

## JFTC News

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### 2018 New Year's Reception

(January 5, 2018)



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

On Friday, January 5, 2018, 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 Eizo Kobayashi. 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.

## 2018 New Year's Reception Address by Chairman



### Japan Foreign Trade Council, Inc.

#### 2018 New Year's Reception Address by Chairman Eizo Kobayashi

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

Before proceeding, I would like to express my special gratitude to Minister of Economy, Trade and Industry Hiroshige Seko, Your Excellencies 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.

JFTC celebrated its 70th anniversary in June last year. Formed through the amalgamation of four trade promotion groups in 1947, JFTC was launched in the aim of contributing to economic prosperity in Japan by promoting the sound development of trade. Since then, JFTC has continued to modify its role in a timely manner. With great thanks to the cooperation of our members and the guidance we receive from people in various sectors, we have successfully reached our 70th

anniversary, and I would like to take this opportunity to convey my sincere appreciation to you all.

Looking back over the last year, I feel that the agreements reached on TPP 11 and the Japan-EU Economic Partnership Agreement were highly significant in promoting global free trade. We will continue encouraging all those involved to make every effort toward the prompt implementation of these agreements. The Japanese government has also enhanced the system to support infrastructure exports and made amendments to international tax systems so that they are more in harmony with international business conditions, which JFTC has long advocated. We will continue collaborating with relevant organizations to prepare necessary proposals and requests.

Japan has pursued globalization through overseas business expansion and other outward-looking initiatives, but in parallel with these efforts it is essential for our country to enhance its growth potential through "internal globalization," by attracting highly-skilled foreign talent and inward investment.

In October 2015 JFTC launched a special research project for promoting inner globalization and the role of Shosha, or general trading companies. In October 2017 the results of this research were compiled into a single volume, and a symposium was held to mark its publication. I hope that this proposal will spur widespread recognition of the significance of inner globalization, and encourage initiatives in many sectors to enhance Japan's capacity for growth.

One of the ways we promote such globalization is through the nonprofit organization, Action for a Better International Community (ABIC), established and supported by JFTC. More than 2,800 personnel with extensive experience in international business, including former employees of Shosha, are registered with ABIC, and they make use of diverse business skills in their activities. ABIC actively supports local government organizations, small and medium-sized enterprises, and foreign students in Japan, as well as running courses for university students and citizens and giving classes for school pupils and students at all levels to promote international education. Such activities make a broad social contribution and have been widely praised as being very helpful in promoting globalization.



Our 70th anniversary is just one milestone, and JFTC will play an even more important role in maintaining the international economic systems which shall be free and open in years to come.

Building on the achievements of our precursors, we will redouble our efforts to ensure the sound development of the trade community.

We sincerely look forward to your continued understanding, advice, and support for the activities of JFTC and ABIC during 2018, and earnestly hope that this will be a fruitful and prosperous year for all.

Thank you.

## Award Winners of JFTC Essay Competition 2017

(December 8, 2017)

The JFTC who sponsors the "JFTC Essay Competition 2017" is very pleased to announce that we received a total of 266 submissions from 64 different nationalities for the competition this year.

After a strict screening of all the essays, the four

submissions below have been selected as the winners of the competition in 2017.

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

• *"Is free trade the best policy?"*

Ms. Anna Lee Ali (Trinidad and Tobago)

• *"The Japan-EU FTA – A blueprint for improving the global trade regime"*

Dr. Jan-Ulrich Rothacher (Germany)

• *"Restructuring the Japanese Economy through Opening Market*

*– For Economic Growth in a Depopulating Society"*

Ms. Sachiko Stone (Japan)



### The Selection Committee Chair's Special Prize

- "Free Trade : Satisfying the Double Co-incidence of Economic and Social Wants in the Twenty-First Century"

Ms. Surabhi Chaturvedi (India)

### Remarks by Selection Committee Chair, Mr. Atsushi Nakajima

In the 13th annual Japan Foreign Trade Council (JFTC) Essay Competition held this year, we received 266 essays, the highest number ever recorded. What was notable in this essay competition was that essays from both overseas and young applicants made up a much larger proportion of the total than ever before. Applicants from a wider range of countries, 64 countries in total, joined the competition, and essays from overseas accounted for 89% of the total. Furthermore, I am very pleased to find applications from individuals from a wider age range, 11 years old to 80 years old, with 65% of the essays written by young people in their teens and 20s.

This year's competition topic was "The Ideal Future Free Trade System – Tasks and Solutions –" A free trade

regime promotes free international transactions of goods and services and contributes to economic development. On the other hand, it could lead to widening economic disparities, an increase in unemployment, or the collapse of some industries. Particularly in recent years, during which the global economy has slowed down, a wave of trade protectionism has been spreading. Under these international circumstances, we asked the contestants to sort out the advantages and disadvantages of a free trade regime, and discuss how to increase the former and decrease the latter. At the same time, as this year marks the 70th anniversary of JFTC, we encouraged them to include some analyses of and suggestions on the roles of trading companies in a free trade regime in their discussions.

In reference to this topic, many essays pointed out that a free trade regime was an excellent framework, because it helped each country to export the goods in which it had a comparative advantage to world markets, thereby achieving economic growth. On the basis of this, some emphasized that it was important for individual nations to protect and nurture infant industries of developing countries as well as uncompetitive industries



Award Ceremony of JFTC Essay Competition 2017 held on January 5, 2018

Back row from left: Vice Committee Chairman Dr. Kobayashi, Committee Chairman Mr. Nakajima

Front row from left : Winners Ms. Stone, Ms. Ali, JFTC Chairman Kobayashi, winners Dr. Rothacher, Ms. Chaturvedi

of their own, without undermining the free trade regime. There were also a number of essays which pointed out that it was essential to train people who were likely to lose their jobs unless measures were taken to find a job in a competitive industry, and that governments should strive to make the public understand that despite the disadvantages of free trade, it was superior to trade protectionism and promote international cooperation.

Since many strong, high quality essays were submitted in this year's competition, it was difficult to say which was better. Nevertheless, focusing not only on logic to pursue arguments and the authors' writing skills, but also on originality and the persuasiveness of arguments, we selected three essays for the Prize for Excellence and one for the Selection Committee Chair's Special Prize. Unfortunately, no essay won the Grand Prize, as was the case last year. The results appear to suggest that, in asking contestants to consider the issue of a free trade regime, the topic this time made it all the more difficult for them to put forward views which were different from those of other people.

In closing my address as the Selection Committee Chair, I would like to express my wholehearted gratitude to the vice chairs, the Selection Committee, and the people of the 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**

**Ms. Anna Lee Ali**

### **Is free trade the best policy?**

The author argues that free trade has the advantages of: 1) increasing the public's real purchasing power, especially that of low-income earners; 2) contributing to the expansion of business opportunities and creation of jobs, thereby promoting economic growth; and 3) contributing to world peace and stability by creating closer economic ties between countries. At the same time, the author mentions the advantages of trade protectionism, including protecting infant industries and buying time for the revitalization of declining industries, as well as the disadvantages of free trade, such as expanding income disparities and increasing the tendency to place the utmost importance on commercial

interests. The author concludes that although being good, free trade is not the best option from a realistic perspective, and that it is vital to revise the free trade regime by taking into account the actual circumstances of individual countries and review the WTO rules.

The author summarizes the advantages and disadvantages of free trade in a logical manner. In particular, a variety of well-presented verification analyses, economic theories, and points of view are convincing. Furthermore, this fine essay is written in readable English and balanced without placing a disproportionate emphasis on either the pros or the cons of free trade. It would have been a perfect essay if the author could have put forward some more analyses and views of her own in addition to the quotations.

## **The Prize for Excellence**

**Dr. Jan-Ulrich Rothacher**

### **The Japan-EU FTA – A blueprint for improving the global trade regime**

Referring to free trade and trade protectionism, the author concludes that the best solution is a multilateral FTA, with the second best being a bilateral FTA. He takes a look at the TPP and TTIP, emphasizing that cooperation and public consent are key to economic partnerships, citing the Japan-EU EPA as an example, and argues that the Japan-EU EPA will serve as a model of closer economic partnership in the future.

Unlike many other contestants who discuss free trade as a whole, the author discusses the topic focusing on the individual case of the Japan-EU EPA. Overall, he puts forward the benefits of free trade and a free trade agreement in a logical and positive manner, and his argument that the Japan-EU EPA will lead the world going forward in place of the WTO is interesting.

Although the author takes a unique approach in focusing on the individual case of the Japan-EU EPA, the essay would have been much better if the author could have discussed free trade from a broader perspective and suggested how to manage the negative effects of free trade and the increasing tendency toward trade protectionism, which was asked the contestants to do.

### **The Prize for Excellence**

Ms. Sachiko Stone

#### **Restructuring the Japanese Economy through Opening Markets – For Economic Growth in a Depopulating Society**

The author contends that free trade is advantageous as it helps individual countries to achieve economic development through optimum use of their respective capabilities and facilitates their efforts for productivity improvement. On the other hand, pointing out the negative aspects of free trade, i.e., job losses and a widening wage gap, the author suggests that in order to capitalize on the advantages and minimize the disadvantages of free trade, we must enhance regular education through collaboration between industry, educational institutions, and the government, promote work style reform as well as reform of industries which have long been under protection such as agriculture, and improve the environment for foreign direct investment in Japan. The author then concludes that we can restructure the Japanese economy and achieve sustainable growth by making the Japanese market open.

This is a readable and well-organized essay. In offering an argument in a logical manner, the author is not exclusively devoted to principles or logic, but sees the issue of free trade from the viewpoint of the citizens, which makes the essay understandable and the proposed solutions concrete. It would have been a perfect essay if the author could have looked at the issue of free trade focusing not only on the Japanese market, but also from a broader perspective, and provided possible solutions in a systematic and organized manner.

### **The Selection Committee Chair Special Prize**

Ms. Surabhi Chaturvedi

#### **Free Trade: Satisfying the Double Co-incidence of Economic and Social Wants in the Twenty-First Century**

Going back in time to the mythical era, the author traces the history of ideas and theories of free trade. Subsequently, the author explores the advantages of free trade over trade protectionism, centering around the theory of comparative advantage, and insists that in order to create a model of free trade which will eliminate

the advantages of protectionism, we must increase the variety of tradable goods and simultaneously establish a mechanism for accumulating the bargaining power of small businesses and diversification of risk. Then, pointing out that Japanese trading companies can function as a mechanism enabling accumulation of bargaining power and diversification of risk, the author proposes a cooperative-type trading company model.

While many essays examine the pros and cons of free trade from an economic perspective, what is special about this essay is that it looks at the free trade regime from historical, political, and diplomatic viewpoints as well. Moreover, although its viability remains questionable, the suggestion that trading companies can function as a mechanism which will prevent developing countries from suffering competitive disadvantages under a free trade regime is unique. Considering that protectionist moves have been spreading in recent years, it would have been much better if the author had provided more concrete solutions. However, the argument that trade companies' functions can make up for the disadvantages of free trade is interesting, and the essay deserves the Special Prize.

### **"Human Resources Development for the Global Era"**

(July 6, 2017)

**Special talk session commemorating the 70th anniversary of the Japan Foreign Trade Council and the 35th anniversary of the International University of Japan**

#### **"Human Resources Development for the Global Era"**

Shoei Utsuda

Honorary Chairman, Japan Foreign Trade Council, Inc.  
(Advisor, Mitsui & Co., Ltd.)

Chairman, International University of Japan

Eizo Kobayashi

Chairman, Japan Foreign Trade Council, Inc. (Chairman, Itochu Corporation)





Chairman Kobayashi and Honorary Chairman Utsuda

## **[International University of Japan, born from the Japanese business community]**

**Kobayashi:** After becoming Honorary Chairman of the Japan Foreign Trade Council, Inc. (JFTC), you then took the position of Chairman at the International University of Japan (IUJ) in Niigata prefecture, Japan.

**Utsuda:** Yes, I became Chairman of IUJ on June 1, 2015.

**Kobayashi:** I hear there is a history between IUJ and the JFTC.

**Utsuda:** IUJ was established in 1982 as the first Japanese graduate university to offer all classes in English. The founders, led by Sohei Nakayama (then-Advisor, The Industrial Bank of Japan, Ltd.), were Tadashi Sasaki (then-Chairman, Japan Association of Corporate Executives), Toshio Doko (then-Chairman, Keidanren [Japan Business Federation]), Shigeo Nagano (then-Chairman, Japan Chamber of Commerce

and Industry), and Tatsuzo Mizukami of the JFTC. It was established with solid support from the business community. At the time I was assistant for Mr. Mizukami at Mitsui & Co., Ltd. so I heard about IUJ even before it was established. That is the first connection.

**Kobayashi:** That is quite a connection. What happened after that?

**Utsuda:** In 2012, IUJ held a 30th anniversary lecture where the representatives of the four founding economic organizations were invited to speak. At the time, I was Chairman of the JFTC, so I made a speech and talked about my connection with IUJ. Some time later, Yotaro Kobayashi, then-Chairman of IUJ, asked me in person to take the position. At first I refused because I have been in the shosha (trading company) industry for so many years, somewhat removed from the academic world, but he made the request several times in such a sincere way, so I finally agreed to take the job.

I am grateful for this opportunity today to talk about global human resources and IUJ. I think Mr. Mizukami,

wherever he is, is very happy.

**Kobayashi:** It was a huge feat to establish a graduate university that offers all classes in English over 35 years ago.

**Utsuda:** And it was quite an achievement considering it was the business community that led the initiative. Sohei Nakayama went around the business community asking for donations, and in the end collected almost nine billion yen.

**Kobayashi:** That would be almost unbelievable today.

**Utsuda:** Mr. Nakayama said, "Japan is now going to be an international-trade-oriented country, so we must develop professionals who can engage in hard negotiations overseas." In particular, by offering shared boarding in dormitories, he wanted to cultivate people who understand not only the languages but also the cultures, religions and lifestyles of foreign countries, and who are able to make business negotiations outside of Japan. I think this is exactly what Japan needs today. It is amazing that he had this thought so long ago.

**Kobayashi:** Was IUJ a graduate university from the beginning?

**Utsuda:** At first they considered having undergraduate departments, but the campus is in Minami Uonuma City, Niigata prefecture, which is an hour and a half from Tokyo by Shinkansen. It was more suitable for a graduate school, like an institute for researchers. It was Japan's first graduate program-only university, entirely offered in English with full boarding, so it must have been extremely revolutionary.



**Kobayashi:** How many students are there today?

**Utsuda:** We have around 360 students studying for their master's degrees at the Graduate School of International Relations and the Graduate School of International Management. Over 80% are international students from more than 50 different countries. By country, the highest percentage is Myanmar with 52 students, followed by 24 students from Vietnam, although this is partly attributed to the scholarship situation. We are seeing a recent increase in students from Africa due to the African Business Education Initiative for Youth (ABE Initiative). Although we are a private university, we have great support from public organizations. In particular, around 100 students are enrolled on Japan International Cooperation Agency (JICA) scholarships. Some students mention in their graduate address how grateful they are for the scholarship and the opportunity to study, so I think we are offering something significant as a nation.

**Kobayashi:** International students who become fans of Japan are a valuable asset. What do students do after graduating?

**Utsuda:** Many of the international students are government officials in Africa and other Asian countries, so they return to their countries after getting their master's degree. Some of our alumni are in important positions, like Ministers in Indonesia or Mozambique. Of course, many are active in the business world, and every year around 50 graduates look for jobs at Japanese companies. So we offer employment support as well.

**Kobayashi:** It is wonderful that your alumni are active across the globe. That said, I am surprised that less than 20% of the students are Japanese.

**Utsuda:** Yes. Essentially, students either enroll at their own expense after graduating from university or are sponsored by their company to get their master's or MBA. If we can get more company-sponsored students, the ratio of Japanese students should increase, but the reality is that IUJ is not that well known due to the small number of Japanese alumni. IUJ is in fact the only Japanese school listed in The Economist (UK) top 100 business schools. With a small Japanese student body, the international students have fewer opportunities to



interact with Japanese people, and for this reason we want to attract more Japanese students. It is rare to be able to hear English in more than 50 different accents, so I hope more Japanese companies use IUJ for their employee education. One attraction is that we have over 4,000 alumni working in more than 120 different countries, so graduating from IUJ automatically gives you a global network.

**Kobayashi:** I am familiar with IUJ because you are Chairman, but it is a shame that it is not well known among Japanese companies. The majority of the student body is international students—how about the faculty?

**Utsuda:** About half are Japanese and half are non-Japanese. Most of the non-Japanese faculty are from Asian countries like India, Sri Lanka, China, Taiwan and South Korea. We hope to employ more native English speakers in the future. Many young academics come to Minamiuonuma City from around the world, so it seems that the opportunity to conduct research and teach in this rich natural environment is a big incentive.

**Kobayashi:** IUJ primarily offers master's degrees, which require two years. Do you have any shorter programs?

**Utsuda:** We have a one-year MBA course. To take this course you must have over five years of business experience. Studying a two-year program in a single year is tough, but if you can get through it, I think this course is a big attraction. We also have a wide range of general training programs. There is an intensive language program, a global leadership program for youths, and a senior-level global executive program designed for management-level employees. We also offer custom training programs tailored to company needs, which some companies use every year. Another program we have is designed for training non-Japanese employees at overseas subsidiaries of Japanese companies. Mitsui & Co., Ltd. invites employees from Myanmar and India for this program.

**Kobayashi:** Our company (Itochu Corporation) sends employees to American and European universities for their MBA. We also send new manager-level employees overseas for one to three months. The purpose is to have them experience a different environment and get



a chance to see themselves and their company in a different light. I think having access to IUJ's custom training programs would be very beneficial to companies and employees.

**Utsuda:** The main feature is that we always have an international student participate as discussion facilitator. This simultaneously provides interaction with people from different countries.

**Kobayashi:** That is true diversity.

**Utsuda:** The greatest characteristic of IUJ is its multinational and multicultural setting. I think it is the perfect learning environment for companies planning to expand overseas and develop human resources, especially for human resources development of companies targeting Asian and African markets. This is because IUJ costs a lot less than sending employees overseas for their MBA. The only thing is, the employees must spend two years speaking only English, and this can be tough to survive.

**Kobayashi:** Nonetheless, human resources development is crucial for Japanese companies because, without such personnel, they simply cannot expand overseas. Sending employees to foreign universities costs a lot of money and can be a huge drain for companies.

**Utsuda:** American and European universities are expensive. IUJ costs 2.2 million yen a year (for two-year MBA program) or 2.7 million yen a year including boarding. This is about one-third the cost of American and European universities. Japanese people find it difficult to show leadership at overseas universities due to the language

barrier, but they can at IUJ. Students tell us they can be more active here and enjoy their student lives.

**Kobayashi:** This tuition might be difficult for an individual but quite possible for companies. There is also the problem of security in foreign countries, but IUJ is in Japan so this must be a relief for companies and family members. Prior investment is essential for preparing for the coming global era.

#### [Working on Inner Globalization]

**Kobayashi:** I am sure you already know this, but companies have been able to make progress in globalization when it comes to money, products and information. Yet we still struggle in the field of human resources. Companies make efforts in "external" globalization—that is, sending employees to foreign universities and other such out-going initiatives. Conversely, they put very little effort into "inner" globalization, which is something I always talk about. This is partly the responsibility of companies. We have procrastinated on the matter of inviting people and companies from overseas to Japan.

**Kobayashi:** I think Japan will end up with a one-way globalization unless we accelerate efforts for inner globalization.

**Utsuda:** I agree. I think this inner globalization, which you often mention, is very important.

**Kobayashi:** Being in a multinational environment forces one to come face to face with different perspectives and values, and this benefits the individual. Of course, it is important to study English and travel overseas, but the key point is whether or not you can get along with people who hold different values. In that sense, IUJ offers an ideal environment.

**Utsuda:** IUJ only has around 360 students, but our cafeteria has been offering halal food since five years ago. We started before any other university.

**Kobayashi:** Really!

**Utsuda:** It has been the norm for us, even when halal was relatively unknown in Japan. I think this is one thing

that attracts people from different cultures, religions and countries.

**Kobayashi:** Well, that is wonderful.

**Utsuda:** Many of our students are sent from government bodies so they bring their families with them. All students live in the school dormitory or in Minami Uonuma City, so their children attend local kindergartens and elementary schools. They really enjoy immersing themselves in the local community. We have the annual International Festival where students make their own country's favorite food, and you see kindergarten children playing in traditional costumes. It is very diverse and meaningful.

**Kobayashi:** So the families of the students also enjoy their lives in Japan.

**Utsuda:** They get along with the local community very well. We have a 35-year history, so the locals are used to it. There is no uneasiness or sense of unusualness.

**Kobayashi:** I see, the local community has a strong welcoming ethos.

**Utsuda:** The university has been around for years, so the locals have a wonderful understanding of the multinational student body.

**Kobayashi:** That is splendid. IUJ is truly a pioneer of internal globalization. Is there a support system for family members who do not speak Japanese?

**Utsuda:** Although IUJ classes and papers are 100% in English, we do have Japanese language teachers and Japanese classes for students. The Office of Student Services provides support for living concerns, including for family members. The local international exchange group also offers Japanese language support.

**Kobayashi:** That is an important concern. The Action for a Better International Community (ABIC) has offered support for the Tokyo International Exchange Center in Odaiba for many years. It is vital to have a solid support system for foreigners living in Japan.

**Utsuda:** Speaking of ABIC, many of the members

have extensive experience living overseas and are full of understanding, so I would love to have them teach at IUJ. We have international students from so many different countries, and friendly and affectionate teachers will surely be a big comfort for the students. I think this will have a wonderful effect.

**Kobayashi:** That is a great idea. There are almost 3,000 active ABIC members and many of them teach at universities across Japan. Our member pool is large. Building a connection with the JFTC and ABIC will certainly further benefit the university.

**Utsuda:** In 2014 IUJ was selected a Super Global University by the Ministry of Education, Culture, Sports, Science and Technology. We have a satellite office in Vietnam, and we plan to add more in Ghana, Myanmar and other countries. We will put even more energy into supporting international students in order to facilitate Japan's inner globalization. Lastly, IUJ was established thanks to the support of the business community, so we hope to see more companies and Japanese people utilize the university.

**Kobayashi:** Thank you for your time today.

**Utsuda:** Thank you.

## "For further development of economic relations between China and Japan"

(July 27, 2017)

2017 marks the 45th anniversary of the normalization of diplomatic relations between Japan and China. Throughout the 70-year history of the Japan Foreign Trade Council, Inc. (JFTC), the China Committee was particularly active during the 1980s and '90s, playing a central role in maintenance of the trade environment, and contributing greatly to the enrichment of economic ties between Japan and China. JFTC Managing Director Hirotohi Iwaki visited Song Yaoming (Minister of the Economic and Commercial Office of the Embassy of the People's Republic of China in Japan), a key person who has built friendly relations in the Japanese business

community over the years as coordinator on the Chinese side. The two talked about the One Belt, One Road initiative of the Chinese government and other matters.

### 1. Minister Song's contribution to Japan-China economic exchange

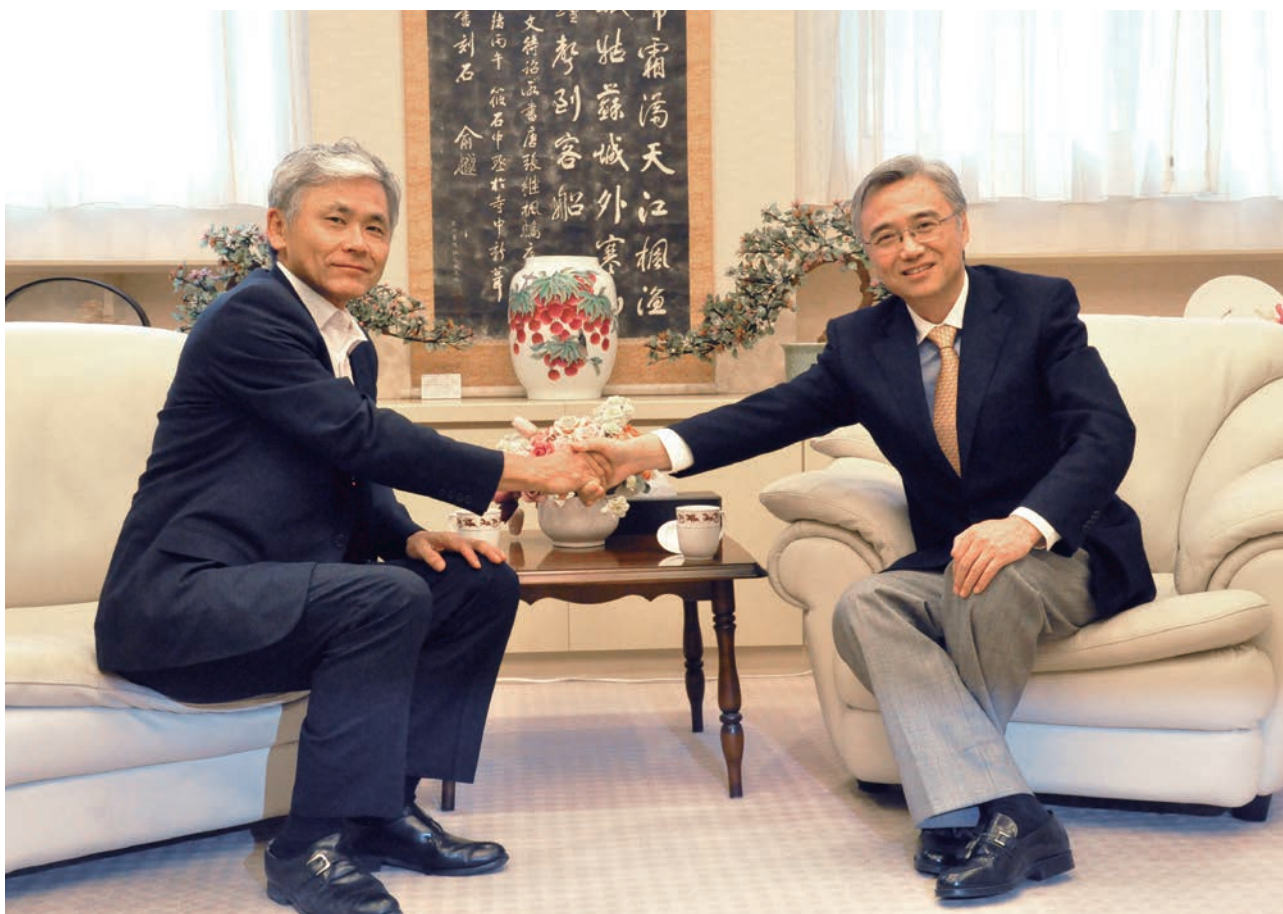
**Iwaki:** You have long been involved in economic exchange with Japan.

**Song:** My work in economic exchange with Japan has spanned over 30 years. After graduating from university, I began working at the Ministry of Commerce of China (MOFCOM, then Ministry of Foreign Trade and Economic Cooperation). China was just starting its open-door policy. In September 1985, right after I began working, I participated in an important event—we welcomed the mission of then-Minister of International Trade and Industry of Japan Keijiro Murata. The Japanese business community sent the "Trade expansion mission to China, Ministry of International Trade and Industry\*1" in May 1986 based on talks regarding China's import surplus.

The mission separated into subcommittees to discuss a variety of issues. The Japan Foreign Trade Council, Inc. (JFTC) was leader of the subcommittee on trade practices. In the fall of the same year (1986), the "Japan-China Trade Expansion Consultative Council\*2" was established. Unlike today, Japan-China economic talks focused primarily on trade issues, and direct investment was not yet a topic for discussion. It was impressive to see such frameworks for Japan-China discussions. We made many requests to Japan, for example regarding Japanese quarantines on agricultural imports and relaxing entry visa rules.

I was assigned a post in Japan in 1988 where I exchanged opinions with many people, for example from Japanese general shosha (trading companies) and major electronics manufacturers. I remember meeting with management members of economic organizations such as the JFTC, the Association for the Promotion of International Trade, Japan, the Japan-China Economic Association, Keidanren (Japan Business Federation), the Japan Chamber of Commerce and Industry, and the Japan External Trade Organization (JETRO).

In 1993 I enrolled in the Graduate School of Business Administration, Keio University. The classes focused on learning case studies, so I learned a lot about corporate



Managing Director Iwaki and Minister Song

management, for example financial issues and human resources management during corporate mergers.

Later, after serving as deputy manager of the Japan office, the Asian financial crisis happened and my boss suggested I extend my experience outside of Japan, so I took a position at the Chinese Embassy in Singapore. For five years, I worked on expanding trade and investments between China and Southeast Asian countries, but there were also opportunities to meet with Japanese shosha.

After returning from Singapore, I took part in multiple important economic discussions with Japan, including vice-minister level regular consultations between MOFCOM and Japan's Ministry of Economy, Trade and Industry (METI), the Japan-China Economic Partnership Consultation, and the Japan-China Energy Conservation and Environment Forum. I have also long been involved in the China-Japan-Korea Pan-Yellow Sea Economic and Technological Conference.

## 2. Japan-China relations through the One Belt, One Road initiative

**Iwaki:** China has seen remarkable growth and greater presence in the global economy since becoming a WTO member in 2001.

**Song:** China is still the driving force of the global economic growth. China's GDP in 2016 was 74 trillion yuan, a 6.7% year-on-year increase and over 30% contribution rate in the global economic growth. The 2016 trade amount was 3.69 trillion dollars, inward foreign direct investment in China was 126 billion dollars, and outward foreign direct investment from China was 170.1 billion dollars. More than 120 million Chinese people traveled abroad. China's economic growth rate in the first half of 2017 (6.9%) was contained within a reasonable range, and we are seeing stable improvement. In five years we predict the figures to be 8 trillion dollars in imports, 600 billion dollars in inward investment in China, 750 billion dollars in outward investment from China, and 700 million Chinese



travelers abroad.

**Iwaki:** The most recent news among Japanese companies is the One Belt, One Road (OBOR) initiative proposed by President Xi Jinping.

**Song:** The OBOR initiative proposed by President Xi Jinping in the autumn of 2013 is an economic initiative combining the Silk Road Economic Belt and 21st Century Maritime Silk Road. In the four years hence, it has evolved from concept to action, from ideal to reality, and we are already reaping results. The Belt and Road Forum for International Cooperation was held in Beijing in May 2017. At the forum, President Xi met with LDP Secretary General Toshihiro Nikai and expressed his hopes to build a mutual cooperative relationship through OBOR and a new China-Japan platform, that is, a framework for an experimental approach. Secretary General Nikai responded favorably, expressing the intention to participate in China's initiatives.

Gao Yan, Vice Minister of Commerce of China, and Hirofumi Katase, METI Vice-Minister for International Affairs, attended the 18th vice-minister level regular consultation between MOFCOM and METI held in Tokyo, June 2017. They held discussions on collaborative infrastructure development in Asia, China introducing the OBOR initiative and Japan introducing the Partnership for Quality Infrastructure.

Later, Prime Minister Abe met with President Xi at the G20 Hamburg Summit in July 2017, where he expressed his intent to consider cooperating with China on OBOR.

Chinese companies have the advantage of an infrastructure industry and human resources, and Japanese companies have advanced technologies in various fields. I hope to see companies from both countries use OBOR as an opportunity to actively roll out mutual collaborations in third-party countries, in fields such as infrastructure connectivity, resources and energy development, logistics services, manufacturing supply chains, and exports in the medical and health services industry. My hope is to see this benefit multiple countries in the global market.

I heard the Japanese Chamber of Commerce and Industry in Beijing established a committee for the open and inclusive OBOR initiative, and I believe this shows the more willing stance of Japanese companies. Uniting the Eurasia continent through OBOR will produce great benefits, for instance, reducing transportation cost

and time between Japan and Europe and providing alternative land routes to maritime routes.

### 3. On the 45th anniversary of the normalization of Japan-China diplomatic relations and 70th anniversary of the JFTC

**Iwaki:** 2017 marks the 45th anniversary of the normalization of diplomatic relations, and 2018 the 40th anniversary of the Treaty of Peace and Friendship between Japan and China. What do you consider important for further development of Japan-China economic relations?

**Song:** There are several areas I think are particularly important in which to promote cooperation.

The first is to expand cooperation at the working level in various industries: infrastructure development, economic green growth through energy conservation and environmental technologies, high-tech industry, industry for senior citizen, medical and health industry, Internet Plus, IoT, cloud computing and e-commerce.

The second is to deepen our countries' understanding of each other's macro economic affairs and policies, and strengthen cooperation in the financial and monetary fields.

The third is to strengthen cooperation at the regional and private level by revealing unique advantages in negotiations and appealing to the central government.

The fourth is to support Chinese companies making investments in Japan, and promote Japan-China cooperation in third-party countries through OBOR.

The fifth is to promote free trade agreement negotiations between multiple countries, including the China-Japan-South Korea FTA and RCEP, as well as discussions within the frameworks of G20, APEC and WTO.

When President Xi met with Prime Minister Abe at the G20 Summit, he said that economic exchange is a system that propels the two countries' relationship and that we should further promote cooperation at the working level. Prime Minister Abe said he hoped to deepen cooperation in the fields of economy, finance and tourism. Today, over 30 thousand Japanese companies make direct investments in China, but this is not enough when considering mutual economic exchange. I hope to increase direct investments to Japan from Chinese companies. JETRO calls for

direct investments through its Invest Japan campaign. Considering the "Inner Globalization" concept proposed by the JFTC, I would like to ask for your support in promoting and increasing direct investments from Chinese companies.

The 11th Japan-China Energy Conservation and Environment Forum and 12th Japan-China Economic Partnership Consultation will be held in Tokyo and Beijing, respectively, in the second half of 2017. I anticipate poignant opinions from both parties and proactive outcomes.

**Iwaki:** This year also marks the 70th anniversary of the JFTC.

**Song:** The JFTC has contributed greatly to the economic growth between China and Japan, for example through economic exchange and technical cooperation. I would like to take this opportunity to congratulate Chairman Eizo Kobayashi and all stakeholders on the JFTC's 70th anniversary, and express my sincere gratitude to the JFTC and its members (companies and organizations) for their efforts to improve and develop China-Japan economic relations.

As Minister of the Economic and Commercial Office, which is at the frontline of China-Japan economic exchange, I hope to expand communication between the JFTC and our embassy. I will also proactively maintain relations with METI, the Ministry of Foreign Affairs and other Japanese government ministries, as well as various economic groups, to continue to promote the healthy development of economic and trade relations between the two countries.

#### 4. Towards further economic relations between China and Japan

**Iwaki:** Today I was able to reconfirm the history of JFTC's involvement in the formation of Japan-China trade ties. And this year JFTC celebrates 70 years. The JFTC will continue to work proactively to strengthen and deepen economic relations between China and Japan.

##### (Column)

##### (\*1) Trade expansion mission to China (1986)

A collaborative mission between shosha (trading companies), including the JFTC, and major Japanese companies. There were 162 members, including mission



leader Mr. Kawai (Deputy Chairman of the Japan-China Economic Association, Chairman of Komatsu Ltd.), the secretariat and member of ten groups: an advisory group (Chairman Ueda of Nissho Iwai Corporation [now Sojitz Corporation], President Mimura of Mitsubishi Corporation, President Haruna of Marubeni Corporation, President Ejiri of Mitsui & Co. [did not attend], President Ito of Sumitomo Corporation, President Yonekura of Itochu Corporation), trade policy group, agricultural products group, trade practices group and more.

(Source: JFTC Monthly July 1986)

##### (\*2) Japan-China Trade Expansion Consultative Council (1986)

A Japanese promotional council established when the Japan Foreign Trade Council, Inc., Japan-China Economic Association, Japan External Trade Organization and Japan Chamber of Commerce and Industry submitted a human exchange proposal to China in order to support the development of China's trade capacities. The proposal included (1) Technology transfers and joint venture support, (2) Trade fairs for Chinese products, (3) Welcoming trade missions and more.

(Source: JFTC Monthly September 1986)

## 49th Japan-Korea Business Conference

(September 26 and 27, 2017)

On September 26 and 27 the Japan-Korea Economic Association and the Korea-Japan Economic Association held the 49th Japan-Korea Business Conference in



Seoul, Republic of Korea. The conference was attended by roughly 300 people from Japan and Korea.

Japan and Korea have both faced numerous difficulties in the past, but business leaders from both countries have held this conference every year since 1969, alternating between hosting country, in order to promote economic collaboration.

The theme of this year was "Further collaboration between Japan and Korea, taking on new challenges, and pioneering the future in the face of tumultuous international affairs!" Participants engaged in vigorous discussion regarding topics such as the fourth industrial revolution, the resolution of societal problems faced by both Japan and Korea, and youth exchange and development amidst recent turbulent world affairs.

At the end, the head of the Japanese delegation, Mikio Sasaki (senior corporate advisor to Mitsubishi Corporation), and the head of the Korean delegation, Kim Yoon (chairman of Samyang Holdings Corporation) issued a forward-looking joint statement between Japan and Korea for the following fifty years. In particular, Japan and Korea shared their understandings of the following, including how to resolve the problems faced by each country, such as securing employment in Japan and job scarcity for university students in Korea.

(1) Continued persistent efforts to create a single economic sphere, (2) cooperating and taking on new fields such as the fourth industrial revolution, (3) efforts aimed at resolving social problems faced by both Japan and Korea, (4) expanding collaboration with third countries, (5) further increasing youth exchange, (6) efforts aimed at the Winter Olympics and Paralympics in PyeongChang and the Summer Olympics and Paralympics in Tokyo, and (7) hopes for the governments of both countries.

## 55th Annual Japan Australia Joint Business Conference

(October 8 to 10, 2017)



The 55th Annual Japan Australia Joint Business Conference was held by the Japan-Australia Business Cooperation Committee and the Australia-Japan Business Cooperation Committee from October 8 to 10 at the Imperial Hotel in Tokyo, Japan.

The overall theme of this conference, held during a rising tide of protectionism, was "Viewing Change as Opportunity."

Committee chairs Akio Mimura and Sir Rod Eddington gave opening statements, Australian Ambassador to Japan Richard Court 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 six plenary sessions.

The conference featured lively discussion on themes including the Japan-Australia relationship in a world of rising protectionism, bilateral investment case studies, increasing efficiency in resource development and the scope and importance of alternative energy and renewables, the financial connection, emerging business challenges and opportunities as seen by future leaders, and artificial intelligence and innovation. The two committees reaffirmed the potential for further extensive growth. They also reconfirmed the roles of Japan and Australia as prominent advocates for free trade in the world and leaders in promoting an eleven- country Trans-Pacific Partnership (TPP).

At the end, both committees agreed on further

cooperation to develop and expand bilateral trade, investment, and business. In order to proactively resolve business environment issues that could impede bilateral relations, they agreed on the need to work towards the swift conclusion of TPP11 with both countries as members, to remedy issues with regard to working visa system reform in Australia, to cooperate bilaterally in innovation, expand promising fields, and develop business in third countries.

## **Agreement in Principle Reached on TPP11**

**(November 11, 2017)**

Shiho Nakamura, Policy Proposal Group

### **1. The agreement in principle reached on TPP11**

On November 9, at the TPP ministerial meeting held in Danang, the Socialist Republic of Viet Nam, ministers from 11 countries, not including the U.S., reached an agreement regarding the TPP accord package, including the new agreement's articles and a list of suspended provisions (an agreement in principle). At one point Canada went back on its former decision, but at the reconvened meeting of ministers held on the evening of November 10 the contents of the agreement were reaffirmed.

The 11 countries began working on TPP11 since the U.S. decision to withdraw from the TPP in January. The Japanese government hosted three high-level official level meetings, and the agreement could be seen as the result of Japan's leadership toward the rapid establishment of TPP11.

On October 23, the Japan Foreign Trade Council, together with the Keidanren (Japan Business Federation), Japan Chamber of Commerce and Industry, and Japan Association of Corporate Executives, submitted a request for rapid implementation of the TPP Agreement by the 11 countries to Prime Minister Abe and Minister Motegi, with their expectations. We wish to sincerely welcome the agreement in principle and express our respects for the enormous efforts involved in the persistent negotiations.

### **2. Overview of TPP11 (CPTPP)**

On November 11, the Cabinet Secretariat TPP Task Force released the contents of the TPP11 agreement. The new agreement's official name is the "Comprehensive and Progressive Agreement for Trans-Pacific Partnership: CPTPP" (referred to hereinafter as the "TPP11"). It encompasses roughly 13% of the world's gross domestic product (GDP), roughly 15% of world trade, and roughly 7% of the global population. Although its scale and economic impact as a free trade zone has been diminished due to the departure of the U.S., it is still highly significant.

### **3. Hopes for the rapid signing and enactment of TPP11**

It is hoped that the recent agreement in principle reached on TPP11 will serve as the foundation of collaboration in the creation of a free trade zone in the wider Asia-Pacific region, and that it will also help to drive other economic partnership negotiations. If signed early in 2018, a draft agreement could be submitted during this year's ordinary Diet session in order to have TPP11 go into effect in 2019.

## **54th Japan-U.S. Business Conference**

**(November 2 and 3, 2017)**



On November 2 and 3, 2017, the Japan-U.S. Business Council and the U.S.-Japan Business Council held the



54th U.S.-Japan Business Conference in Washington, D.C. The meeting was attended by roughly 170 business leaders from Japan and the U.S. Under this year's theme, "U.S.-Japan Ties at a Critical Juncture," participants engaged in discussions regarding the need for Japan-U.S. collaboration in fields such as the politics and economies of both nations, security, trade and investment collaboration, labor productivity, digital transformation, healthcare innovation, tourism, energy, and financial services.

Today, a number of security and economic challenges in the Asia-Pacific require greater U.S.-Japan cooperation. The two councils confirmed their commitment to promoting a free, open and rules-based global trading system; setting an example for sustainable economic growth; and maintaining regional stability. The councils stressed the need for the U.S. and Japanese business communities to be in lock-step at this critical juncture, where we face growing uncertainty not only over regional security, but also regarding the shifting U.S. stance on trade – particularly in the Asia-Pacific region.

Furthermore, both councils agreed that rules-based free-trading systems promote economic growth, job creation, and innovation and the resilience of participating economies. They duly recognized the government of Japan's leadership in pursuing TPP-11 since the US decision to withdraw from TPP. The councils expressed their hope that discussions between the United States and Japan on a bilateral framework will be accelerated with a view to deepening their economic relations, and setting high trade and investment standards throughout the Asia-Pacific region.

## Japan Foreign Trade Council Held 70th Anniversary Memorial Symposium

(October 26, 2017)

On Thursday, October 26, the Japan Foreign Trade Council's 70th Anniversary Memorial Symposium was held in Nikkei Hall. It was attended by over 400 members of industry, researchers, and students, many of whom purchased the book that was the theme of the



first section of the symposium.

After the greeting by Chairman Kobayashi, the first section of the symposium commemorated the publishing of "The New Growth Strategy of 'Inner Globalization' and Sogo Shosha", revealing the results of two years of work by the Special Research Committee. During the second section of the symposium speakers frankly exchanged opinions about how Shosha (trading companies), which have shifted from trade to business investment, are working to expand their business and achieve sustainable growth, and what issues they face when implementing their strategies.

Details regarding the event will be posted at a later date on the JFTC website (in Japanese only).

## FY2018 Outlook for Japan's Trade Balance and Current Account

### Overview

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

- FY2017: Two consecutive years of over four trillion yen of surplus, backed by the recovery of the global economy and the depreciation of the yen

Total exports are forecast to increase by 10.7% over the previous fiscal year to reach 79.194 trillion yen; specifically, there is forecast to be a 5.4% rise in export volume and a 5.0% rise in export value over the previous fiscal year. The recovering global economy is resulting in an increase in export volume, and the yen has tended to depreciate, causing total exports to increase for the first time in three years.

Total imports are forecast to increase by 11.3% over the previous fiscal year to 75.165 trillion yen. Import volume is forecast to increase by 2.8% and import value to rise by 8.3% over the previous fiscal year. The bottoming out and slight recovery of resource prices, strong internal demand in the construction and automotive sectors, and the depreciated yen are expected to result in increased import value for the first time in four years.

Exports will rise by a slightly greater margin than imports, producing a trade surplus.

- FY2018: Total exports exceed 80 trillion yen due in part to the falling yen, reaching the second highest in history

Total exports are forecast to increase by 3.3% over the previous fiscal year to reach 81.792 trillion yen. The global economy is expected to continue to grow and the yen to fall, resulting in a forecast of a 2.0% rise in export volume and a 1.3% rise in export value over the previous fiscal year.

Total imports are forecast to increase by 3.1% over the previous fiscal year to 77.513 trillion yen.

Specifically, import volume is forecast to increase by 2.4% and import value to rise by 0.7% over the previous fiscal year. The amount of imports will rise due to the weak yen, but will decrease for some resources due to falling raw material prices and the contraction of the domestic market.

#### 2. Outlook for the Current Account

- FY2017: Current Account sees the fourth consecutive year of surplus growth

The Current Account is forecast to reach a surplus of 22.77 trillion yen, surpassing the FY2016 level of 20.382 trillion yen and seeing the fourth consecutive year of surplus growth.

Specifically, exports will rise by a slightly greater margin than imports, producing a trade surplus of 6.007 trillion yen. The service balance deficit will shrink to 1.108 trillion yen due to an increase in royalties received. The primary income balance surplus will grow to 19.998 trillion yen due to an increase in direct investment yield and the falling yen.

- FY2018: Current Account surplus exceeds 23 trillion yen, the second highest surplus in history

The Current Account is forecast to reach a surplus of 23.774 trillion yen, the second highest in history following the 24.338 trillion yen recorded in FY2007, before the Lehman crisis.

Specifically, the trade surplus will rise to 6.318 trillion yen due to export growth outstripping imports. The deficit on services will fall below 1 trillion yen in royalties received to 942.1 billion yen. The surplus on primary income will rise to 20.556 trillion yen.

## Summary Data

### • Customs-cleared Trade

	FY2016 Results		FY 2017 Forecast		FY2018 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	4,000	+5,105	4,029	+29	4,279	+250
Exports	71,525	(-3.5%)	79,194	(10.7%)	81,792	(3.3%)
Quantum Index		2.4%		5.4%		2.0%
Unit Value		-5.8%		5.0%		1.3%
Imports	67,525	(-10.2%)	75,165	(11.3%)	77,513	(3.1%)
Quantum Index		0.5%		2.8%		2.4%
Unit Value		-10.7%		8.3%		0.7%

### • Current Account Balance

	FY2016 Results		FY 2017 Forecast		FY2018 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	4,391	+5,414	4,899	+508	5,376	+477
Trade Balance	5,773	+5,443	6,007	+235	6,318	+311
Exports	70,679	(-3.4%)	78,257	(10.7%)	80,824	(3.3%)
Imports	64,906	(-10.9%)	72,249	(11.3%)	74,506	(3.1%)
Service Balance	▲ 1,382	-29	▲ 1,108	+273	▲ 942	+166
Primary Income	18,083	-2,814	19,998	+1,916	20,556	+558
Secondary Income	▲ 2,092	-81	▲ 2,127	-35	▲ 2,157	-30
Current Account	20,382	+2,520	22,770	+2,388	23,774	+1,004

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

### • Preconditions

	2016	2017	2018
Global Trade (CY)	2.3%	3.9%	4.0%
Global Economy (Real growth rate / CY)	3.2%	3.6%	3.6%
USA	1.5%	2.2%	2.3%
Euro zone	1.8%	2.1%	1.9%
Emerging and Developing Asia	6.4%	6.5%	6.5%
Japanese Economy (Real growth rate / FY)	1.3%	1.6%	1.2%

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 FY2017 and 114 yen/dollar for FY2018 and a CIF crude-oil price of 52 dollars/barrel for FY2017 and 53 dollars/barrel for FY2018.

## Foreign Trade 2018

We are pleased to announce that in April 2018, the JFTC will publish "Foreign Trade 2018", with full coverage of Japan's foreign trade statistics on a customs-cleared basis for the previous year.

"Foreign Trade 2018" marks the 43rd 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 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](mailto:chosa@jftc.or.jp) (Public Relations & Research Group).



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## What is JFTC?

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### Japan Foreign Trade Council, Inc.

World Trade Center Bldg. 6th Floor, 4-1, Hamamatsu-cho 2-chome, Minato-ku, Tokyo 105-6106, Japan  
Tel. 03-3435-6323 Fax. 03-3435-5979

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