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2022 New Year's Remarks by Chairman KOBAYASHI Ken (January 4, 2022)

I would like to wish all of you a Happy New Year as we welcome in 2022.

Looking back at 2021, the global situation could be described as one of disorder, perhaps highlighted by the continued power struggle between the US and China following the inauguration of the Biden administration in January. In addition, there was also the coup d'état in Myanmar and the Taliban's return to power in Afghanistan. The US and its allies have continued to oppose China on many fronts, two examples of which being supply chains and human rights, the former being particularly crucial to economic security.

Geopolitically, 2022 will also be a significant year,

with presidential elections taking place in South Korea and France, the Chinese Communist Party holding its 20th National Congress, and the US holding its midterm elections. The effects of these events on not only US-China relations but the entire world situation deserve close attention.

The global economy had been improving in 2021 supported largely by the accelerated COVID-19 vaccine rollout and the relaxation of trade and travel restrictions. Recently, however, the recovery has been slowed by the new Omicron variant, worldwide inflation and surging prices resulting from tighter supply of resources and raw materials.

There are a number of uncertainties in 2022. These include new surges in COVID-19 infections, a continuation of the global semiconductor shortage, stalled economic growth in China, and the normalization of monetary policies that could disrupt markets. To revive the global economy and get it back on track for growth, both governments and businesses must make genuine commitments to digital

transformations and carbon neutrality, improving their operations and structures.

In recent years, countries around the world have tended to put their own interests first, and this attitude became more pronounced during the initial stages of COVID-19. Since last year, however, there have been signs of readiness to cooperate on shared challenges which must be resolved collectively by the international community. Two key issues are climate change and the global trading system. The former has been addressed at the COP26 meeting in Glasgow, where in spite of their differences the participating countries reached agreement on the 1.5 degree target. Regarding the latter, we have witnessed a number of developments which have revived and strengthened international trade systems over the last year. These include the RCEP agreement going into force on January 1st and negotiations among UK, China and Taiwan to join the CPTPP. We also saw the development of frameworks to facilitate the supply of vaccines and other medical devices, including measures to remove equitable financing barriers. In addition, rules on international taxation have been reviewed for the first time in almost a century. These and other moves are creating more opportunities for international cooperation.

Here in Japan, swift and steady efforts are needed to promote policies dedicated to achieving carbon neutrality, digitalizing society, revitalizing the economy and bolstering national security. These efforts must be led by the Kishida administration and sustained over the medium and long terms. For their part, Japan's *Shosha* will continue to leverage their business activities to find solutions that are invested in maintaining industrial competitiveness, ensuring energy security and serving the interests of Japan and its citizens.

As "Pioneers of a New Era," Japan Foreign Trade Council (JFTC) members shall do their utmost to promote public-private partnerships to achieve Japan's strategic aims. We remain committed to offering new policy proposals and enhancing member services to help revitalize Japan's society and economy. We have already planned to hold a "*Shosha* Symposium" on the theme of UN's sustainable development goals, followed by the announcement of our special research

project results on "*Shosha* in the New Digital Era".

We appreciate your kind support for JFTC in 2022 and I wish all of you a very healthy, happy and prosperous year.

Chairman's Comments

Chairman Kobayashi's Comments on Expanded State of Emergency

August 3, 2021

The Japanese government has expanded the latest state of emergency from Tokyo and Okinawa to Saitama, Chiba, Kanagawa and Osaka. It has also been extended until August 31. This is unfortunate news, however I believe that the decision was both inevitable and correct considering how critical the situation in Japan continues to be. Due to the rapid spread of the more contagious Delta variant, the daily case count has now exceeded 10,000 and is in record-high territory.

Vaccination is the key to curbing the spread of infections. While some progress has been made on the vaccine rollout, there is much left to be done. I call on the government to continue to do its utmost to secure vaccines, supply them rapidly, and vaccinate Japan's working community as quickly as possible. Furthermore, our leaders must send a stern message to citizens across the nation to ensure that everyone understands just how stressed our healthcare system has become. This is both a global and national crisis, and it will not be resolved until all of us truly appreciate its severity and make the right choices to end it.

All members of the JFTC remain committed to doing everything in their power to prevent the spread of COVID-19. We shall continue to promote telecommuting and digitalization, help to make vaccinations more easily and readily available to employees and others, and take the steps needed to ensure business continuity and growth.

Chairman Kobayashi's Comments on Expanded State of Emergency

August 19, 2021

The Japanese government has expanded the state of emergency from the current six prefectures to seven more prefectures. It has also been extended until September 12. Due to the rapid spread of the more contagious Delta variant, the daily case count exceeded 20,000 for the first time at the end of last week and the number of seriously ill patients has been increasing rapidly. In view of this critical situation, I believe the government's decision was unavoidable.

I call on the government to acknowledge that Japan's stressed healthcare system now falls within the scope of disaster medical care, particularly in the greater Tokyo area, and to show strong leadership in rapidly building an adequate healthcare system in close cooperation with local authorities and medical institutions. Specifically, this will involve securing additional hospital beds, expanding medical services for people being treated at home, increasing the number of overnight treatment facilities, and establishing a system for administering newly approved drugs. The government should also continue to do its utmost to secure and promptly supply vaccines and steadily vaccinate Japan's working community.

Up to now, clusters have typically been traced back to restaurants, but Japan is now experiencing a spate of infections that are originating from other places. It is more important than ever that citizens across the country appreciate the gravity of this crisis and take all measures possible to help prevent further spread of the virus. Effective measures to thin out crowd numbers and curb the movement of people must be taken. Furthermore, the COVID-19 threat has been exacerbated by the spread of more contagious variants, so if we hope to mitigate this threat, we will need to take the correct legal steps and otherwise ensure that our emergency responses are appropriate. All of these matters must be addressed urgently.

In close cooperation with the government, all members of the JFTC shall remain dedicated to preventing the spread of infections. In addition to promoting telecommuting and online meetings, we shall

continue to help make vaccinations more easily and readily available in the workplace.

Chairman Kobayashi's Comments on Prime Minister Suga's Decision Not to Run in the LDP Leadership Election

September 10, 2021

Prime Minister Suga has always said that COVID-19 countermeasures are his highest priority, so I respect his recent decision not to run in the Liberal Democratic Party (LDP) leadership election in order to concentrate on the extremely difficult task of responding to the pandemic.

It is expected that 60 percent of Japanese people will have received two doses of vaccine by the end of this month. I believe this rapid vaccine rollout is truly thanks to Prime Minister Suga's strong leadership.

Furthermore, I recognize that his earnest efforts to address important issues, such as the promotion of policies aimed at realizing carbon neutrality by 2050 and the establishment of a new Digital Agency to formulate and implement an integrated digitalization policy in Japan, have paved the way to further economic growth.

The LDP leadership election is coming soon, but in the meantime I would like the government to continue with its efforts to deal with the urgent issues at hand, such as COVID-19 countermeasures and the normalization of social and economic activities.

Chairman Kobayashi's Comments on the Expanded State of Emergency and Resumption of Socioeconomic Activities

September 13, 2021

The government has announced the expansion of the state of emergency to 19 prefectures including Tokyo. It has also been extended until September 30. Although the daily new COVID-19 cases have been decreasing, the number of seriously ill patients remains high and the hospital bed use rate is at a critical level. In view of this situation, I think this measure was

unavoidable. In preparation for winter, when infectious diseases spread more readily, I would like the government to do everything in its power to establish an adequate medical care provision system in light of the issues that have arisen through its response so far.

On the other hand, now that rapid progress is being made on the vaccine front, it is time for our leaders to truly focus on normalizing our pandemic-plagued socioeconomic activity, provided of course that they do so in step with COVID-19 countermeasures. Under the circumstances, I believe that the manner in which the government has revised its basic policy on the pandemic is a positive move. I applaud its decision to implement a forward-thinking vaccine/test-package system as a way to ease restrictions on our movement and behavior. Furthermore, on behalf of Japan's *Shosha*, which are heavily reliant on global business, I am pleased that the government is considering phasing in the use of vaccine passports and otherwise conducting a stepwise review of our nation's border controls.

The JFTC will do its utmost to cooperate closely with the government on policies aimed at balancing the normalization of socioeconomic activities with COVID-19 countermeasures.

Chairman Kobayashi's Comments on the Entry into Force of CPTPP for Peru

September 21, 2021

I welcome the news that, on September 19, the Republic of Peru became the eighth Party of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

The CPTPP is an economic partnership agreement that both promotes the reduction of tariffs and deregulation of investment and services, and establishes rules in a wide range of areas, such as intellectual property, e-commerce, and competition conditions for state-owned companies. As an organization that promotes free trade, the JFTC views the CPTPP as an important framework and expects that the entry of the Republic of Peru will further strengthen the multilateral trading system based on

free and fair trade rules.

I would like the Japanese government to continue to show leadership as the CPTPP's chair country in 2021 by urging countries that have not yet ratified the agreement to complete the necessary internal procedures, encouraging the participation of the United Kingdom and other non-member countries, and persistently lobbying for the return of the United States to the CPTPP.

I also take a positive view of China's recent expression of its intention to join the CPTPP. However, I recognize that various problems will have to be resolved before it can do so and hope that the Japanese government will engage in sufficient discussions with member countries concerning this matter.

Chairman Kobayashi's Comments on Lifting of Japan's State of Emergency

September 29, 2021

The lifting of Japan's state of emergency is the result of concerted efforts of the central government, local authorities, business community and citizens to prevent the spread of COVID-19. I welcome this as a major step towards the normalization of socioeconomic activities.

The government must maintain and even strengthen its COVID-19 countermeasures, but at the same time it must steadily implement measures to revitalize socioeconomic activities, such as the phased easing of restrictions on behavior based on the progress of vaccinations. Thanks to the introduction of a vaccine-passport system and other steps being taken to relax the country's border controls, we can now look forward to the full-scale resumption of business traffic. These changes will be particularly beneficial to Japan's *Shosha*, which are highly reliant on international transactions.

On the other hand, in preparation for the arrival of winter, when infectious diseases spread more readily, and the possible outbreak of a sixth wave of COVID-19, I call upon the government to quickly establish an adequate testing and medical care provision system

based on the issues that have arisen under the state of emergency declarations.

The JFTC will do everything in its power to cooperate with the government in promoting policies aimed at balancing the revitalization of socioeconomic activities with COVID-19 countermeasures.

Chairman Kobayashi's Comments on Inauguration of Kishida Cabinet

October 4, 2021

The new Kishida cabinet was inaugurated today. It includes both veteran politicians with a deep knowledge of policy and mid-career and young politicians with a strong desire for reform. I believe this is a suitable team to steer Japan through a difficult period in which many challenges are arising both at home and abroad.

As we prepare for the post-pandemic world, I urge the Kishida administration to make every effort to balance its COVID-19 countermeasures with steps to revitalize socioeconomic activities. Japan will also be counting on its new leaders to advance the key policies initiated by the Suga administration, such as achieving carbon neutrality by 2050 and promoting digitalization.

Japan's *Shosha* industry remains highly optimistic that the country's leaders will take steps to strengthen supply chains and otherwise bolster its economy and national security. The newly established position of Minister for Economic Security is a promising sign and should prove pivotal to progress on both of those fronts. The JFTC looks forward to Japan playing a leading role in connecting international economies. By backing WTO reforms, stepping up negotiations to expand membership in the CPTPP and demonstrating other commitments to enhance the global flow of goods and services, Japan can embrace that role as a flag bearer for free trade.

Much of this rests with the leadership capabilities of our new prime minister, but I am confident that his wealth of political experience will serve him well in the years ahead.

Chairman Kobayashi's Comments on International Tax Reform

October 14, 2021

One hundred and thirty six countries and jurisdictions, including members of the Organisation for Economic Co-operation and Development (OECD), recently reached a final agreement on a new framework for international taxation. The agreement was also endorsed at the G20 Finance Ministers and Central Bank Governors Meeting.

This is a historic agreement toward the establishment of a more stable and fairer international tax system involving the revision of principles of international taxation that have lasted for about 100 years. The measures to be taken include the setting of a global minimum corporate tax rate and the introduction of digital services taxes that target the IT giants. I would like to express my deep respect for everyone involved in the governments of the countries and regions concerned, particularly the Japanese government, which has made persistent efforts to build consensus since the launching of the BEPS project in 2013.

I hope that our government will begin taking the steps necessary to prepare for the new framework's launch in 2023. This will mean working closely with other countries on the steady formulation of international treaties and domestic legislation.

Chairman Kobayashi's Comments on the G20 Summit in Rome

November 2, 2021

The G20 Leaders' Summit was held in Rome, Italy on October 30 and 31. I applaud the common understanding reached by the leaders on a wide range of challenges. They addressed recovery of the global economy, strengthening of international health frameworks, including COVID-19 countermeasures, and sustainable and inclusive growth that factors in measures to combat climate change.

Regarding the pandemic, I would like to commend in particular the leaders reaffirming their commitments to ensure universal access to vaccines, therapeutics,

and diagnostics through international cooperation and financial support for developing countries.

The promotion of mutually beneficial trade and investment is essential for the recovery of the international economy, so it was encouraging to hear that the leaders continue to share the spirit of free trade and desire for reforms. The 12th WTO Ministerial Conference will commence at the end of November with the aim of rebuilding the international economic order, and I hope that it will produce tangible results.

Unfortunately, the countries seem to have different agendas on climate change, including their timeframes for realizing carbon neutrality. With any luck, resolutions at the 26th UN Climate Change Conference of the Parties (COP26) will provide practical, agreed upon frameworks for the countries to decarbonize, bearing in mind the importance of energy security during the transition period.

Chairman Kobayashi's Comments on Entry into Force of RCEP Agreement

November 4, 2021

I welcome the decision to bring the Regional Comprehensive Economic Partnership (RCEP) agreement into force on January 1, 2022, and the resulting birth of a huge free trade region that will account for about 30 percent of the world's trade.

I have high expectations for the vitalization of trade and investment activities and the formation of resilient and efficient supply chains in Asia. These will be realized through the elimination of tariffs, protection of intellectual property rights, establishment of rules for electronic commerce, and easing of restrictions on foreign investment based on the RCEP agreement. For Japan, the RCEP is also significant inasmuch as it represents our first free trade agreement with China and Korea, our largest and third largest trade partners respectively.

I would like the Japanese government to play a leading role in building a free and fair economic order in Asia and to continue to urge India to join the RCEP. Our leaders must demonstrate a firm commitment

towards the realization of a free and open Indo-Pacific.

Chairman Kobayashi's Comments on the Easing of COVID-19 Border Enforcement Measures

November 8, 2021

Today measures came into force to shorten the period of quarantine at home or other waiting facilities from the current ten days to three days for business travelers entering Japan, including Japanese nationals, based on requirements such as vaccination, a negative test result, and the supervision of activities by companies.

This is an important step towards the normalization of business travel to and from overseas while maintaining safety, and for the *Shosha* business, which operates globally, it is something we welcome with open arms.

Toward the further easing and efficient operation of border enforcement measures, I would like the government to positively promote the use of digital technology, such as introducing electronic vaccination certificates.

Chairman Kobayashi's Comments on Inauguration of Second Kishida Cabinet

November 11, 2021

The second Kishida cabinet has been inaugurated. Building on the administrative foundation of the stable majority gained in the recent House of Representatives election, I hope that Prime Minister Kishida will fully exercise leadership in speedily and steadily tackling important issues, both home and abroad.

While COVID-19 countermeasures remain the highest priority, I would like the government to quickly implement large-scale economic measures toward the further revitalization of socioeconomic activities in the post-pandemic world. I would also like to see the government take a proactive stance on various medium- and long-term issues, such as initiatives toward carbon neutrality in 2050, economic and national security issues, energy measures, and the promotion of the digitalization of society as a whole.

As far as the *Shosha* industry is concerned, as well as implementing economic security strategies such as the strengthening of supply chains through public-private partnerships, we hope that the government will take the lead in promoting free and fair rules-based trade frameworks such as the WTO, CPTPP, and RCEP, and be a flag bearer for free trade that connects international economies.

Chairman Kobayashi's Comments on COP26

November 15, 2021

The 26th UN Climate Change Conference of the Parties (COP26) concluded on November 13 with the adoption of the Glasgow Climate Pact. I would like to commend the countries for working together in spite of their differences to reaffirm the common goal of limiting global warming to 1.5°C above pre-industrial levels, agree to set international rules on trading greenhouse gas emissions, commit to increase financial aid for developing countries, and phase out coal-fired power generation.

Over the coming years, each country's ability to implement these measures will be tested. I hope that the international community will continue to work together on substantive climate-change action, and I call on the Japanese government to play a leading role to help our planet realize carbon neutrality.

In Japan, the public and private sectors must be united to ensure that these measures can be taken without compromising energy security and industrial competitiveness. Our country must also continue assisting emerging and developing countries in ways that it is uniquely prepared for, such as promoting more widespread use of efficient, energy-saving power-generation technologies.

For its part, the *Shosha* industry will make climate change one of its top priorities and address it proactively through its business activities.

Chairman Kobayashi's Comments on the Ruling Coalition's Tax Reform Outline for FY2022

December 14, 2021

The ruling coalition's tax reform outline for FY2022 has been released. I welcome these reforms, which will contribute to the revitalization of socioeconomic activities in the post-pandemic world, promote corporate change, and also lead to the "virtuous cycle of growth and distribution" the Kishida administration is aiming for.

In the reform outline, the tax deduction program has been expanded to encourage companies to proactively raise wages and provide education and training for employees. I appreciate that the reforms are not only incentives to raise wages, but are also linked to strengthening investment in R&D and human capital, which will lead to returns for various stakeholders.

I also welcome the extension and expansion of the open innovation tax relief program and incentives to promote the introduction of 5G communications, which will contribute to greater industrial competitiveness and technological innovation. On the other hand, no concrete program to promote decarbonization, including carbon pricing, was specified. Going forward, the government will be required to build mechanisms, including tax systems, so that decarbonization initiatives lead to individual benefits, encouraging companies and consumers to change their behavior.

In addition, this year saw the historic event of the first revision led by OECD members and G20 countries of principles of international taxation that had lasted for about 100 years. We now enter the phase where each country's ability to implement the reforms, such as the formulation and ratification of international treaties as well as the revision of domestic law, will come into question. In this respect, it is encouraging that it is clearly stated in the tax reform package that "the relationship with existing tax systems will be taken into account to ensure that the burden on Japanese companies is not excessive.^(*)" I hope that the government will cooperate with other countries and make efforts toward the development of a truly fair international taxation system.

^(*): tentative translation by JFTC

Chairman Kobayashi's Comments on Coming into Force of RCEP Agreement

January 4, 2022

The Regional Comprehensive Economic Partnership (RCEP) agreement has come into force. I welcome the creation of the world's largest free trade zone, accounting for about 30 percent of the world's GDP, population and trade. The RCEP agreement also has great significance as Japan's first free trade agreement with China, its largest trading partner, and the Republic of Korea, its third largest.

With the entry into force of the RCEP agreement, we can expect the creation of more efficient supply chains through improved market access and smoother trade procedures. I am also hopeful that this partnership will make Japanese and other international enterprises more competitive in this region, as it promises to establish rules on intellectual assets, e-commerce and other far-reaching aspects of business. Such standardization will be essential considering that the countries involved are at varying stages of development with respect to their systems, economic growth, and so on.

On behalf of the JFTC, I call on the Japanese government to continue lobbying for India's participation in this vital partnership, which will pave the way to a free and open Indo-Pacific. Japan must set a strong example to encourage the establishment of rules-based international order and full compliance by all participating countries in economic partnerships.

Chairman Kobayashi's Comments on US-Japan Leaders Meeting

January 25, 2022

The first formal meeting between Japanese Prime Minister KISHIDA Fumio and US President Joe Biden took place on January 21.

The two leaders discussed growing geopolitical risks and the necessary steps towards realizing a "free and open Indo-Pacific region," which include strengthening both the US-Japan alliance and collaborations with like-minded nations.

Particularly welcome are their decisions on bilateral economic security, including an agreement to establish a ministerial-level committee (the Economic "2 + 2") and enhance economic cooperation under the Japan-US Competitiveness and Resilience (CoRe) Partnership.

Also of note was the invitation extended by Prime Minister Kishida for President Biden to attend the next Quad Leaders Meeting, which will be held in Japan in the first half of 2022. Further collaboration between Japan, the US, Australia and India will be essential in the years ahead, and a stronger Japan-US alliance in the Indo-Pacific region should bolster not only our economies, but also our efforts to decarbonize, develop advanced technologies and shore up supply chains.

Through the business activities of its member companies, the JFTC remains committed to helping advance Japan-US trade policies.

58th Annual Australia-Japan Joint Business Conference (October 5, 2021)

The 58th Annual Australia-Japan Joint Business Conference (hosted by Australia Japan Business Co-operation Committee and Japan Australia Business Co-operation Committee) was held online on October 5, 2021. About 270 business leaders from Japan and Australia took part and the JFTC Secretariat was in attendance.

At this year's conference, the participants engaged in lively discussions on the theme "Collective Efforts for Turbulent Times," focusing on factors that are reshaping the international business environment of the two countries and trade, investment and economic cooperation between them, such as the COVID-19 pandemic, changes in the geo-economic environment based on geopolitics, and global initiatives toward carbon neutrality.

58th U.S.-Japan Business Conference (October 6 and 7, 2021)

The 58th U.S.-Japan Business Conference (hosted by Japan-U.S. Business Council and U.S.-Japan Business Council) was held online on October 6-7 (October 5-6, U.S. time) on the theme, “Building a Sustainable Future: A Blueprint for the U.S.-Japan Leadership.” About 280 business leaders from Japan and the United States took part and the JFTC Secretariat was in attendance.

The COVID-19 pandemic has continued to have a serious impact on business and society and existing economic and social problems have further deteriorated. Toward recovery from now on, the participants confirmed that all entities in Japan and the United States, including the private sectors of both countries, should further promote international cooperation and (1) revitalize their economies towards the realization of sustainable growth, (2) transition toward a net zero future, and (3) establish more resilient and reliable supply chains.

Economic Association and the Korea-Japan Economic Association) was held as in 2020 via an online video link between Tokyo and Seoul. About 200 business leaders from Korea and Japan took part and the JFTC Secretariat was in attendance.

At this year’s conference, on the theme of “Japan and Korea creating the future together^(*),” participants from Korea gave presentations on digital transformation, the hydrogen society, and carbon neutrality, while participants from Japan spoke about the activities of Japanese companies in Korea and the future to be opened up by young people. The presentations were followed by discussions and the adoption of a joint statement.

(*) tentative translation by JFTC

FY2022 Outlook for Japan’s Trade Balance and Current Account (December 2, 2021)

- Exports and imports to recover steadily, trade balance deficit to improve, current account surplus to increase -

On Thursday, December 2, 2021, the Trade Trend Research Committee announced JFTC’s “FY2022 Outlook for Japan’s Trade Balance and Current Account” to the press. The Outlook features its unique method of accumulating forecast for each commodity allotted to the eight companies of the Trade Outlook Working Group under the Trade Trend Research Committee. This year’s JFTC Outlook (2021) is the 48th since it was first published in 1974.

Overview

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

- FY2021: With the global economic recovery from the COVID-19 pandemic, both imports and exports will greatly increase, but rising prices of resources and raw materials will lead to a trade deficit.

53rd Japan-Korea Business Conference (November 2, 2021)



On November 2, 2021, the 53rd Japan-Korea Business Conference (hosted by the Japan-Korea

Total exports are forecast to increase by 20.7% to 83,895 billion yen from FY2020. This consists of a 12.0% increase in export volume and a 7.8% increase in export value. With global economic normalization following the pandemic, the export volume will increase in a wide range of commodities.

Total imports are forecast to increase by 27.4% to 87,067 billion yen from FY2020. This consists of a 6.1% increase in import volume and a 20.0% increase in import value. Against the backdrop of rising prices for resources and raw materials, imports of Mineral Fuels will increase by 80% from FY2020, driving up total imports.

As a result, the trade balance is forecast to be a deficit of 3,173 billion yen.

- FY2022: Exports and imports will remain strong and the deficit will shrink with the fall in prices of resources and raw materials.

Total exports are forecast to increase by 2.5% to 85,984 billion yen from FY2021. This consists of a 2.3% increase in export volume and a 0.2% increase in export value. Exports of Transport Equipment, Machinery, and Electrical Machinery, etc., which increased greatly in FY2021, will increase steadily.

Total imports are forecast to increase by 0.9% to 87,852 billion yen from FY2021. This consists of a 2.6% increase in import volume and a 1.6% decrease in import value. With the fall in prices of crude oil, coal, and iron ore, etc., imports of Mineral Fuels and Raw Materials will decrease from FY2021.

The trade balance is forecast to be a deficit of 1,868 billion yen, a deficit for the second consecutive year, but significantly lower than in FY2021.

2. Outlook for the Current Account

- FY2021: The trade surplus will decrease, consumption by foreign visitors to Japan will decrease, and the current account surplus will shrink significantly

The current account surplus will shrink to 16,252 billion yen. Due to the increase in imports exceeding exports, the trade balance surplus will decrease greatly from 3,902 billion yen in FY2020 to 428 billion yen. Due to the COVID-19 pandemic, consumption by foreign visitors to Japan ("inbound consumption")

has remained sluggish and the services balance deficit will increase from 3,664 billion yen in FY2020 to 3,840 billion yen. In response to the improvement of investment income with the global economic recovery, the surplus in the primary income balance will increase from 20,772 billion yen in FY2020 to 22,215 billion yen.

- FY2022: The trade surplus will expand and the current account balance surplus will recover to close to the FY2019 level.

The current account balance surplus is forecast to expand to 19,393 billion yen, recovering to the close to the level of FY2019. Due to the increase in exports exceeding imports, the trade balance surplus will increase from 428 billion yen in FY2021 to 1,743 billion yen. With the steady recovery of inbound demand, the service balance deficit will shrink from 3,840 billion yen in FY2021 to 2,359 billion yen. With the increase in dividends and investment income received from overseas due to the strong global economy, the surplus in the primary income balance will increase from 22,215 billion yen in FY2021 to 22,352 billion yen.

Summary Data

• Customs-cleared Trade

	FY2020 Results		FY2021 Forecast		FY2022 Forecast	
	(Billions of Yen)	Year-on-year change (rate)	(Billions of Yen)	Year-on-year change (rate)	(Billions of Yen)	Year-on-year change (rate)
Trade Balance	1,134	+2,416	▲ 3,173	-4,307	▲ 1,868	+1,305
Exports	69,486	(-8.4%)	83,895	(20.7%)	85,984	(2.5%)
Quantum Index		-9.4%		12.0%		2.3%
Unit Value		1.0%		7.8%		0.2%
Imports	68,352	(-11.4%)	87,067	(27.4%)	87,852	(0.9%)
Quantum Index		-3.5%		6.1%		2.6%
Unit Value		-8.5%		20.0%		-1.6%

• Current Account Balance

	FY2020 Results		FY2021 Forecast		FY2022 Forecast	
	(Billions of Yen)	Year-on-year change (rate)	(Billions of Yen)	Year-on-year change (rate)	(Billions of Yen)	Year-on-year change (rate)
Goods & Services	238	+1,471	▲ 3,412	-3,650	▲ 615	+2,796
Goods	3,902	+3,418	428	-3,474	1,743	+1,315
Exports	68,351	(-8.6%)	82,524	(20.7%)	84,579	(2.5%)
Imports	64,449	(-13.2%)	82,096	(27.4%)	82,836	(0.9%)
Services	▲ 3,664	-1,946	▲ 3,840	-176	▲ 2,359	+1,481
Primary Income	20,772	-869	22,215	+1,443	22,352	+137
Secondary Income	▲ 2,757	-1,277	▲ 2,551	+206	▲ 2,344	+207
Current Account	18,253	-674	16,252	-2,001	19,393	+3,141

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

• Preconditions

	2020	2021	2022
Global Trade (CY)	▲ 4.9%	10.1%	5.0%
Global Economy (Real growth rate /CY)	▲ 3.1%	5.7%	4.5%
USA	▲ 3.4%	6.0%	4.1%
Euro zone	▲ 6.3%	4.8%	4.2%
Emerging and Developing Asia	▲ 0.8%	7.2%	5.9%
Japanese Economy (Real growth rate / FY)	▲ 4.4%	3.0%	2.7%

Notes: 1. Emerging and Developing Asia is defined by the IMF.

2. In addition to the above preconditions, based on the 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 FY2021, 112 yen/dollar for FY2022, and a CIF crude oil price of 77 dollars/barrel for FY2021 and 70 dollars/barrel for FY2022.

Foreign Trade 2022

We are pleased to announce that in March 2022, JFTC will publish “Foreign Trade 2022”, with full coverage of Japan’s foreign trade statistics on a customs-cleared basis for the previous year.

“Foreign Trade 2022” marks the 47th edition of this publication since it was first released in 1976. Improvements have been added over the years, such as addition of English printed to the side, addition of graph and charts, as well as expansion of new information to the data chapter.

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



“Foreign Trade 2022” (¥550 including tax) will be available for purchase at large book stores and government book centers. Any inquiries concerning this book should be addressed to chosai@jftc.or.jp (Research Group).

What is JFTC ?



About Japan Foreign Trade Council, Inc. (JFTC)

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

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

In addition to promoting and expanding investment and trade as we have done to date, the *Shosha* sector needs to come up with bold new approaches that go beyond conventional thinking, including by creating new businesses that make full use of the digital transformation. Reestablishing close connections in a fracturing world, reinvigorating the stagnant economy, and working to bring about a more prosperous world: these too are part of our mission. As an industry association representing the Japanese *Shosha* sector, the JFTC will work to fulfill its role in helping to pioneer the full potential of this new era, working in close cooperation with the Japanese government and with trade bodies worldwide to make increasingly proactive policy proposals. Our continuing mandate will be to maintain and develop the free trade system and to work toward putting in place comprehensive systems and a business environment conducive to free corporate activities.