

JFTC News

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2017 New Year's Reception

(January 5, 2017)



From left to right: Chairman Kobayashi, Vice Chairmen, Karube, Nakamura, Sato, Kokubu, Yasunaga, Kakiuchi

On Thursday, January 5, 2017, the Japan Foreign Trade Council, Inc. (JFTC) hosted a New Year's

Reception in the Tsuru Room of the New Otani Hotel. Approximately 790 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 Eizo Kobayashi, followed by the introduction of award recipients of the JFTC Essay Competition 2016. This was followed by remarks by Minister of Economy, Trade and Industry Mr. Hiroshige Seko 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.

2017 New Year's Reception Address by Chairman



Eizo Kobayashi

Chairman, Japan Foreign Trade Council, Inc.
Chairman, ITOCHU Corporation

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

Before proceeding, I would like to express my special gratitude to Japanese State Minister of Economy, Trade and Industry Hiroshige Seko, the ambassadors of numerous countries, JETRO Chairman Hiroyuki Ishige, and all the leaders from various sectors present here today at the JFTC New Year's Reception.

Thank you for joining us, and please allow me to take this opportunity to express my sincere appreciation for your continued understanding and support of the JFTC's work.

Last year saw significant changes in the global situation. Britain chose to leave the EU following a referendum in June, and then in November Mr. Donald Trump was elected US president in an outcome that defied most predictions. Behind these results lay voter anxiety and dissatisfaction over widening gap

in disparity and a rise in illegal immigration, which manifested themselves in fears about globalization and rejection of established politicians.

President-elect Trump will be inaugurated later this month, and his administration will then get under way. The world is watching to see whether the protective policies suggested during the election campaign will really be put into practice. Developments in Europe will also be scrutinized, to monitor Britain's formal notice of withdrawal from the EU and the direction of subsequent negotiations, as well as anti-EU and anti-globalization trends in the Netherlands, France, and Germany, which all face important elections this year.

The National Congress of the Communist Party of China to be held in the fall of 2017 will decide on changes in the top leadership of the Party, and this will also have a major effect on the political and economic outlook. Although a moderate recovery is expected in the global economy, we need to consider the possibility that the spread of political risk around the

world may cause an unexpected downward swing in the economy.

In the face of such a challenging external environment, thanks to the efforts of all the government officials and lawmakers involved, the Japanese Diet approved the Trans-Pacific Partnership (TPP) late last year. This represents a remarkable achievement in Japan's world-leading endeavors to champion the importance of trade and investment liberalization, and we look forward to the Abe administration continuing to lead in the creation of free-trade frameworks worldwide.

The JFTC will maintain its efforts to promote free trade as a source of global economic growth and continue to actively make proposals and requests in this regard.

While making further progress on such economic partnerships, it will also be essential for Japan to enhance its capacity for growth through "internal globalization," by opening up to attract highly-skilled foreign talent and inward investment.

In October 2015 the JFTC launched a special research project on promoting internal globalization and the role of Shosha, or general trading companies, in this process. The project is scheduled to issue a report this summer.

We also engage in activities to boost Japan's globalization through the nonprofit organization, Action for a Better International Community (ABIC), established and supported by the JFTC. More than 2,700 personnel with extensive experience in international business, including former employees of Shosha, are registered with ABIC. By making use of their know-how, they are involved in a wide range of service projects and social action programs, including cooperation with government agencies by dispatching personnel, promotion of regional revitalization through internationalization of local government organizations, assistance and support for small and medium-sized enterprises expanding overseas and overseas enterprises expanding into Japan, and support for foreign students studying in Japan. I am certain that ABIC will continue to broaden its activities.

Finally, the JFTC will celebrate its 70th anniversary in June 2017. In this crucial year, when the rise of protectionism is causing concern around the world, we believe that our role is more important than ever, and we will redouble our efforts to continue supporting the sound development of the trade community.

We sincerely look forward to your continuing advice and support for the activities of the JFTC and ABIC during 2017, and earnestly hope that this will be a fruitful and prosperous year for all.

Thank you.



Award Winners of JFTC Essay Competition 2016

(January 5, 2017)

The JFTC who sponsors the "JFTC Essay Competition 2016" is very pleased to announce that we received a total of 189 submissions from 53 different nationalities for the competition this year.

After a strict screening of all the essays, the five submissions below have been selected as the winners of the competition in 2016.

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

Selection Committee

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

Vice Chair: Ms. Kaori Iida, Senior Editor, Economic News Division, NHK (Japan Broadcasting Corporation)

Vice Chair: Dr. Keiichiro Kobayashi, Professor, Faculty of Economics, Keio University

The Prize for Excellence

• *"Spelling out Value Propositions to Foreign Markets: a Recipe for Japanese Firms to Move up the Value Chain in International Trade"*

Mr. Xiaochen Su (U.S.A.)

• *"Japan: Not lost but RESET"*

Ms. Jiaqi Zhang (Singapore)

• *"Japanese Companies towards Global Trades in Service Sector"*

Mr. Sok Heng Lay (Cambodia)

• *"3'S TO AUGMENT THE ROLE OF JAPANESE COMPANIES IN GLOBAL TRADE"*

Mr. Long Bao Vuong (Viet Nam)

The Selection Committee Chair's Special Prize

• *"SHOSHA-as-a-SERVICE": The SHOSHA of Tomorrow's business model for tomorrow's business environment"*

Mr. Baltazar Jr Sabado (Philippines)



Award Ceremony of JFTC Essay Competition 2016

Back row from left: Vice Committee Chairman Ms. Iida, Committee Chairman Mr. Nakajima, Vice Committee Chairman Dr. Kobayashi
Front row from left : Winners Mr. Su, Ms. Zhang, JFTC Chairman Kobayashi, winners Mr. Lay, Mr. Vuong, Mr. Sabado

Remarks by Selection Committee Chair, Mr. Atsushi Nakajima

This year marked the 12th annual Japan Foreign Trade Council (JFTC) Essay Competition. We received 189 excellent essays, most of them from overseas. What was notable in this competition, in comparison with that of previous years, were the numerous essays received from overseas and the youthful composition of the majority of the applicants. There was a total of 170 applications from overseas countries, which is the largest ever. In addition, 109, almost 60% of the total, were written by young people in their teens and 20s, also mostly from overseas.

The topic for this year was “Searching for a New Initiative in Global Trade and the Role of Japanese Companies.” We expected discussion about a new form of trade and the role of Japanese companies—in a situation where the rate of world trade growth has been slowing down—which would not only enable further expansion of trade in services such as intellectual property and services as they continue to grow at a relatively high rate, but also bring about sustainable prosperity in the world.

In reference to this topic, there were many essays which pointed out the importance of trade in services and argued that Japanese companies should put more effort in improving intellectual property related capabilities as well as brand equity. In addition, it was interesting to see one of the essays argue that, in terms of brand equity, such typical Japanese symbols as Mt. Fuji and the shinkansen should be used to their full advantage. Furthermore, in terms of the response from Japanese companies, many essays characteristically pointed out the need for foreign language education and training for their employees, highlighting the challenges and possible directions for Japan where trade and global investment have not gone as far as that in other major developed countries.

In this essay competition, four essays were selected for a Prize for Excellence and one for the Selection Committee Chair Special Prize. It is uncommon to have such a large number of the former, highlighting the fact that there were many strong, high-quality essays. Unfortunately, there was no Grand Prize. While the results suggest that this topic made it difficult for the

contestants to express different views, on the other hand, it made us cognizant of the degree of difficulty of trying to work out a new style of trade, in a situation where we are witnessing anti-globalization movements around the world, which can lead to a win-win situation not only for developed economies, but for emerging economies as well, by increasing the volume of trade and enabling them to gain tangible benefits.

In closing my address as the Selection Committee Chair, I would like to express my deepest gratitude to the vice chairs, the Selection Committee, and the people of JFTC for their time in reviewing a large number of essays and providing constructive and fair evaluations. For the remarks on each prize-winning essay, please refer to the section below.

The Prize for Excellence

Mr. Xiaochen Su

Spelling out Value Propositions to Foreign Markets: A Recipe for Japanese Firms to Move up the Value Chain in International trade

The author argues that in a situation where enterprises from emerging economies have improved their competitiveness, it is critically important for Japanese firms to remain competitive in the global market by successfully making their value propositions to overseas producers and consumers. For that to happen, it is crucial for them not only to maintain and improve their physical presence abroad, but also to provide products and services which are characterized by unique Japanese culture and a premium quality of life in a sustainable and proactive manner. The author, at the same time, strongly contends that the Japanese government and society at large should be involved in promoting these Japanese values in an effort to jointly expand the overseas markets.

The essay is supported by a large number of reference materials, which is a testimony to the author's academic efforts. It was highly evaluated because the logical points of the argument are carefully constructed and persuasive; in addition, readability on the whole is good and the author put forward the discussion in a positive manner. Furthermore, the author's idea that one of the factors contributing to the strength of Japanese firms' value propositions lies in

the Japanese lifestyle is unique. It would have been a perfect essay if the author could have provided a few more innovative propositions and suggestions.

The Prize for Excellence

Ms. Jiaqi Zhang

Japan: Not lost but RESET

The author argues that as Japan is experiencing the advent of an aging society with a low birthrate at a pace higher than that of other countries, it is in a position to take advantage of its developed technologies and products in the course of dealing with this problem. On the basis of this, the author argues that it is crucial for Japan to reduce the impact of its aging workforce and find ways to reach out to foreign markets, whereby RESET is a framework made up of the following three strategies: (1) Redefine Education as a Service (RES), (2) Ecosystem Strategic Export (ESE), and (3) Self-Enabling Technology (SET). In conclusion, the author contends, “Let the next decade not be lost, but be a chance for resetting Japan’s path.”

This is a fine essay based on quality research on the current situation in Japan while presenting many ideas. In addition, the discussion is based on logical thinking and characterized by unique proposals such as message-like propositions epitomized by RESET and a stance that “encourages the implementation of self-enabling technology, which refers to technologies that help customers help themselves.” The essay would have been perfect if the concept of the essay encompassing the whole argument could have been slightly bolder.

The Prize for Excellence

Mr. Sok Heng Lay

Japanese Companies towards Global Trades in Service Sector

The author argues that Japanese service trading is at a relatively low level compared to that of other major countries and that it is important for Japanese companies to adopt a sort of synergy that would improve service trade. Among other synergies, the author argues that the three synergies of (1) productivity, (2) brand equity, and (3) marketing

are crucial to Japanese companies; and in terms of productivity, structural innovation and capable human capital, brand equity, branding of services, and marketing, maintaining a unique niche in the global markets is required. The author concludes that for such goals to be achieved, the commitment and motivation of individuals are crucial.

The essay is very readable because the discussion progresses stepwise, focusing on one particular area at a time; and the point the author is making (i.e., Japanese companies need to reform themselves) is understandable as a detailed description of the new direction to take is provided. If I were to add a few more words, I would say that it would have been much better if the author could have presented an image showing how we can integrate the three synergies.

The Prize for Excellence

Mr. Long Bao Vuong

3’S TO AUGMENT THE ROLE OF JAPANESE COMPANIES IN GLOBAL TRADE

The author argues that the growth of global trading contributes to the growth of GDP, domestically and internationally, and then continues to point out that the current slowing down of global trade, in particular, the stagnating growth rate of the developed countries, is a problem. The author then argues that “resolving this problem requires multi-participation by governments, international institutions and organizations, and especially the business community in every country.” On the basis of this assertion, the author suggests that the three S’s of SELL, SELF, and SHARE are important for Japanese companies in improving the image of Japan and promoting global trade, where the three S’s stands for “SELL”/promote tourism in Japan and innovative technologies of Japanese companies taking advantage of Mt Fuji, the shinkansen, and other cultural assets to enhance the “SELF”-image of Japanese companies by practicing the virtues of bushido and by being environment-friendly, and “SHARE” the technological capabilities of Japanese companies with other nations.

The author discusses the development and virtues of Japan in a careful manner based on extensive research. We can also feel the author’s empathy

toward Japan in this essay. In addition, the essay is interesting as well as unique in its proposition that we should take advantage of Japanese symbols such as Mt. Fuji and the shinkansen. However, the essay would have been much better if there were more quotations or references from other literature.

The Selection Committee Chair's Special Prize

Mr. Baltazar Jr Sabado

“SHOSHA-as-a-SERVICE”: The SHOSHA of Tomorrow’s business model for tomorrow’s business environment

The author argues that, while the shosha (trading companies) of yesterday used a commodities trading business model and that of today uses a solution trading business model, the shosha of tomorrow should use a “Shosha-as-a-Service (SHaaS)” business model. The author adds that the business model for the shosha of tomorrow is based on providing intellectual property related services and using its financial strength in the settlement of trading for fees. In doing so, three factors are required, namely, extensive market intelligence, cash to finance and pursue new business, and risk management capabilities.

This is an interesting argument because it presents a business model for trading companies from a unique point of view. It is a great pity that the discussion centers on trading companies and strays from the topic of this competition: “Searching for a New Initiative in Global Trade and the Role of Japanese Companies.” However, we decided to award the Selection Committee Chair Special Prize to this essay as a token of our appreciation of the author's efforts to present a novel discussion on the trading company from a uniquely unconventional perspective.

The 41st Japan Cooperation Forum for the Middle East

(September 25-26, 2016)

The 41st Japan Cooperation Forum for the Middle East was held on September 25 and 26 in Dubai, UAE.

The forum was held by the Japan Cooperation Center for the Middle East (JCCME) with the support of the Ministry of Economy, Trade and Industry. The forum brought together approximately 400 people, including participants from the Japanese government and government-related institutions, the local Japanese embassy, the private sector, related organizations, academic associations, and the press. They engaged in lively discussion regarding the forum’s theme, “Falling Oil Prices and the Changing Face of the Middle East – Japan’s Strategy.” Falling crude oil price levels are making economic diversification an important and pressing issue in the Middle East. Participants actively shared their opinions and positions on what approach Japan should take in response to this changing environment.

The JFTC has actively participated in the Japan Cooperation Forum for the Middle East since 2010, and as a presenter has shared its efforts and activities aimed at Shosha (trading company) business in the Middle East. For this year’s conference,, Takechiyo Tanaka, Managing Director, Sumitomo Corporation Iran Ltd, the Market Committee’s chair company, represented JFTC as he gave a presentation on the theme of “Taking on the Iranian Market.” His presentation covered the market’s position on Iran, for which various economic sanctions were lifted or relaxed in January 2016, the current state of Shosha efforts and the issues they face, his desires for the Japanese government, and more.



The 54th Australia-Japan Joint Business Conference (October 9-11, 2016)



The 54th Australia-Japan Joint Business Conference was held by the Japan-Australia Business Cooperation Committee and the Australia-Japan Business Cooperation Committee from October 9 to 11 at the Melbourne Convention and Exhibition Centre in Australia. This year's conference included not only members from both committees but government officials from the state of Victoria, where the conference was held. The conference was a tremendous success, attended by 440 people (241 from Japan and 199 from Australia), the most of any conference in over a decade.

Committee chairs Akio Mimura and Sir Rod Eddington gave opening statements, Australian Ambassador to Japan Bruce Miller read a message from Prime Minister Malcolm Turnbull, Japanese Ambassador to Australia Sumio Kusaka read a message from Prime Minister Shinzo Abe, and then participants engaged in broad-ranging discussions in six plenary sessions and two breakout sessions. Through the conference participants reaffirmed the need for greater cooperation between businesses in both countries, expansion of new concepts and approaches in various fields, and further development and advances in order to achieve business success in this uncertain era of falling resource prices.



October 10 (Monday)

Plenary Session 1:

“Australia-Japan: Year in Review”

Plenary Session 2:

“Lessons Learnt (Part 1): Australian Investment in Japan”

Plenary Session 3:

“Lessons Learnt (Part 2): Japanese Investment in Australia”

October 11 (Tuesday)

Plenary Session 4:

Review from Breakout Sessions

(1) “Resources and Energy”

(2) “Financial Services”

Plenary Session 5:

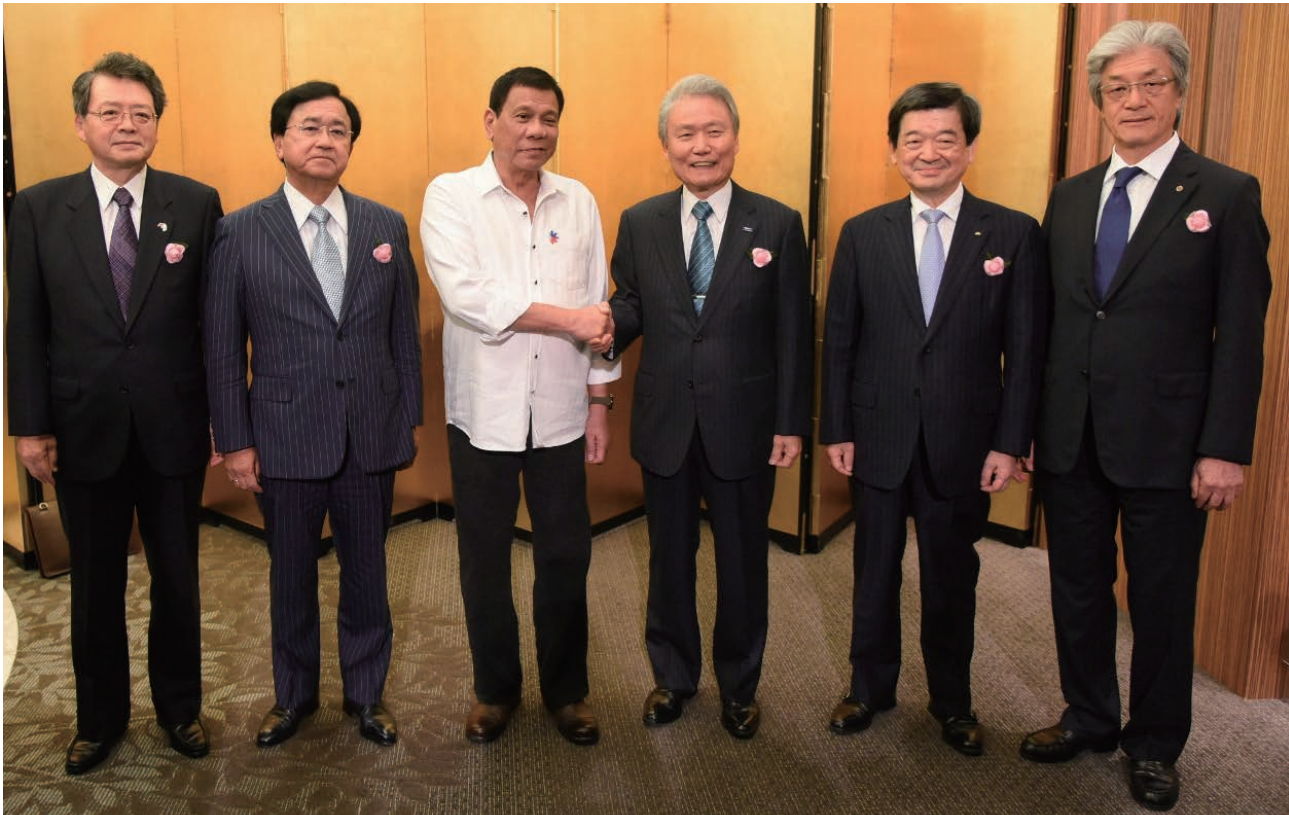
Future Leaders Session

Plenary Session 6:

Panel Discussion “Emerging Opportunities”

Welcome Luncheon for President Rodrigo Duterte of the Republic of the Philippines (October 26, 2016)

President Rodrigo Duterte of the Republic of the Philippines stayed in Japan from October 25 to 27 on an official working visit aimed at promoting friendly relations and economic exchange between Japan and the Philippines. On October 26 JFTC took the opportunity of President Duterte's Japan visit to hold a welcome luncheon together with the Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry, the Japan Association of Corporate Executives, and the Japan-Philippines



From left to right: Japan-Philippines Economic Cooperation Committee Chairman Kobayashi, Japan Association of Corporate Executives Chairman Kobayashi, President Duterte, Keidanren Chairman Sakakibara, Japan Foreign Trade Council Chairman Kobayashi, and Japan Chamber of Commerce and Industry Vice Chairman Uyeno

Economic Cooperation Committee. During his visit, President Duterte had a top-level meeting with Prime Minister Shinzo Abe.

Approximately 280 people, both from Japan and the Philippines, took part in the welcome luncheon. There were roughly 120 people from the Filipino side, consisting of President Duterte, government officials, and members of the private sector. Japanese participants included JFTC Chairman Eizo Kobayashi (Chairman of Itochu Corporation) and Vice Chairman Jun Karube (President & CEO of Toyota Tsusho Corporation). In total, there were roughly 160 Japanese participants, including top figures of the business world, such as Keidanren Chairman Sadayuki Sakakibara, Japan Association of Corporate Executives Chairman Yoshimitsu Kobayashi, Japan-Philippines Economic Cooperation Committee Chairman Ken Kobayashi, and Japan Chamber of Commerce and Industry Vice Chairman Takashi Uyeno. President Duterte expressed his gratitude for Japan's past contributions to the economic and industrial development of the Philippines, emphasized that Japan and the Philippines are strategic partners

essential for each other's economy development, and shared his hopes for greater investment by Japanese companies in the future.



President Duterte and Chairman Kobayashi

⋮ ⋮ ⋮

President Rodrigo Duterte of the Republic of the Philippines

1945: Born in Maasin City, Southern Leyte
1980 – 1986: Prosecutor in the City Prosecution Office

of Davao City
 1986 – 1988: Vice Mayor of Davao City
 1988 – 1998: Mayor of Davao City
 1998 – 2001: Member of the House of Representatives
 (for Davao City)
 2001 – 2010: Mayor of Davao City
 2010 – 2013: Vice Mayor of Davao City
 2013 – 2016: Mayor of Davao City
 2016: President of the Republic of the Philippines

Overview of the Republic of the Philippines



The Philippines is a republic situated in Southeast Asia. It is an island nation, separated by the sea from Japan, China, Malaysia, Indonesia, and Vietnam. It is an ASEAN member nation, and in 2014 had the 2nd largest population and 5th largest GDP of any ASEAN country.

Japan and the Philippines enjoy good relations. Economically, Japan is the main purchaser of Filipino exports, and was the top supplier of Filipino imports for three consecutive years until 2012, when it fell to third place, where it has remained since. Japan has a strong presence in the Filipino economy. With regard to direct investment in the Philippines, Japan was the number one investor in terms of total investment for the period from 2006 to 2014. For the three years from 2009 to 2011 it was also top in terms of cash flow.

Basic Data

Area: 299,404 km² (Approximately 80% the size of Japan. The Philippines are made up of 7,109 islands.)
 Population: Approximately 100,980,000 (according to the 2015 Filipino National Census)
 Capital: Manila
 Language: The official languages are Filipino and English. 80 other languages are spoken.
 Ethnicities: Primarily Malay, as well as Chinese, Spanish, and minority ethnicities
 Religion: ASEAN's only Christian country. 83% of the population is Catholic,

10% belong to other Christian denominations, and 5% are Muslim.

System of government: Constitutional republic

Congress: Upper and lower houses (24 seats in the upper house, up to 292 seats in the lower house)

GDP: 292 billion dollars (2015: IMF) * 5th largest of the ASEAN countries, 40th largest worldwide

Per capita GDP: 2,858 dollars (2015: IMF)

Economic growth rate: 5.8 % (2015: Philippine Statistics Authority)

<Japanese trade with/direct investment in the Philippines (2015)>

Bilateral trade amount:

Exports to the Philippines: 1,148,100 million yen

Imports from the Philippines: 1,073,800 million yen

Main trade goods:

Exports to the Philippines: Machinery, metal goods, chemicals, etc.

Imports from the Philippines: Machinery, food products and products made from animals/plants, raw metals, etc.

Direct investment in the Philippines: 54,700 million pesos

[Source: Ministry of Foreign Affairs of Japan, JETRO materials, etc]

53rd U.S.-Japan Business Conference

(November 3-4, 2016)





On November 3 and 4, 2016, the Japan-U.S. Business Council and the U.S.-Japan Business Council held the 53rd U.S.-Japan Business Conference in Tokyo. Chairman Kobayashi (Vice Chairman of the Japan-U.S. Business Council and Chairman of Itochu Corporation) attended, representing the JFTC. This year's conference theme was "The Promise of Globalization." In addition to the deepening and advancement of globalization, the Conference covered a broad range of additional topics, including the promises and challenges of the innovations of the so-called "4th industrial revolution," such as the Internet of Things (IoT), artificial intelligence, big data and robotics. The Conference also addressed the need for greater workforce diversity. Further discussion also was held on key industrial sector topics, including financial services, energy, healthcare, and travel and tourism.

With regard to economic collaboration, the Councils expressed concern over the global proliferation of protectionist and anti-globalization sentiment. They stressed that trade liberalization has fueled growth and prosperity. The Councils remain committed to the cause of TPP and its promise of open markets. As lead-off speaker of plenary session 3: "Overcoming anti-globalization," Chairman Kobayashi said that "It is now, as the tide of anti-globalization is on the rise, that Japan and the U.S. must come together and affirm the importance of globalization and the TPP. During 2016 as well we should provide strong recommendations to the governments of both Japan and the U.S." The joint declaration also included the Councils' strong hopes for early ratification of the TPP.

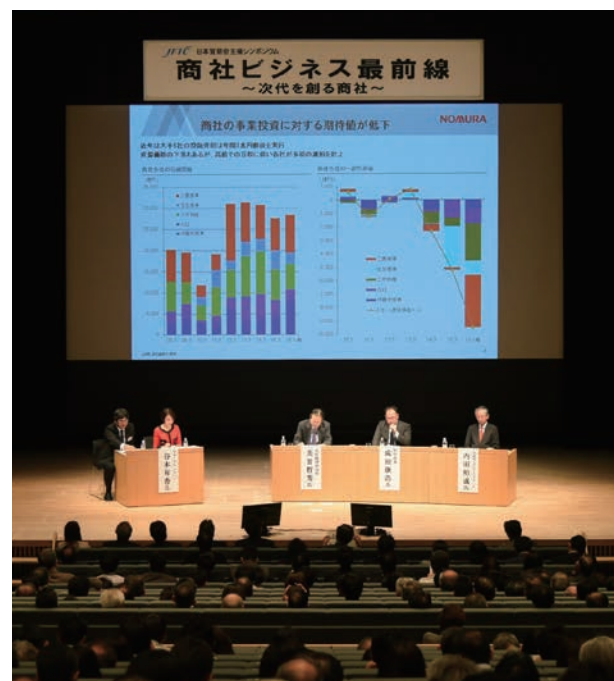
JFTC-hosted "The Frontlines of Shosha Business- The Shosha that are Creating the Next Generation"

(October 28, 2016)

On Friday, October 28, a symposium titled "The Frontlines of Shosha Business- The Shosha that are Creating the Next Generation" was held at the Nikkei Hall. The two-part symposium was aimed at deepening understanding of Shosha (trading company) business, an area little understood by the general public. Over 540 people attended the symposium, making it a tremendous success.

Following the opening address by Chairman Kobayashi, the first section, titled "The Corporate Spirit of Shosha," featured three panelists discussing the special nature of Shosha activities. The second section was titled "Evolving Shosha Business - The Assessment Skills of the Shosha that are Shaping the Future." Three Shosha members active around the world discussed Shosha activities, illustrating them with actual case examples.

We are very grateful to all who attended the symposium. Details regarding the discussions will be posted in the February Monthly (Japanese only).



Measures Related to the OECD's BEPS Project

What is the OECD's BEPS Project?

Since the global economic crisis triggered by the collapse of Lehman Brothers and the greater burden it has placed on citizens, criticism has mounted that multinational corporations are avoiding taxes. Because of this, in June 2012, the BEPS Project was launched by the OECD Committee on Fiscal Affairs (Chair: Masatsugu Asakawa, Deputy Vice-Minister of Finance for International Affairs, Japan).

Base Erosion and Profit Shifting (BEPS) refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity. The OECD's BEPS Project, based on the concept of a level playing field, has also revisited the existing international tax standards to eliminate double taxation in order to stop abuses and close BEPS opportunities. In October 2015, the OECD released the final BEPS Report, issuing 15 comprehensive recommendations to countries around the world.

How has JFTC been involved in the OECD's BEPS Project?

JFTC has examined public discussion draft reports proposed for each of the BEPS 15 action plans, and expressed constructive opinions from the perspectives of (1) eliminating international double taxation, (2) simplifying system design, and (3) resolving differences between systems in individual countries in order to ensure a level international playing field. The OECD Headquarters has held a public consultation meeting to gather opinions from the private sector regarding key issues, and although there have been extremely low levels of participation from Asian companies, JFTC has actively participated and stated its positions.

Going forward, it will be important that measures based on final BEPS report recommendations be

implemented and monitored consistently in different countries. The Japanese government also places a great deal of weight on the OECD's BEPS Project, and will be making policy revisions. JFTC has been coordinating with other parties during the formulation of policy draft proposals, sharing our views with the Japanese government on how to establish an effective system that does not place an excessive burden on companies.

"Seeking the Rapid Implementation of the Trans-Pacific Partnership (TPP)"

Four Organizations Request the Early Ratification of the TPP at an Extraordinary Parliamentary Session

JFTC considers the expansion of trade and investment to be an important element in achieving sustained economic growth in Japan, and sees the strengthening of relationships with other countries through trade and investment facilitation to be essential. Because of this, JFTC has long sought the rapid implementation of the TPP. The TPP is an extremely important agreement, as it would provide powerful support for Japanese companies active around the world, and imports, exports, and overseas investments would create tremendous advantages for the Japanese Shosha (trading company) industry, such as bringing about business sector expansion, reducing business risks, streamlining procedures, and bringing down costs. On July 13, 2016, Chairman Eizo Kobayashi, together with Keidanren (Japan Business Federation) Chairman Sadayuki Sakakibara, Japan Chamber of Commerce and Industry Chairman Akio Mimura, and Japan Association of Corporate Executives Chairman Yoshimitsu Kobayashi, visited the office of the Prime Minister, meeting with Prime Minister Shinzo Abe and Nobuteru Ishihara, minister in charge of the TPP. They personally delivered a joint recommendation from the four organizations titled "Seeking the Rapid Implementation of the Trans-Pacific Partnership (TPP)." Prime Minister Abe stated that "The TPP is a pillar of Japan's growth strategy, and by taking the lead in ratifying it, I hope that Japan will further promote ratification efforts by other countries." Furthermore, from mid-September onwards the four

organizations have again actively petitioned leaders of the Liberal Democratic Party, Komeito, and other

parties to ratify the TPP promptly at an extraordinary parliamentary session.



Representatives personally deliver the “Seeking the Rapid Implementation of the Trans-Pacific Partnership (TPP)” joint recommendation in July (at the office of the Prime Minister)



From right to left: Acting Secretary-General Yoshio Mochizuki, Acting Secretary-General Motoo Hayashi, Executive Acting Secretary-General Hakubun Shimomura, Secretary-General Toshihiro Nikai

FY2017 Outlook for Japan's Trade Balance and Current Account

Overview

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

- FY2016: First surplus in six years amidst falling resource prices.

Total exports are forecast to fall by 6.8% over the previous fiscal year to reach 69.105 trillion yen; specifically, there is forecast to be a 0.2% rise in export volume and a 7.0% fall in export values over the previous fiscal year. The slowing global economy is expected to result in limited export growth in terms of volume, but the much stronger yen will result in prices falling for a wide range of goods, causing total exports to fall for the second consecutive year.

Total imports are forecast to fall by 13.0% over the previous fiscal year to 65.411 trillion yen. Import volume is forecast to fall by 0.2% and import values to fall by 12.8% over the previous fiscal year. Falling resource prices and the strong yen are expected to result in major price drops for a wide range of goods. Total imports will fall for the third consecutive year. Imports will fall by a greater margin than exports, producing a trade surplus.

- FY2017: The yen's rise levels off and total exports exceed 70 trillion yen for first time in two years

Total exports are forecast to rise by 2.0% over the previous fiscal year to 70.516 trillion yen. As the global economy gradually recovers, export volume will rise by 0.8% over the previous fiscal year, while the yen's rise levels off and export values rise by 1.2% over the previous fiscal year.

Total imports are forecast to rise by 2.5% over the previous fiscal year to 67.400 trillion yen. Specifically, import volume is forecast to rise by 0.9% and import

values to rise by 1.6% over the previous fiscal year. Domestic demand will recover and overall resource prices will recover, resulting in an increase in both volume and prices.

2. Outlook for the Current Account

- FY2016: Travel balance growth slows and Current Account sees the third consecutive year of surplus growth.

The Current Account is forecast to reach a surplus of 19.588 trillion yen, surpassing the FY2015 level of 18.0028 trillion yen and seeing the third consecutive year of surplus growth.

Imports will fall by a greater margin than exports, producing a trade surplus of 5.049 trillion yen. The service balance deficit will grow to 1.351 trillion yen due to a reduction in royalties received. The primary income balance surplus will remain high despite shrinking to 17.938 trillion yen due to a fall in investment yield brought about by the rising yen.

- FY2017: Current Account surplus grows due to shrinking service balance deficit and growing primary income balance surplus

The Current Account is forecast to reach a surplus of 19.761 trillion yen, recording the fourth consecutive year of surplus growth.

Specifically, the trade balance surplus will fall to 4.870 trillion yen due to import growth outstripping exports. The service balance deficit will fall to 1.283 trillion yen in royalties received. The primary income balance surplus will rise to 18.224 trillion yen due to factors such as greater investment yield.

Summary Data

•Customs-cleared Trade

| | FY2015 Results | | FY 2016 Forecast | | FY2017 Forecast | |
|-------------------------------|-------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | (Billions of Yen) | Year-on-year change (rate) | (Billions of Yen) | Year-on-year change (rate) | (Billions of Yen) | Year-on-year change (rate) |
| Customs-cleared Trade Balance | ▲ 1,087 | +8,040 | 3,693 | +4,780 | 3,476 | +217 |
| Exports | 74,117 | (-0.7%) | 69,105 | (-6.8%) | 70,516 | (2.0%) |
| Quantum Index | | -2.7% | | 0.2% | | 0.8% |
| Unit Value | | 2.1% | | -7.0% | | 1.2% |
| Imports | 72,205 | (-10.3%) | 65,411 | (-13.0%) | 67,040 | (2.5%) |
| Quantum Index | | -1.8% | | -0.2% | | 0.9% |
| Unit Value | | -8.5% | | -12.8% | | 1.6% |

•Current Account Balance

| | FY2015 Results | | FY 2015 Forecast | | FY2016 Forecast | |
|----------------------------|-------------------|----------------------------|-------------------|----------------------------|-------------------|----------------------------|
| | (Billions of Yen) | Year-on-year change (rate) | (Billions of Yen) | Year-on-year change (rate) | (Billions of Yen) | Year-on-year change (rate) |
| Goods and Services Balance | ▲ 603 | +8,711 | 3,697 | +4,301 | 3,588 | -110 |
| Trade Balance | 542 | +7,131 | 5,049 | +4,507 | 4,870 | -179 |
| Exports | 73,145 | (-3.3%) | 68,197 | (-6.8%) | 69,591 | (2.0%) |
| Imports | 72,603 | (-11.7%) | 63,148 | (-13.0%) | 64,720 | (2.5%) |
| Service Balance | ▲ 1,145 | +1,580 | ▲ 1,351 | -206 | ▲ 1,283 | +69 |
| Primary Income | 20,570 | +595 | 17,983 | -2,632 | 18,224 | +286 |
| Secondary Income | ▲ 1,964 | -27 | ▲ 2,047 | -83 | ▲ 2,050 | -3 |
| Current Account | 18,003 | +9,278 | 19,588 | +1,585 | 19,761 | +173 |

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

•Preconditions

| | 2015 | 2016 | 2017 |
|--|--------------------|--------------------|--------------------|
| Global Trade (CY) | 2.4% | 2.3% | 3.2% |
| Global Economy (Real growth rate / CY) | 3.2% | 3.0% | 3.3% |
| USA | 2.6% | 1.5% | 2.2% |
| Euro zone | 2.0% | 1.6% | 1.5% |
| Emerging and Developing Asia | 6.6% | 6.5% | 6.3% |
| Japanese Economy (Real growth rate / FY) | 0.8% | 0.8% | 0.9% |
| Exchange Rate (Yen / dollar / FY) | 120 Yen / dollar | 104 Yen / dollar | 105 Yen / dollar |
| CIF Crude-oil Price (Dollar / barrel / FY) | 49 Dollar / barrel | 48 Dollar / barrel | 55 Dollar / barrel |

Notes: Emerging and Developing Asia is defined by IMF as Developing Asia.

Foreign Trade 2017

We are pleased to announce that in April 2017, the JFTC will publish "Foreign Trade 2017", with full coverage of Japan's foreign trade statistics on a customs-cleared basis for the previous year.

"Foreign Trade 2017" marks the 42nd edition of this publication since it was first released in 1976. Improvements have been added over the years, such as the inclusion of English for bilingual publication, the introduction of figures, and the addition of new information to the data chapter.

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

"Foreign Trade 2017" (¥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 (Public Relations & Research Group).

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