporting China joining the WTO

In 1993 the JFTC established the Committee for Research on the Expansion of Japan-China Economic Exchange. Joining GATT (subsequently the WTO) was seen as essential for the stable development of China, and the issues standing in the way of joining were compiled and presented earlier than others.

(3) Diverse topics from the function of Shosha to politics and economics

The function of Shosha then became the topic of discussion, and panelist Motoo Ono (Chief Representative of Mitsui & Co. in China) used Mitsui & Co. as an example to talk about how Shosha operate. Jie Wei who has worked at both Mitsui & Co. and Mitsubishi Corporation also pointed out that the strength of a Shosha lies in the talent that it employs.

China-U.S. trade friction was addressed by recalling experiences from Japan roughly thirty years ago, in which private-public cooperative efforts to expand imports in the face of Japan-U.S. trade friction helped improve the lives of citizens.

There is high potential between Japan and China in business such as healthcare to address the aging society problem Japan has been dealing with, which is rapidly becoming an issue in China as well. Takeo Donoue (Director-General of the JETRO Beijing Office) revealed that JETRO has been holding around 20 networking events per year for aging society-related business between Japanese and Chinese companies.

(4) Active question-and-answer session goes into extended time, followed by spirited interactions at the networking event

The symposium concluded with a question and answer session. Questions touched on a wide range of topics, from employment opportunities at Shosha and China-U.S. trade friction, to the relationship between the Asian Development Bank and the Asian Infrastructure Investment Bank. Time was extended for more questions at the end of the session, which carried over to even more detailed interactions at the networking event. Held

in the student cafeteria, spirited exchanges of information continued between participants from Japanese companies, Chinese undergraduate and post-graduate students, as well as Chairman Nakamura himself.

(5) In closing

We wish to thank Professors Guo Lianyou and Song Jinwen of the Beijing Center for Japanese Studies, as well as all the students of the center, for their help in holding this symposium. We also wish to thank Luo Xiaomei, Commercial Counsellor (at DDG Level), Department of Asian Affairs, Ministry of Commerce, The People’s Republic of China, for taking the time to visit, as well as the Embassy of Japan, the Japanese Chamber of Commerce and Industry in China, and JETRO for sponsoring the event. We also wish to express our appreciation to Minister Song Yaoming of the Chinese Embassy in Japan for the advice he provided for the hosting of this event.



Panelists & Moderator (as of September 21)



Takeo Donoue
(Director-General of the JETRO Beijing Office)



Jie Wei
(Juniper Networks Vice President / Chairman for China & Japan)



Hiroyuki Kojima
(Executive Vice President of Sumitomo Corporation Global Research)



Lv Kejian
(Former Minister of Economic & Commercial Office Embassy of the People’s Republic of China)



Motoo Ono
(Chief Representative of Mitsui & Co. in China)



Akiko Aoki
(non-fiction writer)

FY2019 Outlook for Japan's Trade Balance and Current Account (December 5, 2018)

-Total trade will hit a historical high amid growing concern over trade expansion

On December 5, 2018, JFTC announced its “FY2019 Outlook for Japan's Trade Balance and Current Account” to the press. This outlook is characterized by its unique method of accumulating forecast for each commodity allotted to the eight companies of the Trade Outlook Working Group, under the Trade Trend Research Committee. Having started in 1974, this year (2018) marks the 45th year of this outlook.

Overview

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

- FY2018: The trade balance will turn negative due mainly to increased resource prices, but total trade will hit a historical high.

Total exports are forecast to increase by 3.2% over the previous fiscal year to 81.7 trillion yen. Export volume is forecast to increase by 1.3% and export value to rise by 1.9% over the previous fiscal year. Despite remaining concerns that trade will face hard times ahead, total exports is expected to increase for the second consecutive year even as its growth slows.

Total imports are forecast to increase by 8.2% over the previous fiscal year to 83.1 trillion yen. Import volume is forecast to increase by 1.6% and import value to rise by 6.6% over the previous fiscal year. Mainly due to increased prices for resources such as crude oil, total imports will increase for the second consecutive year.

The trade balance will be in deficit of 1.3 trillion yen, the first negative figure in three years since FY2015. However, total trade (total exports + total imports) will be 164.8 trillion yen, eclipsing the 160.1 trillion yen in FY2007 for a record high.

- FY2019: Supported by global economic growth, total trade will grow for the second consecutive year to reach its highest level ever.

Total exports are forecast to increase by 0.9% over the previous fiscal year to 82.5 trillion yen. Export volume will increase 0.6% and export value will rise 0.3% over the previous fiscal year. There will be a gradual worldwide recovery in demand for digital-related products and in investments for automation as well as labor-saving.

Total imports are forecast to remain generally the same at 83.8 trillion yen, an increase of 0.9% over the previous fiscal year, as the effect of the consumption tax rate hike will likely be small. Import volume is forecast to increase by 0.5% and import value to rise by 0.4% over the previous fiscal year.

Trade balance will be in deficit of 1.3 trillion yen. Due to minor increases in both total exports and total imports, total trade will still reach its highest level ever for the second consecutive year, at 166.3 trillion yen.

2. Outlook for the Current Account

- FY2018: Current account surplus will decrease for the first time in five years, but remain at a high level

The current account is forecast to be in surplus of 18.5 trillion yen. Deficit on goods & services is forecast to be 206.0 billion yen due to a slower increase in the number of foreign visitors to Japan. The primary income balance surplus will grow to 20.9 trillion yen due to increases in both portfolio investment yield and direct investment yield. The secondary income balance is forecast to be in deficit of 2.2 trillion yen.

- FY2019: Virtually unchanged from FY2018

The current account will be in surplus of 19.9 trillion yen. One factor is that the goods & services balance will recover to a surplus of 1.0 trillion yen as there will once again be an accelerated increase in the number of foreign visitors to Japan. The primary income balance surplus will be virtually unchanged from FY2018 at 21.1 trillion yen. The secondary income balance is forecast to be in deficit of 2.2 trillion yen.

Summary Data

• Customs-cleared Trade

	FY2017 Results		FY 2018 Forecast		FY2019 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)
Trade Balance	2,449	-1,524	▲ 1,321	-3,770	▲ 1,338	▲ 17
Exports	79,223	(10.8%)	81,730	(3.2%)	82,477	(0.9%)
Quantum Index		5.0%		1.3%		0.6%
Unit Value		5.6%		1.9%		0.3%
Imports	76,773	(13.7%)	83,052	(8.2%)	83,815	(0.9%)
Quantum Index		1.9%		1.6%		0.5%
Unit Value		7.6%		6.6%		0.4%

• Current Account Balance

	FY2017 Results		FY 2018 Forecast		FY2019 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 & Services	4,056	-348	▲ 206	-4,262	1,001	+1,208
Goods	4,594	-1,192	1,044	-3,550	1,048	+5
Exports	78,324	(10.6%)	80,804	(3.2%)	81,542	(0.9%)
Imports	73,731	(13.4%)	79,760	(8.2%)	80,493	(0.9%)
Services	▲ 538	+844	▲ 1,250	-712	▲ 47	+1,203
Primary Income	19,913	+1,187	20,907	+994	21,119	+213
Secondary Income	▲ 2,156	-45	▲ 2,190	-34	▲ 2,245	-55
Current Account	21,813	+794	18,511	-3,302	19,876	+1,365

Note: Due to rounding some amounts may not add up precisely to the totals provided.

• Preconditions

	2017	2018	2019
Global Trade (CY)	5.4%	4.4%	4.1%
Global Economy (Real growth rate /CY)	3.7%	3.7%	3.6%
USA	2.2%	2.9%	2.5%
Euro zone	2.4%	2.1%	1.8%
Emerging and Developing Asia	6.5%	6.5%	6.3%
Japanese Economy (Real growth rate / FY)	1.6%	1.2%	0.9%

Note1: Emerging and Developing Asia is defined by IMF.

Note2: In addition to the above preconditions, based on foreign currency exchange market and crude oil market trends in mid-November, calculations were performed using a yen/dollar exchange rate of 111 yen/dollar for FY2018 and 111 yen/dollar for FY2019, and a CIF crude-oil price of 75 dollars/barrel for FY2018 and 72 dollars/barrel for FY2019.

Foreign Trade 2019

We are pleased to announce that in March 2019, JFTC will publish "Foreign Trade 2019", with full coverage of Japan's foreign trade statistics on a customs-cleared basis for the previous year.

"Foreign Trade 2019" marks the 44th edition of this publication since it was first released in 1976. Improvements have been added over the years, such as addition of English printed to the side, addition of graph and charts, as well as expansion of new information to the data chapter.

We hope you will find this volume useful, as educational material for new employees, as a handy reference for overseas business trip, or as a reference material for employees in overseas offices.



"Foreign Trade 2019" (¥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 chosa@jftc.or.jp (Research Group).

"SHOSHA: Creating Value Globally" Shosha Handbook 2018

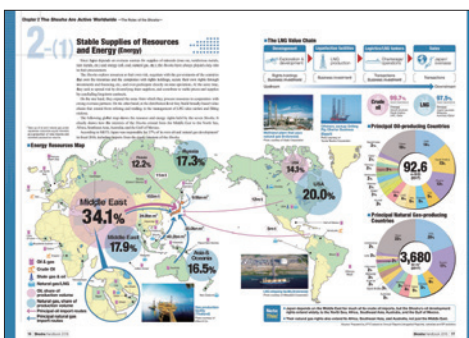
JFTC publishes "Shosha Handbook" annually to foster greater understanding of the activities of Shosha.

The latest English version of this "Shosha Handbook" was published in July 2018.

The contents are identical to the Japanese version of "Shosha Handbook 2018", published in March 2018, abundant with figures and photos. We hope that it serves of widespread use.

A4 format. English. Price: 500 yen (tax included). Free of charge for JFTC members.

2019 edition will be published in July.



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- Introduction
- Chapter1: What Are the Shosha?
- Chapter2: The Shosha Are Active Worldwide
- Chapter3: The Shosha's CSR Activities
- Chapter4: The Activities of Japan ForeignTrade Council, Inc.(JFTC)
- Attached Table: The World Economy and Trade
- Shosha's Corporate Code of Conduct

"Shosha Handbook 2018" (¥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 chosa@jftc.or.jp (Research Group).

What is JFTC?

About Japan Foreign Trade Council, Inc. (JFTC)

Japan Foreign Trade Council, Inc. (JFTC) was founded in 1947 as a core economic organization of private sector companies engaged in international trade. In 1986, it was reorganized to become what it is, a trade-industry association consisting of trading companies and trade organizations.

JFTC aims to contribute to the prosperity of the Japanese economy and the development of the international community through trade, and is engaged in a wide range of activities. Most importantly, the JFTC develops a consensus within the industry on various trade issues and submits policy recommendations and proposals to the government and related authorities in order to help resolve those issues. Such role and functions of the JFTC have been highly regarded by those concerned.

While globalization has significantly contributed to economic growth, it is also causing numerous global-scale issues. Various efforts are currently underway to overcome these issues and realize a sustainable society. We feel that Shosha (trading companies), having a global footprint, with their business activity bases in a wide range of industrial sectors, have a major role to play, and their social mission is growing in importance.

JFTC will strive to evolve the Shosha business model under its new banner of “Shaping the future toward a prosperous world” by promoting free trade and open investment, meeting the needs of our changing society, and leveraging innovative technologies. By doing so, we will create a sustainable future of unprecedented comfort.



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Kuniharu NAKAMURA (Chairman, Sumitomo Corporation)

○ Vice Chairmen

Fumiya KOKUBU (President and CEO, Marubeni Corporation)
Tatsuo YASUNAGA (President and CEO, MITSUI & CO., LTD.)
Takehiko KAKIUCHI (President and CEO, Mitsubishi Corporation)
Masayoshi FUJIMOTO (President and CEO, Sojitz Corporation)
Yoshihisa SUZUKI (President and COO, ITOCHU Corporation)
Ichiro KASHITANI (President and CEO, Toyota Tsusho Corporation)

○ Executive Managing Director

Tsukasa KAWAZU

○ Managing Director

Hiroto IAWAKI

○ Regular Members of JFTC

Companies (Total 42)
Associations (Total 20)

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