JETRO

Japan External Trade Organization

JETRO Global Trade and Investment Report 2016

- Broad economic zones and the growth strategies of Japanese corporations -

Overview

August 9, 2016

Japan External Trade Organization (JETRO)

Overseas Research Department

Chapter 1

The world economy, trade and direct investment

Moderate pace of growth in world economy

■ Growth in the world economy remains at approximately 3% after 2012

After 2012, the world economy sustained a moderate pace of growth of approximately 3% for the fourth consecutive year. According to projections made by the IMF in July 2016, the world's real GDP growth rate in 2015 was 3.1%, indicating a slowdown from 2014 (3.4%). It is expected to remain at 3.1% for 2016.

Figure I-1: Trends in real GDP growth rate/contribution ratio by country/region

(%)

	2014		2015		2016 (forecast)		2017 (forecast)	
	Percent change	Contribution ratio	Percent change	Contribution ratio	Percent change	Contribution ratio	Percent change	Contribution ratio
World	**3.4**	**100.0**	**3.1**	**100.0**	**3.1**	**100.0**	**3.4**	**100.0**
Advanced economies	**1.9**	**24.4**	**1.9**	**26.3**	**1.8**	**24.6**	**1.8**	**22.2**
United States	2.4	11.3	2.4	12.3	2.2	11.2	2.5	11.5
Europe	0.9	3.3	1.7	6.6	1.6	6.2	1.4	4.8
Germany	1.6	1.6	1.5	1.7	1.6	1.7	1.2	1.2
France	0.6	0.4	1.3	1.0	1.5	1.1	1.2	0.8
Italy	-0.3	-0.2	0.8	0.5	0.9	0.6	1.0	0.6
Spain	1.4	0.6	3.2	1.5	2.6	1.2	2.1	0.9
United Kingdom	3.1	2.2	2.2	1.7	1.7	1.3	1.3	0.9
Japan	0.0	0.0	0.5	0.7	0.3	0.4	0.1	0.1
Emerging and developing economies	**4.6**	**76.3**	**4.0**	**73.6**	**4.1**	**76.1**	**4.6**	**78.6**
Emerging and developing Asia	6.8	57.4	6.6	63.1	6.4	63.3	6.3	58.6
China	7.3	34.1	6.9	36.7	6.6	36.4	6.2	32.2
India	7.2	13.7	7.6	16.5	7.4	16.7	7.4	15.9
ASEAN 5	4.6	7.0	4.8	8.1	4.8	8.3	5.1	8.1
Latin America	1.3	3.4	0.0	0.0	-0.4	-1.1	1.6	3.8
Brazil	0.1	0.1	-3.8	-3.7	-3.3	-3.0	0.5	0.4
Mexico	2.2	1.3	2.5	1.6	2.5	1.6	2.6	1.5
Emerging and developing Europe	2.8	2.7	3.6	3.8	3.5	3.7	3.2	3.1
Russia/Commonwealth of Independent States	1.1	1.6	-2.8	-4.4	-0.6	-0.9	1.5	2.0
Russia	0.7	0.7	-3.7	-4.2	-1.2	-1.3	1.0	0.9
Middle East and North Africa	2.7	6.1	2.3	5.7	3.4	8.3	3.3	7.4
Sub-Saharan Africa	5.1	4.6	3.3	3.3	1.6	1.6	3.3	3.0
South Africa	1.6	0.3	1.3	0.3	0.1	0.0	1.0	0.2

Notes: 1) The definitions of advanced/emerging and developing countries follow the World Economic Outlook (IMF). ASEAN 5 refers to Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. The Middle East and North Africa includes Afghanistan and Pakistan. 2) The contribution rate is calculated using the weighted PPP (purchasing power parity) of 2015 released in April.

Source: "WEO, April/July 2016" (IMF).

World trade declines by 12.7%, marking the first negative growth in 6 years

■ World trade in 2015 declines by 12.7% to $16.4 trillion

World trade (merchandise trade, nominal export basis) in 2015 declined by 12.7% year-on-year to $16.4 trillion (JETRO estimate), marking the first decline in six years. Export prices fell dramatically by 14.0% due to the drop in resource prices, while dollar-denominated trade prices fell on the impact of dollar appreciation. Real exports (quantity basis) excluding the impact of price fluctuations increased marginally by 1.3%, but have slowed down from the 3.5% increase in the previous year.

Figure I-2: World trade related indicators

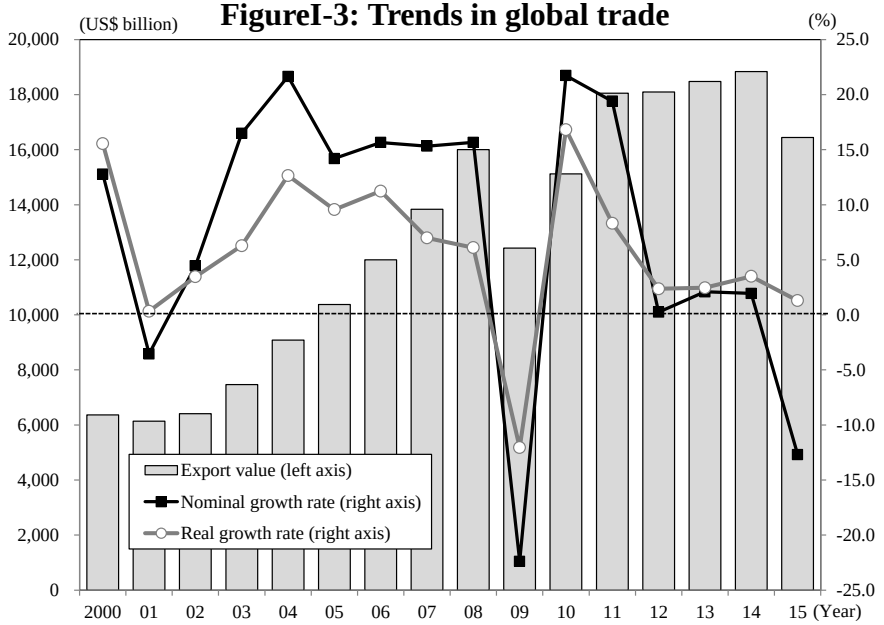
(Unit: % unless indicated at the end of column)

			2011	2012	2013	2014	2015
World trade (export) (US$ 100 mil)			180,535	180,980	184,768	188,366	164,467
Nominal growth rate			19.4	0.2	2.1	1.9	-12.7
Real growth rate			8.3	2.4	2.5	3.5	1.3
Price growth rate			11.1	-2.1	-0.4	-1.6	-14.0
BEC (export growth rate)	Materials		29.3	-0.4	-1.4	-6.2	-34.9
	Intermediate goods		19.8	-0.4	3.5	1.6	-12.3
		Processed goods	24.7	-0.7	3.0	1.2	-16.1
		Parts and accessories	11.2	0.1	4.5	2.5	-5.0
	Finished goods		14.1	1.1	3.4	4.3	-6.3
		Capital goods	14.4	1.2	1.0	2.4	-6.6
		Consumer goods	13.8	1.0	5.3	5.7	-6.1
Industrial production index growth rate (developed countries)			2.0	0.3	0.2	2.3	0.7
Crude price (US$/barrel)			104.0	105.0	104.1	96.3	50.8
Natural gas price (US$/million BTU)			10.6	12.0	11.2	10.5	7.3
Dollar's nominal effective exchange rate			▵ 5.7	3.8	2.2	2.5	15.3

Note: 1) Trade values in 2014 and 2015 and nominal growth rate in 2015 are estimated by JETRO. 2) Real growth rate = nominal growth rate − export price growth rate. 3) The definitions of materials, intermediate goods and finished goods are based on the HS2007 version of BEC (the United Nations) and RIETI-TID2014 (the Research Institute of Economy, Trade and Industry). 4) Crude oil prices are the average of Dubai, Brent and WTI. 5) Natural gas prices are Russian market prices.

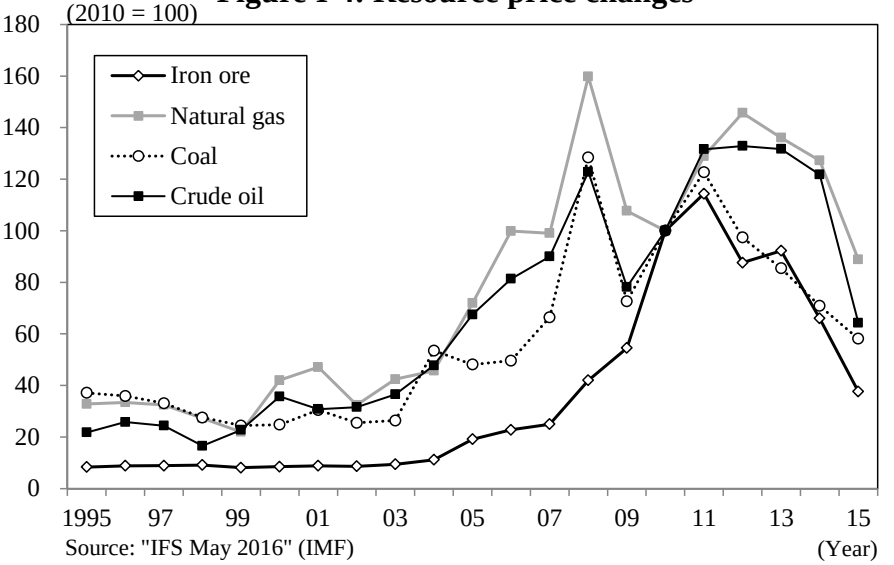
Source: Trade statistics of respective countries and regions and "IFS, May 2016" (IMF)

FigureI-3: Trends in global trade



Note: 1) Trade values in 2014 and 2015 and nominal growth rate in 2015 are estimated by JETRO.
Source: Trade statistics of respective countries and regions and "IFS, May 2016" (IMF)

Figure I-4: Resource price changes



Source: "IFS May 2016" (IMF)

Trends by country in world trade

■ **Strong imports for the US in 2015**

Total imports for the US fell by 4.6% year-on-year to $2.2 trillion due to the impact from the significant drop for mineral fuels (45.5% decline) . However, an increase in import value was recorded for many import items, such as electrical equipment (3.9% growth) and transport equipment (6.8% growth). Real imports for 2015 increased by 5.6%, marking an acceleration from the 5.0% growth in 2014.

■ **Increase in exports of China's component parts to ASEAN**

China's imports declined rapidly by 18.4% to $1.6 trillion. Although mineral fuels also posed a significant impact, a slowdown in capital investment contributed to a significant decline of 12.5% for general machinery. On the other hand, imports of consumer goods such as pharmaceuticals and cosmetics continued to grow from the previous year.

China's exports fell by 2.7% to $2.3 trillion. While sectors such as general machinery (9.1% decline) and textile and textile products (4.9% decline) contributed to the decrease in imports, electrical equipment (5.2% growth) and transport equipment (2.3% growth) maintained their strong performance. For exports to ASEAN, which has remained relatively robust, particular growth was recorded for the export of intermediate goods (processed goods and parts) to Vietnam.

■ **Strong performance of electrical equipment in Vietnam and the Philippines**

Vietnam was the only principal country that recorded year-on-year increases in both exports (7.9% growth) and imports (11.9% growth). Trade in electrical equipment has been expanding in recent years. Moreover exports of electrical equipment for the Philippines (12.2% growth), and of transport equipment for Mexico (4.6% growth), increased significantly.

FigureI-5: World trade value by country and region (2015)

(US$ million, %)

	Exports				Imports			
	Value	Growth rate	Share	Contribution	Value	Growth rate	Share	Contribution
NAFTA	2,293,442	-8.0	13.9	-1.1	3,062,815	-4.9	18.2	-0.8
United States	1,502,572	-7.3	9.1	-0.6	2,248,232	-4.6	13.4	-0.6
Canada	410,081	-13.7	2.5	-0.3	419,351	-9.6	2.5	-0.2
Mexico	380,789	-4.2	2.3	-0.1	395,232	-1.2	2.4	0.0
EU-28	5,396,840	-12.4	32.8	-4.1	5,263,443	-13.6	31.3	-4.3
Germany	1,330,190	-11.0	8.1	-0.9	1,050,449	-13.0	6.3	-0.8
France	505,864	-12.8	3.1	-0.4	572,400	-15.4	3.4	-0.5
United Kingdom	468,058	-8.8	2.8	-0.2	631,791	-9.2	3.8	-0.3
Japan	625,068	-10.0	3.8	-0.4	648,343	-20.7	3.9	-0.9
Australia	187,687	-21.8	1.1	-0.3	200,344	-11.9	1.2	-0.1
East Asia	4,199,997	-6.0	25.5	-1.4	3,315,769	-16.2	19.7	-3.3
China	2,280,541	-2.7	13.9	-0.3	1,601,761	-18.4	9.5	-1.9
South Korea	526,757	-8.0	3.2	-0.2	436,499	-16.9	2.6	-0.5
Taiwan	264,020	-10.7	1.6	-0.2	227,764	-16.5	1.4	-0.2
ASEAN 6	1,128,679	-10.2	6.9	-0.7	1,049,745	-12.1	6.2	-0.7
Singapore	346,701	-15.4	2.1	-0.3	296,799	-19.0	1.8	-0.4
Thailand	210,865	-6.3	1.3	-0.1	201,938	-11.5	1.2	-0.1
Malaysia	199,959	-14.6	1.2	-0.2	175,978	-15.8	1.0	-0.2
Vietnam	162,112	7.9	1.0	0.1	165,649	11.9	1.0	0.1
Indonesia	150,393	-14.7	0.9	-0.1	142,695	-19.9	0.8	-0.2
Philippines	58,648	-5.1	0.4	0.0	66,686	3.4	0.4	0.0
India	267,930	-16.7	1.6	-0.3	394,014	-14.6	2.3	-0.3
Russia	343,543	-30.9	2.1	-0.8	182,719	-36.3	1.1	-0.5
Brazil	191,134	-15.1	1.2	-0.2	171,449	-25.2	1.0	-0.3
Turkey	143,749	-8.7	0.9	-0.1	206,839	-14.4	1.2	-0.2
South Africa	81,641	-10.3	0.5	0.0	85,722	-14.2	0.5	-0.1
World (estimate)	16,446,732	-12.7	100.0	-12.7	16,800,440	-12.9	100.0	-12.9
Advanced economies	9,867,960	-11.3	60.0	-6.6	10,326,487	-12.0	61.5	-7.3
Emerging and developing	6,578,772	-14.8	40.0	-6.0	6,473,952	-14.2	38.5	-5.6

Notes: 1) Export/import value and growth rate of world/EU-28/developed and emerging/developing economies are JETRO estimates.
2) EU-28 includes internal trade.
3) ASEAN 6 in this chart is these six countries: Singapore, Thailand, Malaysia, Indonesia, Philippines, and Vietnam.
4) East Asia in this chart are the following 9 countries/regions: China, South Korea, Taiwan, and ASEAN 6.
5)Advanced countries include 36 countries and regions based on the definition of DOT (IMF).

Sources: Statistics from individual countries/regions

Trends by product in world trade

■ **Significant decline in the export of resources**

Exports of all resource-related products fell significantly against a background of factors such as the slowdown in the Chinese economy, which is a principal export destination. Exports of mineral fuels decreased dramatically by 40.3% to $1.6 trillion with a negative 5.9% contribution ratio to a decrease in world trade (12.7% decline). A double-digit decline was recorded for crude oil (decrease of 45.4% to $748.8 billion), natural gas (decrease of 33.7% to $216.6 billion), and iron ore (decrease of 41.4% to $69.9 billion).

■ **9.7% decline for general machinery, while communication equipment and electronic parts performed well**

A decline of 9.7% was recorded for general machinery, as a result of the impact from the slowdown in capital investment. Exports fell across the board in sectors such as mining and construction machinery (18.3% decline), machine tools (13.4% decline), and turbines (6.1% decline). On the other hand, there were also items among the IT products that performed well, including communications equipment (3.9% growth) and electronic parts such as semiconductors (1.3% growth).

■ **Growth in exports of transport equipment to North America**

Exports of transport equipment fell by 4.3% to $1.8 trillion. One of the key factors contributing to the fall was the decline of exports to China. On the other hand, exports to the US increased. Exports to the US from Germany (5.2% growth), Korea (9.7% growth), –Mexico (6.7% growth) and other countries exceeded export figures for the previous year. Furthermore, the amount of trade within NAFTA in 2015 increased by 2.5% to $237.2 billion. Average growth rate from 2010 to 2015 increased by 7.9%, exceeding average growth rate for the world (3.4% increase), showing the trend of growth in the trade of transport equipment within NAFTA in recent years.

Figure I-6: World trade by product (export basis, 2015)

(US$ million, %)

	Value	Growth rate	Share	Contribution
Total	16,446,732	△ 12.7	100.0	△ 12.7
Machinery and equipment	6,665,710	△ 5.1	40.5	△ 1.9
General machinery	1,929,784	△ 9.7	11.7	△ 1.1
Mining and construction machines	79,290	△ 18.3	0.5	△ 0.1
Machine tools	33,815	△ 13.4	0.2	△ 0.0
Turbine	101,234	△ 6.1	0.6	△ 0.0
Semiconductor manufacturing equipment	48,186	2.7	0.3	0.0
Computer and peripheral equipment	459,438	△ 10.9	2.8	△ 0.3
Electrical equipment	2,332,063	△ 1.5	14.2	△ 0.2
Communication equipment	544,243	3.9	3.3	0.1
Electronic components such as semiconductors	626,760	1.3	3.8	0.0
Transportation machinery	1,809,524	△ 4.3	11.0	△ 0.4
Automobiles	811,416	△ 4.5	4.9	△ 0.2
Passenger vehicles	671,676	△ 3.7	4.1	△ 0.1
Automobile parts	390,564	△ 6.0	2.4	△ 0.1
Precision equipment	594,339	△ 5.8	3.6	△ 0.2
Chemicals	2,199,293	△ 9.6	13.4	△ 1.2
Pharmaceuticals & medical supplies	501,290	△ 3.3	3.0	△ 0.1
Food	1,161,215	△ 10.3	7.1	△ 0.7
Other materials and their products	5,051,964	△ 24.0	30.7	△ 8.5
Iron ore	69,921	△ 41.4	0.4	△ 0.3
Mineral fuels, etc.	1,761,135	△ 39.4	10.7	△ 6.1
Mineral fuels	1,639,943	△ 40.3	10.0	△ 5.9
Coal	77,690	△ 22.6	0.5	△ 0.1
Natural gas	216,580	△ 33.7	1.3	△ 0.6
Crude oil	748,799	△ 45.4	4.6	△ 3.3
Textiles and textile products	764,702	△ 7.0	4.6	△ 0.3
Base metals and base metal products	1,080,641	△ 14.0	6.6	△ 0.9
Steel	599,526	△ 16.9	3.6	△ 0.6
IT related products (Total)	2,461,923	△ 2.7	15.0	△ 0.4
Parts	1,183,339	△ 1.9	7.2	△ 0.1
Final goods	1,278,584	△ 3.5	7.8	△ 0.2
Materials	1,507,661	△ 34.9	9.6	△ 4.5
Intermediate goods	7,624,396	△ 12.3	48.7	△ 5.9
Processed goods	4,794,586	△ 16.1	30.6	△ 5.1
Parts	2,829,810	△ 5.0	18.1	△ 0.8
Final goods	6,530,628	△ 6.3	41.7	△ 2.4
Capital goods	2,726,450	△ 6.6	17.4	△ 1.1
Consumer goods	3,804,178	△ 6.1	24.3	△ 1.4

Note: JETRO estimates
Source: Trade statistics of respective countries and regions

"Slow trade" becomes apparent in emerging/developing economies

■ **"Slow trade" phenomenon of sluggish trade in comparison with GDP growth rate**

"Slow trade" is an economic phenomenon where the growth rate of trade is smaller than the world economic growth rate.

World real trade (import volume basis) has been rising at a rate exceeding the growth rate of real GDP, except during times of crisis such as the bursting of the IT bubble and the Lehman Shock. There were also years when real trade grew more than twice as fast as the real GDP.

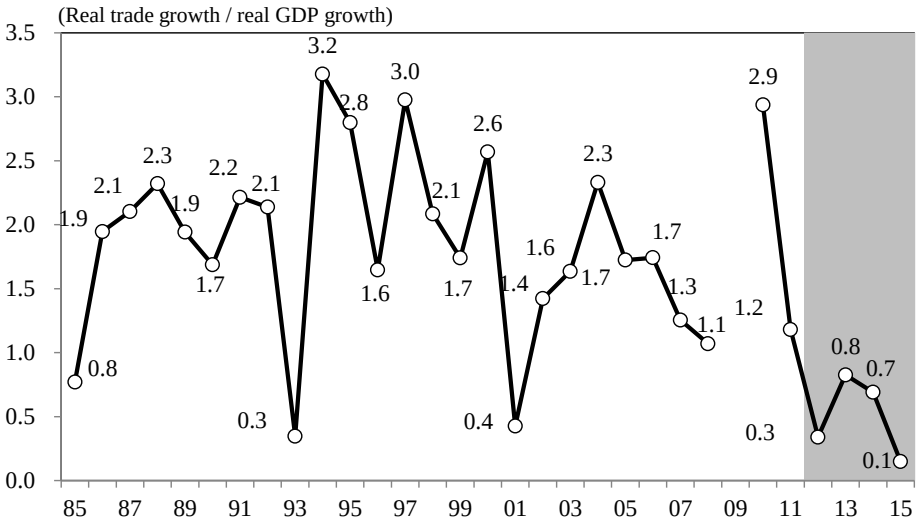
In recent years, however, the trade expansion has begun to slow down. In particular, since 2012, trade growth has consistently and continuously fallen below GDP growth. The growth rate of real trade against that of real GDP has remained at 0.5 from 2012 to 2015.

■ **"Slow trade" apparent in emerging/developing economies**

By region, it is clear that signs of "slow trade" are particularly remarkable in emerging/developing economies. While the growth rate of trade expansion is high in comparison with advanced economies, from the perspective of comparison against GDP, trade has slowed down more quickly in emerging/developing economies than in advanced economies.

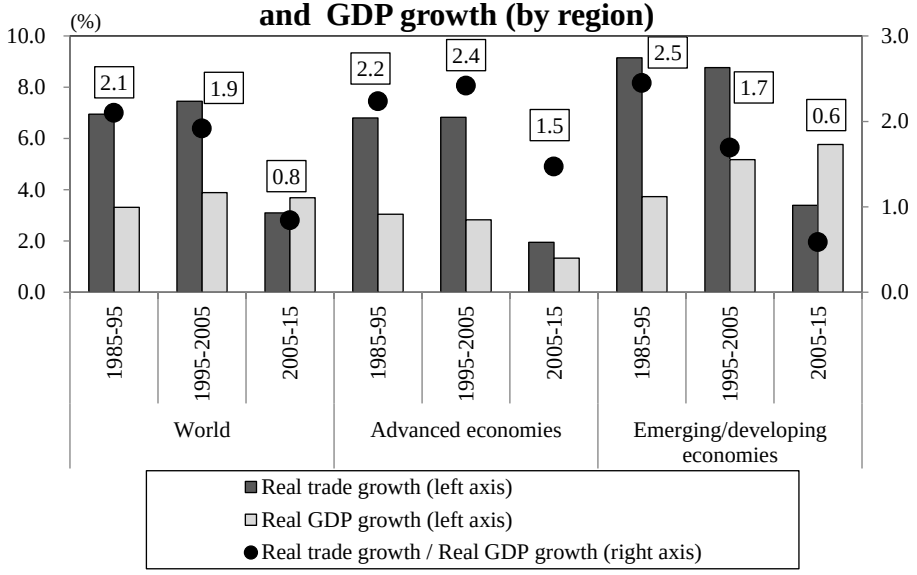
As a hypothesis for explaining the "slow trade" phenomenon, IMF points out that the factors behind "slow trade" could be broadly categorized into cyclical factors and structural factors. If the primary reason behind "slow trade" lies in cyclical factors, trade growth can be expected to return to its previous pace alongside with the recovery of the world economy and rise in resource prices; on the other hand, if structural factors are dominant, short-term recovery would be difficult, and sluggish trade may become prolonged into the future.

FigureI-7(i): Ratio of world trade growth to world GDP growth



Note: Value for 2009 cannot be calculated due to real GDP growth turning negative this year.

FigureI-7(ii): Comparison between trade growth and GDP growth (by region)



Note: Actual GDP values which are the basis of average growth rates are calculated from PPP. Real trade growth is based on import volume. Source: "WEO, April 2016" (IMF) and "IFS" (IMF)

Slump in investment pushes trade downward

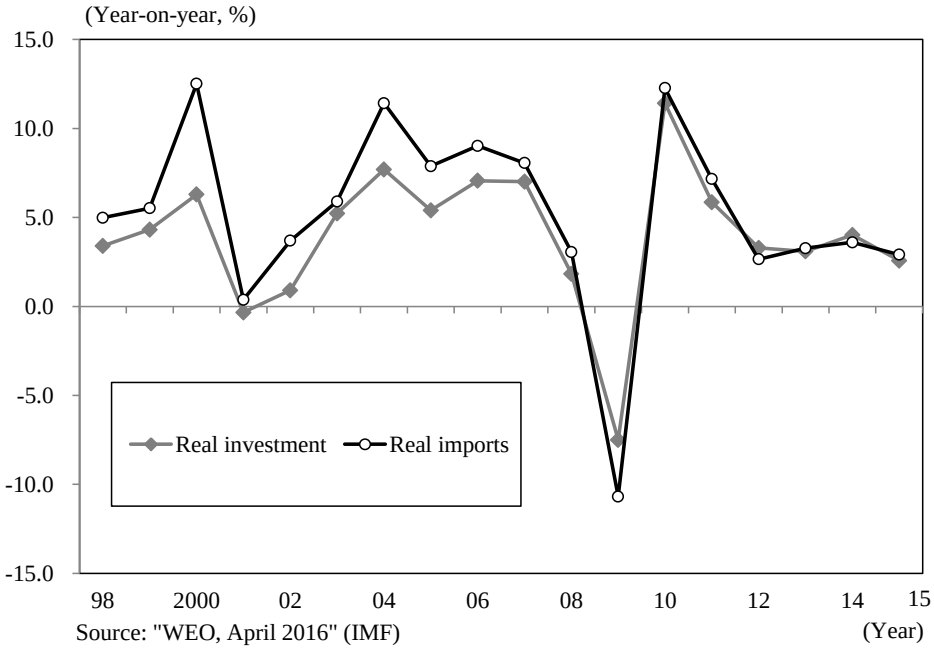
■ **Slowdown in the world economy inhibits trade**

Cyclical factors are an attempt to provide an explanation from the short-term perspective after 2012. Sluggish world economic growth is cited as the one of the factors of slow trade. The world economy is recovering at a slow pace. In particular, the decline in demand in China, which has driven the world economy to date, has had a significant impact in inhibiting exports to China from its neighboring countries.

■ **Significant slowdown in the trade of capital goods and intermediate goods**

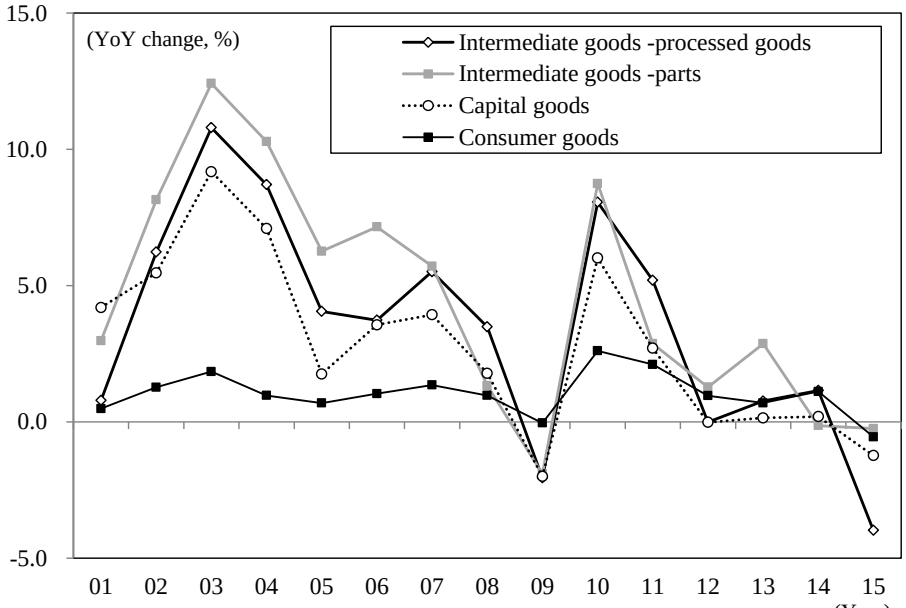
Secondly, the slump in global investment has inhibited trade growth. When capital investment in the manufacturing industry faces a downturn, it reduces the imports of parts and goods necessary for those production facilities. World real imports continue to demonstrate a strong correlation with investment trends, and are closely related to growth/decline of investment. Imports of capital goods and intermediate goods, which are the main drivers of capital investment, slowed down globally after 2012. Overall growth in the trade of capital goods and intermediate goods falls below the growth in the trade of consumer goods. In China as well, there has been significant slowdown in the trade of intermediate goods, which makes up 53.0% of total imports, and of capital goods, which makes up 15.9% of the same. This reflects the slowdown in investments in China.

Figure I-8: Relationship between world trade and investment



Source: "WEO, April 2016" (IMF)

FigureI-9: Contribution of imports by product category in China



Note: Contribution ratio of each product type to the year-on-year percent change of China's total import value. Source: Trade statistics of China

Saturation of the global value-chain, and changes to China's positioning

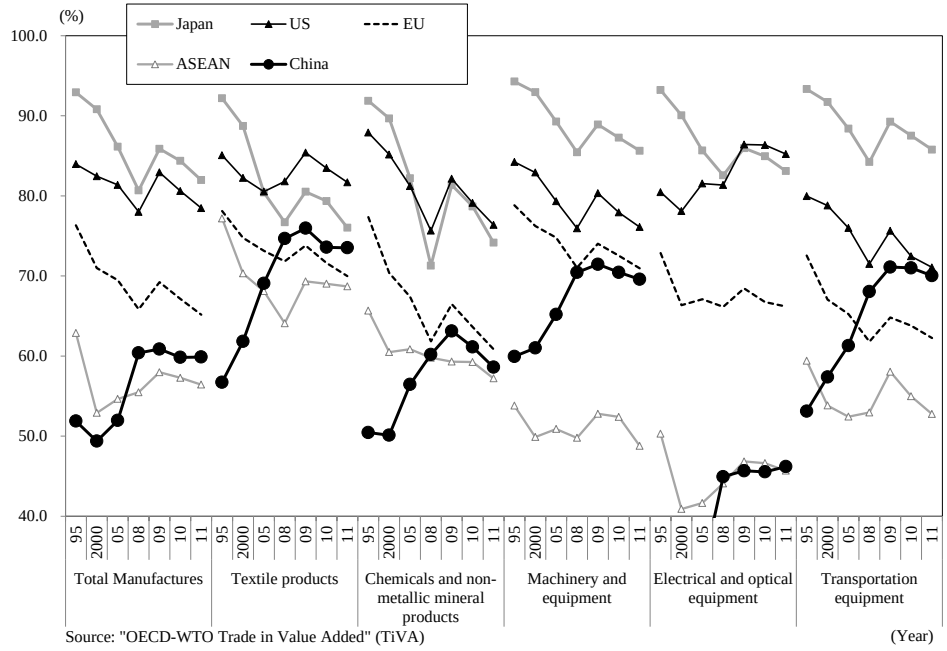
■ Deceleration in the pace of value-chain expansion

The slowdown in the pace of the global value-chain expansion, which has driven world trade to date, has been pointed out as a possible structural factor behind slow trade. As cost differences between regions is one of the determinants for investments, rising production costs in emerging/developing economies partly weakens the incentive for developing businesses in these regions. As a result, this is perceived to have put the brakes on trade flow moving within value-chains. Intra-regional trade ratio that reflects the degree of progress in fragmentation stood at about 25% up till 2003 in ASEAN. For ASEAN + Japan and Korea, it remained high after rising to a level of about 35%, and has continued to stay at this level.

■ Changes to China's positioning

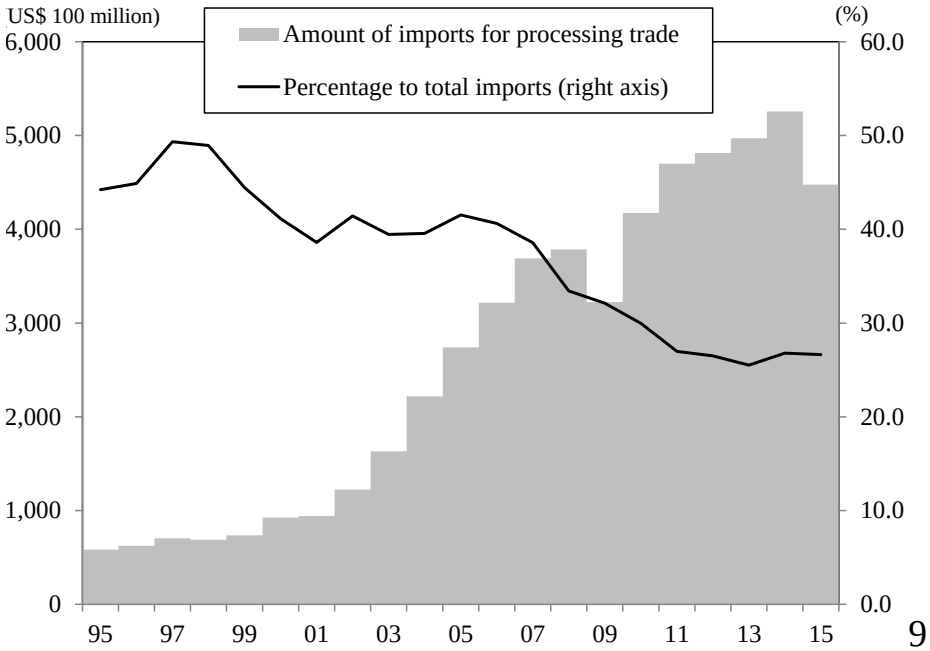
The rise in the domestic supply capabilities of China, which had been the "factory of the world," can also be considered to be one of the inhibiting factors of trade. China has been engaged in the assembly of parts procured from neighboring countries, and the export of products to end markets. However, with improvements in technological capabilities in recent years, the share of imports for processing trade has declined, and added value within China has been growing. Self-manufacturing in China has advanced, and this is considered to have contributed to the inhibition of China's imports as well as of overall trade in the world.

FigureI-10: Domestic value-added ratio to exports of each country/region



Source: "OECD-WTO Trade in Value Added" (TiVA)

Figure I-11: Imports for processing trade in China



Source: CEIC

World trade to sustain modest growth after 2016

■ Slowdown in semiconductor demand and recovery for passenger vehicles from the start of 2016

The amount of exports for the 22 major countries/regions for which data could be acquired up to the first quarter of 2016 declined by 8.4% to $2.5 trillion. As trade inhibiting factors such as sluggish resource prices and stagnation in demand in emerging economies have remained, exports for many items including general machinery (7.9% decline) and electrical equipment (4.7% decline) have continued to fall. Despite strong performance in 2015, IT products such as communication equipment (6.0% decline) and electronic parts such as semiconductors (1.6% decline) also recorded a fall.

A product that recorded export amount that exceeded the amount for the same period last year was passenger vehicles (1.1% growth to $123.1 billion). This was driven by exports from Japan (5.7% growth), Canada (27.4% growth), and Thailand (76.3% growth). Other products that have regained momentum include pharmaceuticals (1.7% growth to $73.7 billion) and turbines (3.7% growth to $21.2 billion).

■ Recent trend of improvement in Europe and China

The amount of imports for the US fell by 5.5% to $512.7 billion. Although product sectors such as automobiles (8.4% growth) remained robust, imports for general machinery (5.5% decline) fell below the previous year against the background of slowdown in capital investment. On the other hand, imports for Germany and France have gradually reduced their margin of decline, while China has begun to record month-on-month increases for imports in April and May.

■ Modest growth even after 2016

According to WTO, world trade volume is expected to recover slowly, increasing to 2.8% in 2016 and 3.6% by 2017. However, WTO has predicted that in the near future, the margin of expansion for trade is not expected to recover the momentum that it had prior to the Lehman Shock.

Figure Ⅰ-12 : Changes in world trade by quarter of 22 key countries/regions (export basis)

(Million USD, %)

	Share of 22 countries/regions in 2015	2015 Ⅰ	2015 Ⅱ	2015 Ⅲ	2015 Ⅳ	2016 Ⅰ
Total	67.1	2,692,540 (△ 7.4)	2,784,379 (△ 9.3)	2,775,997 (△ 10.9)	2,786,030 (△ 10.2)	2,467,510 (△ 8.4)
General machinery	76.0	363,037 (△ 5.0)	373,021 (△ 8.0)	363,190 (△ 10.0)	367,356 (△ 11.5)	334,452 (△ 7.9)
Turbine	82.8	20,440 (△ 5.6)	21,037 (△ 1.2)	20,038 (△ 8.9)	22,298 (△ 4.2)	21,186 (3.7)
Semiconductor manufacturing equipment	83.6	9,655 (△ 5.3)	10,086 (13.8)	10,772 (25.0)	9,773 (△ 1.7)	9,676 (0.2)
Electrical equipment	82.4	441,757 (1.6)	468,694 (△ 1.5)	490,781 (△ 1.8)	519,451 (△ 1.5)	421,062 (△ 4.7)
Communication equipment	80.4	96,599 (7.5)	102,308 (7.8)	107,070 (5.6)	131,762 (2.9)	90,796 (△ 6.0)
Electronic parts such as semiconductors	93.1	135,063 (3.1)	143,396 (△ 2.1)	152,205 (△ 1.4)	153,136 (1.5)	132,913 (△ 1.6)
Transport equipment	78.0	346,120 (0.1)	360,286 (△ 3.8)	343,325 (△ 4.8)	360,913 (△ 4.0)	333,753 (△ 3.6)
Passenger vehicles	75.8	121,726 (△ 6.2)	127,691 (△ 7.3)	126,363 (△ 2.5)	133,593 (△ 1.2)	123,090 (1.1)
Precision equipment	80.2	115,523 (△ 2.8)	119,632 (△ 6.1)	119,756 (△ 6.6)	122,034 (△ 5.6)	107,206 (△ 7.2)
Chemicals	65.6	361,315 (△ 7.1)	371,116 (△ 7.7)	361,269 (△ 10.1)	349,810 (△ 8.1)	343,168 (△ 5.0)
Pharmaceuticals & medical supplies	59.5	72,522 (△ 3.1)	74,508 (△ 1.2)	76,167 (△ 2.5)	75,255 (2.4)	73,744 (1.7)
Food	55.3	155,644 (△ 6.6)	160,315 (△ 11.1)	160,829 (△ 9.9)	165,486 (△ 7.5)	152,497 (△ 2.0)
Iron ore (imports)	92.7	22,943 (△ 41.5)	19,284 (△ 46.9)	20,441 (△ 35.4)	19,024 (△ 30.2)	15,209 (△ 33.7)
Mineral fuels (imports)	75.8	323,647 (△ 41.2)	321,332 (△ 38.5)	307,379 (△ 41.1)	259,421 (△ 42.4)	205,798 (△ 36.4)

Notes:1)The key 22 countries/regions are Japan, Germany, China, United States, France, United Kingdom, South Korea, Canada, Hong Kong, Singapore, Russia, Taiwan, Australia, India, Switzerland, Brazil, Malaysia, Thailand, Philippines, Mexico, Argentina and Republic of South Africa. 2) Figures inside ( ) show the growth rates compared to the same period of the previous year. 3) Iron ore and mineral fuels are import basis and others are export basis. 4) The world export value that forms the basis for calculating the share, is the total of approximately 180 countries and also includes the estimates of those countries whose customs statistics were not obtained. The world import value is the total of 53 countries whose statistics could be obtained.

Sources: Statistics from individual countries/regions

Figure I-13:Quarterly changes in trade trends for the US, Germany, and China

($1 million, %)

	Exports 2015 I	Exports 2015 II	Exports 2015 III	Exports 2015 IV	Exports 2016 I	Imports 2015 I	Imports 2015 II	Imports 2015 III	Imports 2015 IV	Imports 2016 I
United States	372,761 -5.0	387,487 -5.6	371,700 -8.1	370,624 -10.5	347,663 -6.7	542,385 -1.6	573,849 -4.4	575,022 -5.1	556,976 -6.9	512,724 -5.5
Germany	329,861 -12.8	334,814 -11.8	334,951 -11.2	330,563 -8.0	326,261 -1.1	263,544 -15.7	261,583 -15.4	264,165 -11.7	261,158 -8.8	259,323 -1.6
China	513,510 4.5	557,926 -2.3	596,960 -6.0	612,145 -5.2	463,903 -9.7	372,920 -21.4	402,936 -16.9	415,086 -18.1	410,818 -17.3	326,255 -12.5

Note: 1) The total amount for each quarter may not correspond to the total for the year shown in Figure I-5 due to statistical updtes and other factors. 2) Figures in the brackets ( ) show year-on-year growth rate.

Sources: Statistics from individual countries/regions

Improvements in Japan's trade balance

■ Trade balance moves toward surplus for the first half of 2016

Japan's trade in 2015 (customs clearance basis) fell by 10.0% to $625.1 billion, while imports fell by 20.7% to $648.3 billion. Consequently, a trade deficit of $23.3 billion was posted, marking the fifth consecutive year of a trade deficit. Nevertheless, the deficit has shrunk by approximately $100 billion from the deficit of $122.8 billion recorded in 2014. The trend for the falling trade deficit has continued, and trade balance is expected to return to the black in the first half of 2016 with a surplus of $17 billion. On a yen basis, exports for 2015 increased by 3.4% to ¥75.6 trillion, while imports fell by 8.7% to ¥78.4 trillion.

Figure I-14: Japan's trade (2011 – May 2016)

(Unit: $ million, 100 million yen, %)

		2011	2012	2013	2014	2015	2016						
							Jan-June	Jan	Feb	Mar	Apr	May	Jun
Dollar-based	Total exports	820,793	801,335	719,205	694,270	625,068	306,014	44,879	48,646	57,069	53,008	46,803	55,609
	(Growth rate)	7.0	-2.4	-10.3	-3.5	-10.0	-2.9	-12.9	-3.2	-1.2	-3.0	-2.5	5.2
	Total imports	853,070	888,584	838,889	817,103	648,343	289,002	50,164	46,528	50,448	45,547	47,142	49,172
	(Growth rate)	23.4	4.2	-5.6	-2.6	-20.7	-12.3	-18.0	-13.7	-9.8	-17.4	-5.4	-7.9
	Trade balance	-32,277	-87,250	-119,684	-122,832	-23,275	17,012	-5,285	2,117	6,621	7,461	-338	6,437
	(Year-on-year difference)	-107,854	-54,973	-32,435	-3,148	99,557	31,370	4,370	5,790	4,794	7,943	1,476	6,997
Yen-based	Total exports	655,465	637,476	697,742	730,930	756,139	345,186	53,514	57,037	64,568	58,891	50,918	60,258
	(Growth rate)	-2.7	-2.7	9.5	4.8	3.4	-8.7	-12.9	-4.0	-6.8	-10.1	-11.3	-7.4
	Total imports	681,112	706,886	812,425	859,091	784,055	327,066	59,991	54,638	57,077	50,685	51,347	53,327
	(Growth rate)	12.1	3.8	14.9	5.7	-8.7	-17.2	-17.8	-14.2	-14.9	-23.3	-13.7	-18.8
	Trade balance	-25,647	-69,411	-114,684	-128,161	-27,916	18,121	-6,477	2,399	7,491	8,207	-429	6,931
	(Year-on-year difference)	-9,199	-43,763	-45,273	-13,477	100,245	35,097	5,127	6,659	5,256	8,790	1,724	7,540
Export volume index		96.2	91.6	90.2	90.7	89.8	87.8	78.4	85.8	98.0	90.2	80.6	93.9
(Growth rate)		-3.8	-4.8	-1.5	0.6	-1.0	-2.3	-9.1	0.2	-1.0	-4.6	-2.4	3.1
Import volume index		102.6	105.0	105.3	106.0	103.0	100.7	103.5	97.3	108.2	95.7	98.3	101.5
(Growth rate)		2.6	2.4	0.3	0.6	-2.8	-1.1	-5.0	-2.4	5.2	-7.5	3.6	0.4
Crude oil import price		108.7	114.8	110.5	105.1	55.0	37.1	36.9	30.4	32.2	37.0	40.7	45.2
(Dollar/barrel, growth rate)		37.3	5.6	-3.7	-4.9	-47.7	-36.0	-41.7	-38.6	-41.3	-34.2	-31.5	-29.4
Exchange rate (yen/dollar)		79.8	79.8	97.6	105.8	121.0	111.8	118.3	115.0	113.1	109.9	109.2	105.5
(Yen appreciation, %)		10.0	0.0	-18.3	-7.8	-12.5	7.5	0.0	3.1	6.5	8.8	10.6	17.3

Note: 1) Yen-based values were converted to dollar-based values by JETRO. 2) Volume index is 2010 basis. 3) Exchange rate is interbank average rate.
4) Growth rate is year-to-year comparison. 5) Figures of imports in June are nine-digit provisional.
Source: "Trade Statistics" (Ministry of Finance), "Foreign Exchange Rate" (Bank of Japan)

Increase in current account surplus for the first time in five years

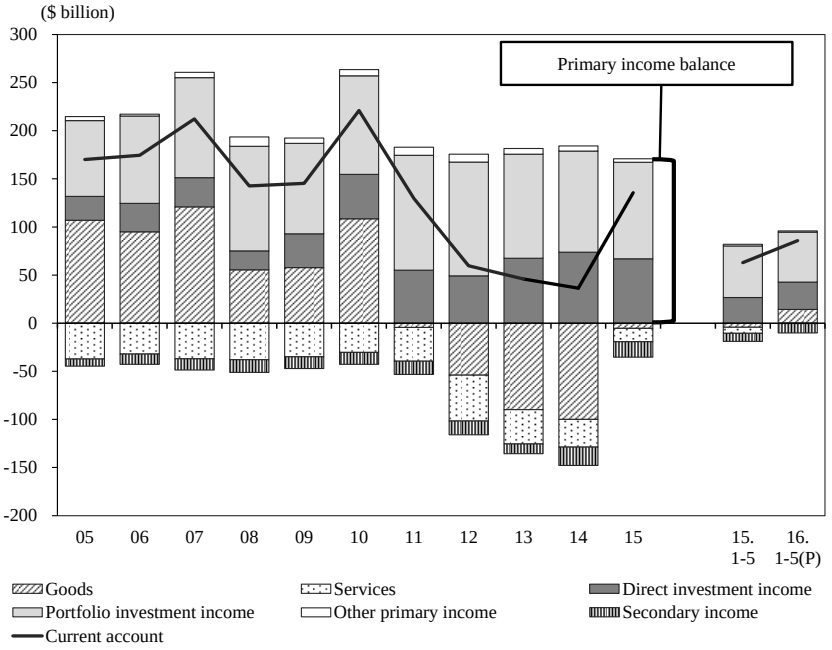
■ Significant fall in deficit for both trade balance and service balance

Looking at Japan's balance of payments in 2015, the current account surplus was $135.6 billion, a significant increase of $99.1 billion from $36.5 billion in 2014. This was the first time in five years that an increase has been recorded for the current account surplus. A primary factor contributing to the increase in surplus was the fall in the trade balance deficit (2014: $100 billion deficit→ 2015: $5.3 billion deficit). The deficit for service balance, which has constantly been in the red, has also shrunk (2014: $28.8 billion deficit →2015: $14.0 billion deficit), contributing to the increase in current account surplus.

■ Surplus posted for travel service balance for the first time in 53 years since 1962

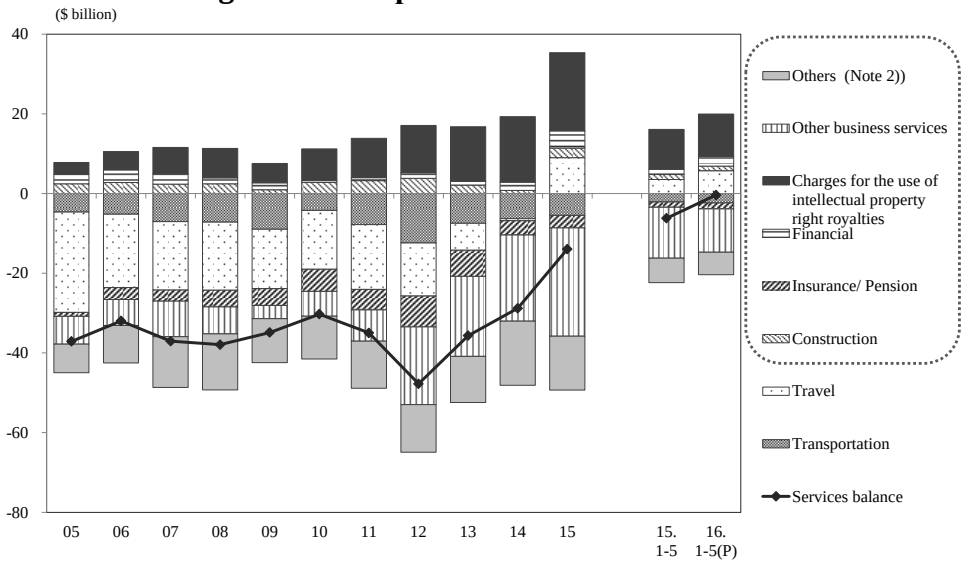
Within the service balance, a surplus of $9 billion was recorded for travel service balance, marking the first surplus in 53 years since 1962. With the rise in tourist numbers to Japan, mainly from China, as well as a significant increase in travel expenditure in Japan, the amount of travel receipts has increased significantly mainly in Asian countries such as China. In addition, a new high of $19.6 billion was recorded for the surplus obtained from charges for the use of intellectual property rights, etc.

Figure I-15: Japan's current account



Sources: "Balance of Payments" (Bank of Japan, Ministry of Finance, "Foreign Exchange Rates" [Bank of Japan])

Figure I-16: Japan's service trade



Notes: 1) Yen-based values are converted to dollar-based values by JETRO. 2) "Other" includes manufacturing services on physical inputs owned by others, maintenance and repairs, communications, computers and information, personal, cultural and recreational, and government services.
Sources: "Balance of Payments" (Bank of Japan, Ministry of Finance), "Foreign Exchange Rates" (Bank of Japan)

US is the largest export partner for the third consecutive year

■ China is the largest import partner for 14 consecutive years

Looking at exports by country for 2015, the US remained as the largest export partner for the third consecutive year, with the amount of exports reaching $125.9 billion (2.8% decline). In the US, consumption has remained steady, resulting in growth for the automobile sector. On the other hand, China has encountered sluggish growth with a 14.0% decline to $109.3 billion. The slowdown in growth for the Chinese economy has also contributed to an overall decline in sectors such as general machinery including machine tools and textile machinery, electrical equipment, and transport equipment.

In imports, China was the largest import partner for the 14th consecutive year, despite a 11.8% decline to $160.7 billion. In the main import product category of electrical equipment, although the import volume for mobile phones remained at the same level as the previous year, the amount of import fell as a result of yen depreciation. In the EU, there has been a rapid increase in the import of pharmaceuticals from Ireland. As a result, Ireland moved from 13th place in the previous year to the top place for the amount of pharmaceutical imports.

Figure I-17: Japan's exports & imports by country/region

(Unit: $ million, %)

	2014	2015	YoY change	Contribution	2016 Jan-Jun	YoY change	Contribution
Total exports	694,270	625,068	-10.0	-10.0	306,014	-2.9	-2.9
Unites States	129,441	125,852	-2.8	-0.5	62,380	-0.7	-0.1
EU	72,082	66,004	-8.4	-0.9	35,822	10.5	1.1
China	127,105	109,266	-14.0	-2.6	52,281	-3.0	-0.5
ASEAN	105,241	95,052	-9.7	-1.5	45,247	-7.5	-1.2
Thailand	31,555	27,999	-11.3	-0.5	12,945	-8.5	-0.4
Malaysia	14,239	12,009	-15.7	-0.3	5,874	-5.6	-0.1
Indonesia	14,848	11,550	-22.2	-0.5	5,205	-14.8	-0.3
Vietnam	11,856	12,535	5.7	0.1	6,049	-5.8	-0.1
Philippines	9,929	9,492	-4.4	-0.1	4,907	3.5	0.1
Total imports	817,103	648,343	-20.7	-20.7	289,002	-12.3	-12.3
Unites States	71,751	66,638	-7.1	-0.6	32,152	-6.7	-0.7
EU	77,749	71,265	-8.3	-0.8	35,667	5.8	0.6
China	182,071	160,674	-11.8	-2.6	74,851	-4.9	-1.2
ASEAN	116,499	97,953	-15.9	-2.3	44,649	-11.3	-1.7
Thailand	21,877	20,437	-6.6	-0.2	9,755	-7.1	-0.2
Malaysia	29,353	21,538	-26.6	-1.0	8,580	-26.6	-0.9
Indonesia	25,789	19,774	-23.3	-0.7	8,939	-12.8	-0.4
Vietnam	15,497	15,142	-2.3	0.0	7,561	3.4	0.1
Philippines	10,252	8,877	-13.4	-0.2	4,198	-5.7	-0.1

Notes: Yen-based values are converted to dollar-based values by JETRO.
Source: "Trade Statistics" (Ministry of Finance)

Figure I-18: Characteristics of Japan's trade in 2015

		Characteristics for 2015
United States	Export	Largest export partner for third consecutive year. Due to robust consumption, export volume for automobiles increased by 4.4%, while the amount of exports also increased by 5.2%.
	Import	The amount of imports for food products, which make up approximately 20% of imports, fell by 20% due to the impact of market downturn.
China	Export	Decline for the fourth consecutive year. Sluggish growth in the areas of machine tools, textile machinery, and computer parts in the general machinery sector. While there were some electrical equipment items that performed well due to demand for smartphone parts, there was a decline in areas such as heavy electrical machinery.
	Import	Largest import partner for 14th consecutive year. In the electrical equipment sector, the import volume for mobile phones remained at a similar level as in the previous years. However, the amount of imports fell as a result of yen depreciation. Demand for photocells, which registered rapid growth last year, was on the decline and posted a drop in imports.
ASEAN	Export	A fall in exports was posted for areas such as machine tools, engines, and iron and steel in Thailand, and for areas such as mining and construction machinery, machine tools, and automobiles in Indonesia. Vietnam posted favorable results, with increases in areas such as mining and construction machinery, machine tools, trucks, and IT-related parts.
	Import	Due to the impact of the drop in energy prices, the amount of imports from Malaysia and Indonesia fell significantly. The total amount of imports from Vietnam also declined, but the amount of imports for textiles and textile products such as clothing increased on the back of transfer of production operations from China.
EU	Export	In addition to a growth in the passenger vehicle sector for Italy, there was a rapid increase for pipes to be used in pipelines, contributing to a 3.4 times growth for the iron and steel sector. On the other hand, Germany posted a drop in areas such as passenger vehicles and integrated circuits once again, despite growth in the previous year.
	Import	There was a decline for transport equipment due to a drop for passenger vehicles for Germany, and for helicopters for France. The amount of imports for Ireland increased significantly on the back of rapid growth in the area of pharmaceuticals. Ireland moved from 13th place in the previous year to the top place for the amount of pharmaceutical imports.

Source: Compiled by JETRO

Significant reduction in trade deficit for mineral fuels due to the fall in resource prices

■ Sluggish growth for general machinery, etc. due to the impact of slowdown in investment demand

Looking at exports by product, the sluggish growth of the general machinery sector was prominent, with an 11.3% decline to $117.7 billion. Exports of mining and construction machinery to the US, which makes up 30% of the export market, have declined, while exports to resource countries such as Australia and the Middle East, as well as to China, have also declined. Exports of machine tools to the main export partners of China and the US also fell. With respect to imports, the impact from the fall in energy prices led to a significant decline in the amount of imports for mineral fuels by 42.6% to $150.6 billion.

■ Trade deficit also shrank alongside with the reduction in the deficit for mineral fuels

Looking at the trade balance by product, we can see that while the surplus for transport equipment, general machinery, and electrical equipment is shrinking, the deficit for mineral fuels has been on a decline after hitting its lowest point in 2012. Partly due to the significant drop in resource prices in 2015, the deficit fell by 40%, $246.9 billion deficit in 2014 to $139.4 billion deficit in 2015, marking a dramatic improvement. This trend is still continuing in 2016.

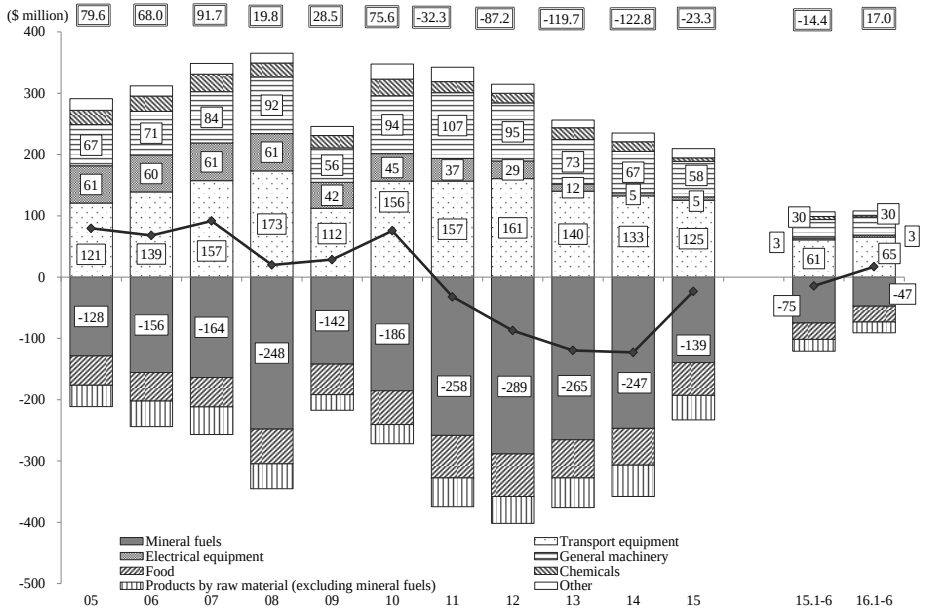
Figure I-19: Japan's exports and imports by main product

(Unit: $ million, %)

	2014	2015	YoY change	Contribution	2016 Jan-Jun	YoY change	Contribution
Total Exports	694,270	625,068	-10.0	-10.0	306,014	-2.9	-2.9
General machinery	132,572	117,650	-11.3	-2.2	59,760	-1.4	-0.3
Mining and construction machines	9,337	7,883	-15.6	-0.2	4,534	5.0	0.1
Machine tools	9,098	7,707	-15.3	-0.2	3,117	-28.3	-0.4
Electrical equipment	104,074	95,608	-8.1	-1.2	45,690	-2.9	-0.4
Electronic parts such as semiconductor	34,763	32,267	-7.2	-0.4	15,266	-4.6	-0.2
Transportation machinery	161,727	151,497	-6.3	-1.5	78,547	6.5	1.5
Iron and steel products	46,515	37,776	-18.8	-1.3	16,593	-17.6	-1.1
Total Imports	817,103	648,343	-20.7	-20.7	289,002	-12.3	-12.3
Mineral fuels	262,448	150,633	-42.6	-13.8	51,966	-35.6	-8.7
Crude oil	131,202	67,365	-48.7	-7.9	23,145	-33.3	-3.5
Chemicals	76,057	74,062	-2.6	-0.2	36,925	2.9	0.3
Pharmaceauticals & medical supplies	19,975	23,147	15.9	0.4	11,819	16.0	0.5
General machinery	65,144	59,539	-8.6	-0.7	29,994	-1.5	-0.1
Electrical equipment	99,019	90,266	-8.8	-1.1	42,355	-3.8	-0.5
Food	64,509	58,461	-9.4	-0.7	28,570	-2.0	-0.2

Notes: Yen-based values are converted to dollar-based values by JETRO.
Source: "Trade Statistics" (Ministry of Finance)

Figure I-20: Japan's trade balance by main product



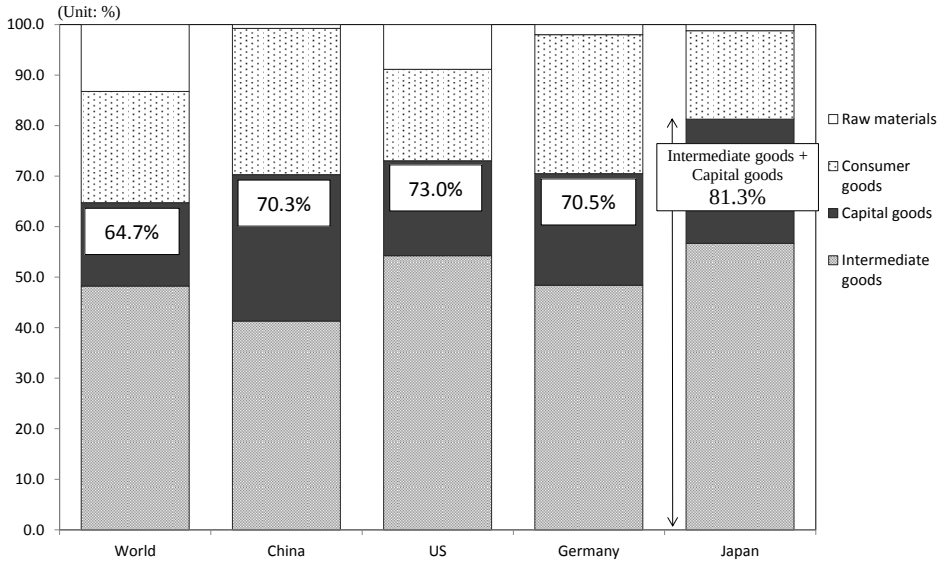
Notes: The numbers above in the double line boxes represent the trade balance. Source: "Trade Statistics" (Ministry of Finance)

Impact of decline in the export of intermediate goods to China

■ **Delay in recovery for exports**

Compared to major exporting countries, the structure of Japan's exports has a higher ratio of intermediate and capital goods. Looking at the export structure of China, US, Germany, and Japan by taking the average from 2010 to 2015, we see that the combined share of intermediate and capital goods was approximately 70%. However, Japan's share reached 81.3%. The characteristic of this export structure has created a situation where Japan is easily impacted by a slowdown in investment worldwide, including China. In particular, the share of exports to China makes up approximately 20% of Japan's total exports; of these about 90% comprises intermediate and capital goods. As the Chinese economy has eased its speed of expansion, and China's domestic supply capability has also improved, the momentum of increase in China's imports of intermediate and capital goods has slowed down. This, in turn, has had a significant negative impact on the recovery of Japan's exports. Looking at Japan's contribution to its total export by product category in 2015, intermediate goods had the largest impact with a decrease in total export with a negative 7.1% contribution ratio, of which export to China was the largest at negative 1.8% among major trade partners.

Figure I-21: Export structure of major countries by product category



Note: 1) The definitions of commodity classifications are based on the HS2007 version of BEC (the United Nations) and RIETI-TID2014 (the Research Institute of Economy, Trade and Industry). 2) 2010-2015 average
Source: Made by trade statistics of each country

Figure I-22:
Japan's contribution ratio to total export by product category (2015)

(Unit: %)

	World	US	EU	China	ASEAN
Total exports	-10.0	-0.5	-0.9	-2.6	-1.5
Raw materials	-0.2	-0.0	-0.0	-0.1	0.0
Intermediate goods	-7.1	-0.5	-0.5	-1.8	-1.3
Capital goods	-2.5	-0.3	-0.3	-0.5	-0.3
Consumer goods	-0.4	0.3	-0.1	-0.2	-0.0

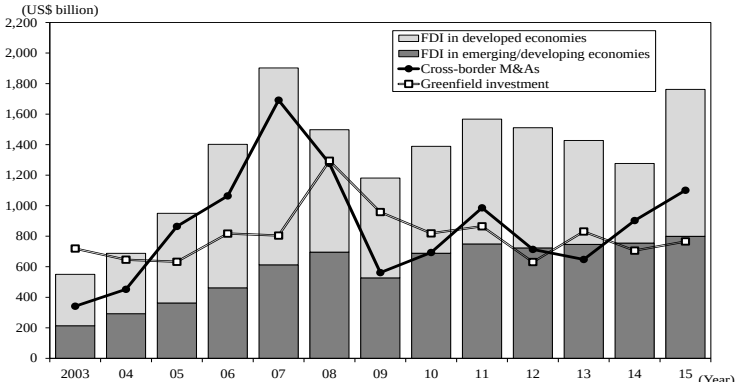
Note: 1) The definitions of commodity classifications are based on the HS2007 version of BEC (the United Nations) and RIETI-TID2014 (the Research Institute of Economy, Trade and Industry). 2) The total contribution ratio of the commodities does not correspond to that of total exports because of dublicate items.
Source: "Trade Statistics" (MOF)

World inward FDI recovers with 38.0% growth

■ Significant increase in FDI to Europe and America

According to the United Nations Conference on Trade and Development (UNCTAD), world inward FDI in 2015 (balance of payments basis, net, flow) increased by 38.0% year-on-year to $1.8 trillion. This marks a recovery from the previous year, when it remained at a low level due to a significant drop in the amount of investment to the US. It was also the highest level since the Lehman Shock. The contribution ratio by advanced countries reached 34.5%. The primary factor for this was that FDI to advanced economies, which makes up 54.6% of the total, increased by 84.4% ($962.5 billon). The increase for advanced economies was significantly impacted by the growth in cross-border M&A toward Europe and America. On the other hand, FDI toward emerging/developing economies fell due to the impact of the decline in resource prices in Central and South America as well as Africa. However, underpinned by Asia, positive growth was maintained with the posting of 5.9% increase ($799.7 billion).

Figure I-23: Trends in global inward FDI



Note: 1) The definition of developed economies follows UNCTAD, and is the total for 39 countries/regions. 2) The figure for emerging and developing economies are obtained by subtracting the figures for developed economies from the world total (excluding the financial centers in the Caribbean region).
Source: UNCTAD and Thomson Reuters

Figure I-24: Top 10 countries/regions for FDI (2015)

(Unit: US$Million)

	Inward FDI		Outward FDI	
1	United States	379,894	United States	299,969
2	Hong Kong	174,892	Japan	128,654
3	China	135,610	China	127,560
4	Ireland	100,542	Netherlands	113,429
5	Netherlands	72,649	Ireland	101,616
6	Switzerland	68,838	Germany	94,313
7	Singapore	65,262	British Virgin Islands	76,169
8	Brazil	64,648	Switzerland	70,277
9	British Virgin Islands	51,606	Canada	67,182
10	Canada	48,643	Hong Kong	55,143

Source: UNCTAD

Figure I-25: FDI for major countries/regions

(Unit: US$Million, %)

	Inward FDI				Outward FDI			
	Value	Percent Change	Share	Contribution	Value	Percent Change	Share	Contribution
United States	379,894	256.3	21.6	21.4	299,969	-5.2	20.3	-1.3
Canada	48,643	-16.9	2.8	-0.8	67,182	20.6	4.6	0.9
EU28	439,458	50.5	24.9	11.5	487,150	64.4	33.0	14.5
Ireland	100,542	222.9	5.7	5.4	101,616	135.6	6.9	4.4
Netherlands	72,649	39.2	4.1	1.6	113,429	102.7	7.7	4.4
France	42,883	182.3	2.4	2.2	35,069	-18.2	2.4	-0.6
United Kingdom	39,533	-24.6	2.2	-1.0	-61,441	-	-	-
Germany	31,719	3506.0	1.8	2.4	94,313	-11.2	6.4	-0.9
Switzerland	68,838	937.5	3.9	4.9	70,277	-	4.8	-
Australia	22,264	-43.8	1.3	-1.4	-16,739	-	-	-
Japan	-2,250	-	-	-	128,654	13.3	8.7	1.1
East Asia	443,648	16.9	25.2	5.0	291,785	-19.9	19.8	-5.5
Hong kong	174,892	53.3	9.9	4.8	55,143	-55.9	3.7	-5.3
China	135,610	5.5	7.7	0.6	127,560	3.6	8.7	0.3
South Korea	5,042	-45.6	0.3	-0.3	27,640	-1.4	1.9	0.0
Taiwan	2,415	-14.9	0.1	0.0	14,773	16.2	1.0	0.2
ASEAN	125,689	0.8	7.1	0.1	66,669	-11.5	4.5	-0.7
Singapore	65,262	-4.7	3.7	-0.3	35,485	-9.3	2.4	-0.3
Indonesia	15,508	-29.1	0.9	-0.5	6,250	-11.7	0.4	-0.1
Vietnam	11,800	28.3	0.7	0.2	1,100	-4.3	0.1	0.0
Malaysia	11,121	2.2	0.6	0.0	9,899	-39.5	0.7	-0.5
Thailand	10,845	206.6	0.6	0.6	7,776	76.4	0.5	0.3
India	44,208	27.8	2.5	0.8	7,501	-36.3	0.5	-0.3
Latin America	167,582	-1.6	9.5	-0.2	32,992	5.0	2.2	0.1
Brazil	64,648	-11.5	3.7	-0.7	3,072	37.7	0.2	0.1
Mexico	30,285	18.0	1.7	0.4	8,072	-2.8	0.5	0.0
Chile	20,176	-5.0	1.1	-0.1	15,513	31.4	1.1	0.3
CIS	28,806	-42.5	1.6	-1.7	30,528	-57.2	2.1	-3.1
Russia	9,825	-66.3	0.6	-1.5	26,558	-58.6	1.8	-2.9
Middle East	42,362	-2.1	2.4	-0.1	31,311	53.7	2.1	0.8
Turkey	16,508	36.0	0.9	0.3	4,778	-28.2	0.3	-0.1
The United Arab Emirates	10,976	1.4	0.6	0.0	9,264	2.7	0.6	0.0
Africa	54,079	-7.2	3.1	-0.3	11,325	-25.3	0.8	-0.3
Angola	8,681	351.7	0.5	0.5	1,892	-55.5	0.1	-0.2
South Africa	1,772	-69.3	0.1	-0.3	5,349	-30.3	0.4	-0.2
Developed economies	962,496	84.4	54.6	34.5	1,065,192	33.0	72.3	20.1
Emerging and developing economies	799,659	5.9	45.4	3.5	409,050	-21.0	27.7	-8.2
World	1,762,155	38.0	100.0	38.0	1,474,242	11.8	100.0	11.8

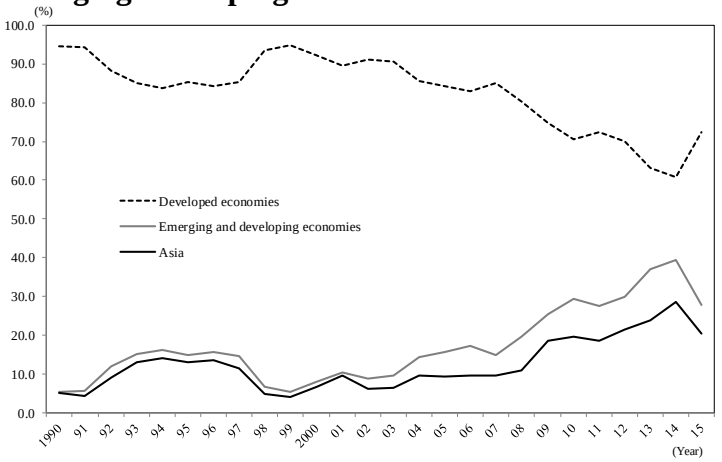
Note:
1) The definition of developed economies follows UNCTAD, and are the total for 39 countries/regions with inward FDI, the total for 38 countries/regions with outw
2) The figure for emerging and developing economies are obtained by subtracting the figures for developed economies from the world total (excluding the financial centers in the Caribbean region).
3) The amount of East Asia is summed with figures of China, South Korea, Taiwan, Hong Kong, and ASEAN.
4) The amount of Latin America exclude the financial centers in the Caribbean region.
5) Due to the difference in FDI data compilation, the figure for Japan (Directional principle) in the table do not correspond to "Japan`s FDI" (Asset and Liabilities p
6) "-" denotes figures that could not be calculated.
Source: UNCTAD

Trend of growth for outward FDI from emerging/developing economies

■ **Active overseas expansion among Asian corporations**

Looking at world outward FDI by countries/regions, in recent years, we can see a significant expansion in the proportion of Asia (excluding Japan) among emerging/developing economies. The proportion of Asia in world outward FDI had risen from 6.5% in 2000 to 20.3% in 2015. China's growth was particularly remarkable, and its composition ratio, coupled with Hong Kong, reached 12.4% in 2015. The composition ratio for ASEAN also increased from 0.8% in 2000 to 4.5%. The amount of outward FDI from Korea and Taiwan has also been on the rise from the mid 2000s. Among top-ranking corporations of the respective Asian countries, there are companies that are not far behind Japanese corporations in terms of sales and profit levels. By harnessing the knowhow and profits gained from domestic markets experiencing significant growth, these companies are becoming increasingly active in their overseas expansion effort.

Figure I-26: Share of developed and emerging/developing economies to world outward FDI



Note:
1) The definition of developed economies follows UNCTAD, and is the total for 38 countries/regions.
2) The amount of Asia is summed with figures of China, South Korea, Taiwan, Hong Kong, ASEAN, and India.
3) The figure for emerging and developing economies including Asia are obtained by subtracting the figures for developed economies from the world total (excluding the financial centers in the Caribbean region).

Source: UNCTAD

Figure I-27: Total sales rankings of Asian Companies (over US$ 10 billion)

(Unit: US$Million)

	Company Name	Industry	Country/region	Total Sales	Accounting period	Percentage change of total sales (times)	Comparison with	Net Profit
China/ Hong Kong	China State Construction Engineering Corporation Ltd	Building/Residential Construction	China	140,129	2015/12	2.6	5 accounting period ago	4,147
	SAIC Motor Co., Ltd	Automobiles	China	106,691	2015/12	2.3	5 accounting period ago	4,741
	China Mobile Ltd	Mobile Communications	Hong Kong	106,355	2015/12	1.5	5 accounting period ago	17,272
	China Railway Group Limited	General Contractors	China	99,316	2015/12	1.4	5 accounting period ago	1,951
	China Railway Construction Corporation Limited	General Contractors	China	95,566	2015/12	1.4	5 accounting period ago	2,012
	China Communications Construction Co., Ltd	Civil Engineering	China	64,357	2015/12	1.6	5 accounting period ago	2,498
	CITIC Ltd	Diversified Banking Institutions	Hong Kong	53,761	2015/12	5.9	5 accounting period ago	5,393
	China Telecom Corporation Ltd	Fixed Communications	China	52,705	2015/12	1.6	5 accounting period ago	3,191
	Legend Holdings Corporation	Personal Computers	China	49,304	2015/12	1.4	3 accounting period ago	741
	Lenovo Group Ltd	Personal Computers	Hong Kong	44,912	2016/03	2.1	5 accounting period ago	-128
ASEAN	Flextronics International Ltd	Electronics Manufacturing Services	Singapore	24,419	2016/03	0.9	5 accounting period ago	444
	Olam International Ltd	Wholesale - Agricultural Products	Singapore	21,092	2015/12	1.7	4 accounting period ago	74
	PT ASTRA INTERNATIONAL TBK	Retail - Automobiles	Indonesia	18,555	2015/12	1.3	5 accounting period ago	1,457
	Top Frontier Investment Holdings, Inc.	Asset Management	Philippines	14,809	2015/12	3.1	2 accounting period ago	4
	JARDINE CYCLE & CARRIAGE LTD	Retail - Automobiles	Singapore	15,718	2015/12	1.0	5 accounting period ago	688
	Singapore Telecommunications Ltd	Mobile Communications	Singapore	13,381	2015/03	1.0	4 accounting period ago	2,938
	The Siam Cement PCL	Organic Chemicals	Thailand	12,840	2015/12	1.4	5 accounting period ago	1,326
	Charoen Pokphand Foods PCL	Feed Products	Thailand	12,307	2015/12	2.1	5 accounting period ago	323
	Singapore Airlines Ltd	Air Transportation	Singapore	12,093	2015/03	1.1	4 accounting period ago	286
	CP ALL PCL	Convenience Stores	Thailand	11,444	2015/12	2.7	5 accounting period ago	400
South Korea	Samsung Electronics Co., Ltd	Diversified Electronics Companies	South Korea	241,675	2015/12	1.8	5 accounting period ago	22,517
	Hyundai Motor Co., Ltd	Automobiles	South Korea	110,759	2015/12	1.9	5 accounting period ago	7,729
	POSCO Co., Ltd	Blast Furnace Steel	South Korea	70,089	2015/12	1.7	5 accounting period ago	218
	LG Electronics Co., Ltd	Diversified Electronics Companies	South Korea	68,062	2015/12	1.4	5 accounting period ago	150
	Kia Motors Corporation	Automobiles	South Korea	59,646	2015/12	1.6	5 accounting period ago	3,168
	Hyundai Heavy Industries Co., Ltd	Heavy Machinery	South Korea	55,683	2015/12	1.4	5 accounting period ago	-1,626
	Hanwha Corporation	Explosive Materials	South Korea	49,835	2015/12	4.0	5 accounting period ago	-343
	SK Holdings Co., Ltd	Systems Integrators	South Korea	47,660	2015/12	0.6	5 accounting period ago	6,439
	Hyundai Mobis Co., Ltd	Automotive Body/Interior Components	South Korea	43,384	2015/12	2.3	5 accounting period ago	3,680
	Lotte Shopping Co., Ltd	Department Stores	South Korea	35,083	2015/12	2.1	5 accounting period ago	-461
Taiwan	Hon Hai Precision Ind. Co., Ltd.	Electronics Manufacturing Services	Taiwan	140,312	2015/12	1.5	5 accounting period ago	4,598
	Pegatron Corporation	Electronics Manufacturing Services	Taiwan	37,995	2015/12	2.3	5 accounting period ago	745
	Quanta Computer Inc.	Electronics Manufacturing Services	Taiwan	31,532	2015/12	0.9	5 accounting period ago	558
	Compal Electronics, Inc.	Electronics Manufacturing Services	Taiwan	26,525	2015/12	0.9	5 accounting period ago	272
	Taiwan Semiconductor Mfg. Co., Ltd.	Semiconductors - Logic	Taiwan	26,405	2015/12	2.0	5 accounting period ago	9,597
	Wistron Corp.	Electronics Manufacturing Services	Taiwan	19,511	2015/12	1.0	5 accounting period ago	42
	WPG Holdings Limited	Wholesale - Semiconductor/Electronic Component	Taiwan	16,139	2015/12	2.0	5 accounting period ago	170
	Asustek Computer Inc.	Personal Computers	Taiwan	14,786	2015/12	1.1	5 accounting period ago	535
	Uni-President Enterprises Corp.	Non-Alcoholic Beverages	Taiwan	13,027	2015/12	1.2	5 accounting period ago	442
	Inventec Corporation	Electronics Manufacturing Services	Taiwan	12,380	2015/12	1.0	5 accounting period ago	174
India	Tata Sons Ltd	-	India	42,987	2015/03	1.6	4 accounting period ago	-
	Tata Motors Ltd	Automobiles	India	42,650	2015/03	1.6	4 accounting period ago	2,288
	ERICSSON INDIA PRIVATE LIMITED	Software - Other Business Support	India	33,319	2014/12	1.0	2 accounting period ago	1,857
	Tata Steel Ltd	Blast Furnace Steel	India	22,412	2015/03	0.9	4 accounting period ago	-642
	Tata Consultancy Services Ltd	Systems Integrators	India	15,482	2015/03	1.9	4 accounting period ago	3,247
	Bharti Airtel Ltd	Mobile Communications	India	15,056	2015/03	1.2	4 accounting period ago	848
	LARSEN & TOUBRO LIMITED	General Contractors	India	14,652	2015/03	1.3	4 accounting period ago	779
	Mahindra & Mahindra Ltd	Automobiles	India	10,446	2015/03	1.5	4 accounting period ago	513
Japan	Toyota Motor Corporation	Automobiles	Japan	236,602	2016/03	1.1	5 accounting period ago	19,265
	Honda Motor Co., Ltd	Automobiles	Japan	121,630	2016/03	1.2	5 accounting period ago	2,870
	Japan Post Holdings Co., Ltd	Truck - Express Delivery/Courier Services	Japan	118,767	2016/03	0.6	5 accounting period ago	3,548
	Marubeni Corporation	General Trading Companies	Japan	101,694	2016/03	1.0	5 accounting period ago	519
	Nissan Motor Co., Ltd	Automobiles	Japan	101,540	2016/03	1.0	5 accounting period ago	4,364
	Nippon Telegraph & Telephone Corporation	Fixed Communications	Japan	96,138	2016/03	0.8	5 accounting period ago	6,145
	Hitachi, Ltd	Diversified Electronics Companies	Japan	83,587	2016/03	0.8	5 accounting period ago	1,434
	Mitsui & Co., Ltd	General Trading Companies	Japan	80,110	2016/03	0.7	5 accounting period ago	-695
	Japan Post Insurance Co., Ltd	Life Insurance	Japan	80,017	2016/03	0.5	4 accounting period ago	707
	Softbank Group Corporation	Mobile Communications	Japan	76,250	2016/03	2.2	5 accounting period ago	3,950

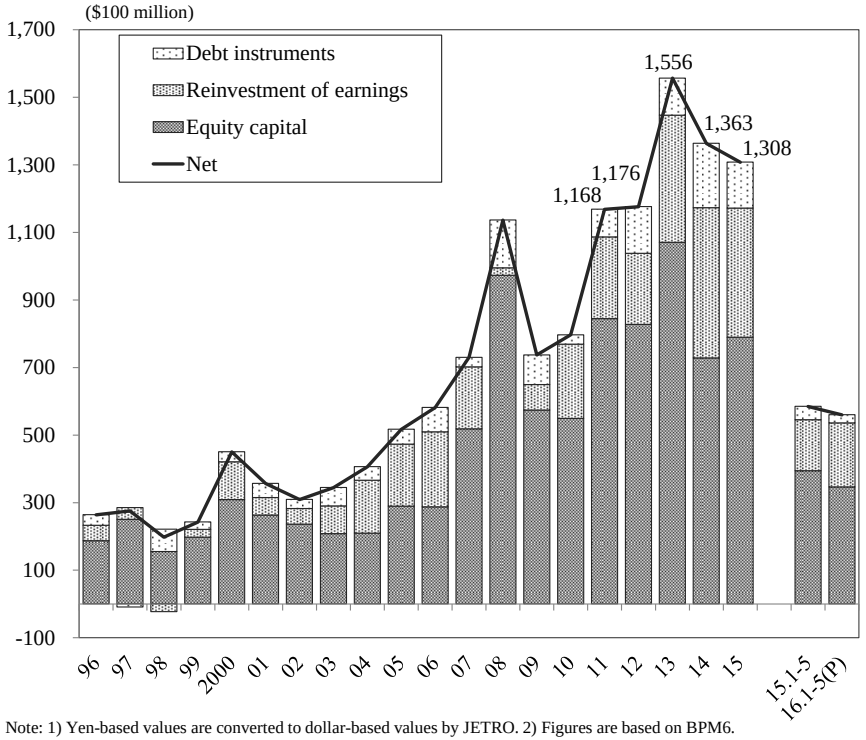
Note: 1) Consolidated statement basis. 2) Including both of listed and private company. 3) Excluding natural resources, energy, and electric power company. 4) The definition of industries follows SPEEDA.
Source: Data from SPEEDA

Japan's outward FDI exceeded $100 billion mark for the fifth consecutive year

■ US continues to be the largest investment destination

Japan's outward FDI in 2015 fell by 4.1% year-on-year to $130.8 billion (balance of payments basis, net, flow). Despite the drop from the previous year, it had exceeded $100 billion mark for the fifth consecutive year since 2011. Looking at outward FDI by type, we see that equity capital has increased by 8.4% to $78.9 billion. One of the factors contributing to the increase in equity capital could be the growth in both outward M&A and Greenfield investments among Japanese corporations. Looking at the principal destinations, we can see that the amount of investment to the US fell by 7.1% year-on-year to $44.9 billion. Investment in the US made up 34.3% of total investments, and the US continued to be the largest investment destination for the sixth consecutive year after 2010. Japan's outward FDI, categorized by countries/regions, showed that most of the major investment destinations have reduced their shares in recent years. Amidst this, the share of the US has continued to increase from 2012 to 2014, and reflecting the enhanced presence of the country as an investment destination.

Figure I-28: Trends in Japan's outward FDI by type



Note: 1) Yen-based values are converted to dollar-based values by JETRO. 2) Figures are based on BPM6.
Source: "Balance of Payments" (MOF, BOJ)

Figure I-29: Japan's outward FDI by country/region

(Unit: US$Million, %)

	2013	2014	2015	Share	Percent Change	Jan-May, 2015(P)	Share	Percent Change
Asia	40,470	43,237	32,267	24.7	-25.4	14,013	25.0	3.3
China	9,104	10,389	8,867	6.8	-14.6	3,247	5.8	-18.3
ASEAN	23,619	23,134	20,244	15.5	-12.5	6,665	11.9	-30.5
Singapore	3,545	8,233	6,500	5.0	-21.1	1,211	2.2	-53.6
Thailand	10,174	5,744	3,799	2.9	-33.9	1,608	2.9	-12.9
Indonesia	3,907	4,933	3,560	2.7	-27.8	1,153	2.1	-20.2
Malaysia	1,265	1,290	2,839	2.2	120.1	454	0.8	-78.8
Philippines	1,242	923	1,450	1.1	57.1	1,374	2.5	202.9
Vietnam	3,266	1,604	1,360	1.0	-15.2	739	1.3	10.1
India	2,155	2,214	-1,706	-	-	1,563	2.8	-
North America	46,505	50,126	46,013	35.2	-8.2	23,397	41.8	25.2
United States	43,703	48,329	44,893	34.3	-7.1	23,115	41.3	26.4
Latin America	10,197	6,671	7,730	5.9	15.9	1,640	2.9	-66.7
Mexico	1,750	1,112	989	0.8	-11.0	468	0.8	74.4
Brazil	4,037	3,334	1,412	1.1	-57.6	376	0.7	-72.3
Oceania	6,098	6,331	7,661	5.9	21.0	1,705	3.0	-72.1
Australia	5,835	4,908	6,690	5.1	36.3	1,046	1.9	-80.2
Europe	32,227	27,546	34,574	26.4	25.5	15,700	28.0	13.6
EU	30,999	26,117	33,762	25.8	29.3	14,466	25.8	7.0
World	135,049	136,347	130,752	100.0	-4.1	55,979	100.0	-4.2

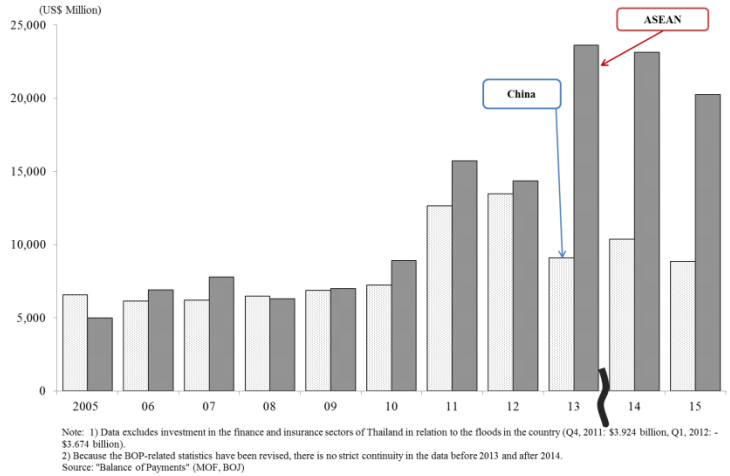
Note: 1) Yen-based values are converted to dollar-based values by JETRO.
2) Because the BOP-related statistics have been revised, there is no strict continuity in the data before 2013 and after 2014.
3) The figures for 2016 are provisional. 4) "-" denotes figures that could not be calculated.
Source: "Balance of Payments" (MOF, BOJ)

Progressive shift in Japan's outward FDI to ASEAN

■ **Expansion in composition ratio of non-manufacturing industries for investment in China**

Investment in the Asian region, which ranks third highest in the world, fell by 25.4% year-on-year to $32.3 billion. Within Asia, investment in ASEAN fell by 12.5%, but remained at a level of $20 billion for the third consecutive year. On the other hand, investment in China fell by 14.6% to $8.9 billion, reflecting the continued difference of about two times in the amount of investment between China and ASEAN after 2013. Investment in Singapore, which is the highest among Japan's investments in ASEAN, fell by 21.1% to $6.5 billion. With regard to the amount of investment in other key ASEAN countries, investment in Thailand, Indonesia, and Vietnam declined, but investment in Malaysia and the Philippines increased. Furthermore, looking at FDI toward China by industry, we see that while the amount of investment has been on a downward trend for both manufacturing and non-manufacturing industries after peaking in 2012, composition ratio has increased significantly for non-manufacturing industries after 2005.

Figure I-30: Japan's outward FDI - Comparison between China and ASEAN



Note: 1) Data excludes investment in the finance and insurance sectors of Thailand in relation to the floods in the country (Q4, 2011: $3.924 billion, Q1, 2012: -$3.674 billion).
2) Because the BOP-related statistics have been revised, there is no strict continuity in the data before 2013 and after 2014.
Source: "Balance of Payments" (MOF, BOJ)

Figure I-31: Japan's FDI into ASEAN by country

(Unit: %)

	2005	2011	2012	2013	2014	2015
China (US$ million)	6,575	12,649	13,479	9,104	10,389	8,867
ASEAN (US$ million)	5,002	15,721	14,349	23,619	23,134	20,244
Singapore	11.1	28.6	10.9	15.0	35.6	32.1
Thailand	42.5	20.4	29.4	43.1	24.8	18.8
Indonesia	23.7	23.0	26.6	16.5	21.3	17.6
Malaysia	10.5	9.2	9.1	5.4	5.6	14.0
Philippines	8.8	6.5	5.1	5.3	4.0	7.2
Vietnam	3.1	11.8	17.9	13.8	6.9	6.7
Other	0.3	0.6	1.0	0.9	1.8	3.6

Note: 1) Because the BOP-related statistics have been revised, there is no strict continuity in the data before 2013 and after 2014.
2) "Other" is the sum of Brunei, Laos, Myanmar and Cambodia.
3) The FDI values into Thailand for 2011 and 2012 exclude investments in the finance and insurance sectors related to its floods. (fourth quarter of 2011: $3.924 billion; first quarter of 2012: -$3.674 billion)
Source: "Balance of Payments" (MOF, BOJ)

Figure I-32: Japan's FDI into China by major industry

(Unit: %)

	2005	2011	2012	2013	2014	2015
Manufacturing	77.5	69.3	68.2	62.2	60.1	60.5
Food	3.4	1.7	2.0	3.6	2.7	3.3
Textiles	4.3	4.3	1.7	1.0	0.0	-0.6
Chemicals & pharmaceuticals	9.5	8.2	6.4	5.9	6.0	4.1
Iron, non-ferrous and metals	5.8	10.1	6.8	7.3	5.0	2.7
General machinery	7.0	14.1	12.8	11.9	12.8	16.7
Electric machinery	13.1	8.0	9.6	6.8	8.5	10.5
Transportation equipment	15.7	11.7	21.0	17.6	16.2	14.2
Non-manufacturing	22.5	30.7	31.8	37.9	39.9	39.5
Wholesale & retail	7.3	14.9	14.6	12.2	18.8	20.1
Finance & insurance	8.2	5.9	4.6	10.9	15.0	11.3
Real estate	2.0	5.1	7.4	10.1	2.6	4.9
Services	1.5	1.8	2.8	2.9	1.7	1.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Note: 1) Because the BOP-related statistics have been revised, there is no strict continuity in the data before 2013 and after 2014.
2) Each figure for manufacturing and non-manufacturing does not correspond to the sum of the breakdown because the figures include other industries.
3) "-"indicates net inflow.
Source: "Balance of Payments" (MOF, BOJ)

Non-manufacturing industries drive the increase in outward FDI stock

■ Growing outward FDI for non-manufacturing industries

Japan's outward FDI stock as of the end of 2015 increased by 6.2% year-on-year to $1.3 trillion. With respect to changes in the composition ratio by industry, the share of non-manufacturing industries, which has occupied 40% of the total in 2005, exceeded 50% by 2008, and grew to 55.5% in 2015. Looking at the breakdown, the finance and insurance industries, as well as wholesale and retail industries, made up a large proportion, while the share of the mining and communication industries has also increased from 2005. On the other hand, the share for manufacturing industries during the same period fell from 59.8% to 44.5%.

Japan's direct investment income credit declined by 9.2% to $89.5 billion in 2015. Although it has fallen since 2014 ($98.6 billion) when it was at a historical high, it nevertheless remained at a high level. By industry, a large proportion was contributed by transportation equipment in the manufacturing sector, and the finance and insurance industries as well as wholesale and retail industries in the non-manufacturing sector. However, although the rate of returns on outward FDI (2015) was at the high level of 12.3% for transportation equipment, it remained at 6.3% and 8.3% for the finance and insurance industries, and the wholesale and retail industries respectively. The rate of return for the manufacturing sector tended to be high, while the rate of return was observed to be at a low level for the non-manufacturing sector. Improving the rate of return in the rapidly expanding non-manufacturing sector is posing a challenge to countries.

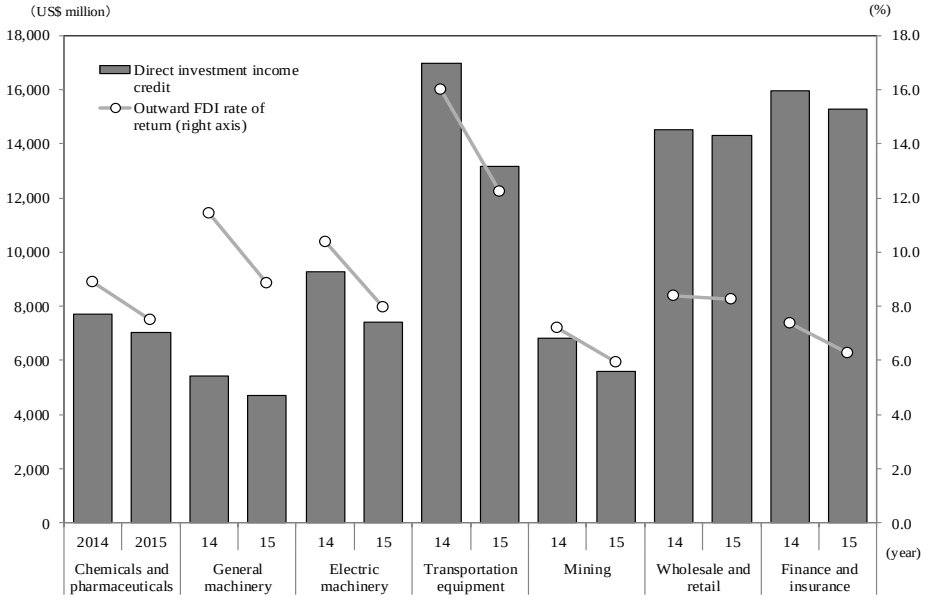
Figure I-33: Share of outward FDI stock in Japan by major industry

(Unit: US$Million, %)

	end of 2005	end of 2011	end of 2012	end of 2013	end of 2014	end of 2015
Manufacturing	59.8	48.3	47.2	46.7	45.3	44.5
Food	4.3	6.3	6.0	5.2	6.1	6.0
Chemicals & pharmaceuticals	9.3	10.1	8.4	8.9	7.5	7.7
Gneneral machinery	2.8	4.0	4.0	3.8	4.1	4.3
Electric machinery	14.8	8.5	8.7	8.5	7.7	7.6
Transportation equipment	17.8	9.4	9.8	10.0	9.1	8.8
Non-manufacturing	40.2	52.4	52.8	53.3	54.7	55.5
Mining	2.0	7.5	8.6	8.0	8.2	7.7
Communications	1.2	1.8	2.2	4.2	4.3	4.8
Wholesale and retail	11.0	13.0	13.5	12.6	14.9	14.1
Finance and insurance	17.2	22.4	20.5	20.0	18.6	19.9
Services	3.5	1.8	2.2	2.5	2.6	2.5
Outward FDI stock	392,226	974,148	1,056,907	1,132,217	1,185,447	1,259,050

Note: 1) Because the BOP-related statistics have been revised, there is no strict continuity in the data before 2013 and after 2014.
2) Figures of outward FDI stock are based on BPM6.
3) For 2011, only figures of "Total" are revised by the notice of correction. The figures of industry breakdown data are not revised.
Source: "international Investment Position of Japan" (MOF, BOJ)

Figure I-34: Direct investment income credit and rate of returns on Japan's outward FDI by major industry



Note: 1) (Rate of returns on Japan's outward FDI) = (Current direct investment income credit) / (Stock of outward direct investment at the end of 2015) x 100 (%).
Source: "Balance of Payments" (MOF, BOJ), "international Investment Position of Japan" (MOF, BOJ)

Trends in overseas sales of Japanese companies

■ **Overseas sales ratio of Japanese companies continues to grow**

According to calculations drawn up by JETRO based on the financial results and securities reports of Japanese companies for the period from the fiscal year ended December 2015 to the fiscal year ended March 2016 (aggregation of results from 186 companies), the overseas sales ratio of Japanese companies (*not including exports from Japan) was 58.3%, indicating a continued growing trend. By region, the Americas have continued their upward trend from 18.6% in FY2012 to 25.9% in FY2015, reflecting the growth in demand due to recovery of the US economy. Overseas sales ratio to the Asia Pacific and Europe has remained at the same level as in the previous fiscal year.

■ **Growth in ratio of transport equipment sales to the Americas**

By industry, the high overseas sales ratio for transport equipment and electrical equipment was prominent. Overseas sales ratio of transport equipment for FY2015 was 62.5%. In this industry, the ratio for the Americas was 31.7%, making up half of all overseas sales. Overseas sales ratio to the Americas has risen from 29.0% in the previous fiscal year. Overseas sales ratio for electrical equipment was 58.5%. In this industry, sales to the Asia Pacific made up 22.3% of the total. Furthermore, the percentage for Europe in the electrical equipment sector made up 15.7%; this was relatively higher than for the other industries. The ratio of domestic sales exceeded overseas sales in the materials/material processed goods and the non-manufacturing industries. The ratio of sales to the Asia Pacific region in the materials/material processed goods sector occupied about 30%.

Figure I-35: Japanese companies' sales share by region

(Unit: %)

Fiscal year (number of companies)	Domestic	Overseas	Americas	Europe	Asia-Pacific	Other
2000 (547)	71.4	28.6	13.4	5.6	5.8	3.8
2001 (581)	68.5	31.5	14.7	6.1	6.3	4.4
2002 (592)	67.2	32.8	14.9	6.6	6.8	4.5
2003 (624)	66.5	33.5	14.1	7.0	7.7	4.8
2004 (669)	65.4	34.6	13.6	7.4	8.5	5.1
2005 (724)	64.9	35.1	13.8	6.9	9.5	4.9
2006 (751)	62.3	37.7	14.5	7.7	10.3	5.1
2007 (781)	60.8	39.2	14.2	9.1	10.7	5.2
2008 (817)	62.6	37.4	12.7	8.6	10.8	5.3
2009 (844)	63.3	36.7	12.4	7.5	11.3	5.4
2010 (320)	54.0	46.0	18.1	8.1	15.2	4.7
2011 (236)	53.1	46.9	17.7	8.9	15.0	5.3
2012 (221)	51.3	48.7	18.6	7.8	17.2	5.1
2013 (211)	45.6	54.4	21.5	9.2	18.2	5.5
2014 (212)	43.1	56.9	23.5	9.2	18.7	5.5
2015 (186)	41.7	58.3	25.9	8.9	18.4	5.0

Note: 1) Companies surveyed: The fiscal term is from December to March, and segment information is based on location. 2) Figures for FY2015 totaled companies with financial statements available by May 31, 2016. However, for companies that have both their financial statements and securities reports publicized by the above day and have their information on securities reports in database SPEEDA, sales data of the report was used. 3) Percentage = sales of each region/total sales. 4) Surveyed companies include listed subsidiaries, which were double-counted. 5) Companies which combine multiple regional sales such as "Americas and Europe" and "Europe and Africa", were excluded.
Source: Data from SPEEDA

Figure I-36: Share of Japanese firms' sales by industry and region (FY2015)

Industry (number of companies)	Domestic	Overseas	Americas	Europe	Asia Pacific	Other
Manufacturing (151)	40.8	59.2	26.6	9.1	18.5	4.9
Transport equipment (47)	37.5	62.5	31.7	7.9	17.2	5.6
Machinery & electric appliances (58)	46.4	53.6	15.6	14.0	20.5	3.6
Industrial machinery (33)	60.3	39.7	12.9	9.4	14.6	2.8
Electrical equipment (23)	41.5	58.5	16.7	15.7	22.3	3.8
Materials/material processed goo (31)	54.1	45.9	9.3	5.9	27.7	3.0
Non-manufacturing (35)	63.7	36.3	10.0	3.5	15.2	7.6

Notes: 1) Based on broad categories in the SPEEDA database, the manufacturing industry comprises the following areas: Transport machinery, machinery and electric appliances, materials/material processed goods, pharmaceuticals and biotechnology, and food and household goods. Non-manufacturing industry comprises the following broad areas in the same database: Construction and real estate, consumer services, away from home meals/home-meal replacement, advertising/infocomms services, legal services, intermediate distribution, finance, transport services, and resources and energy. 2) Electrical equipment is categorized into the following middle categories based on the same database: Infocomm equipment manufacturing, consumer electronics manufacturing, electronic parts/device manufacturing.

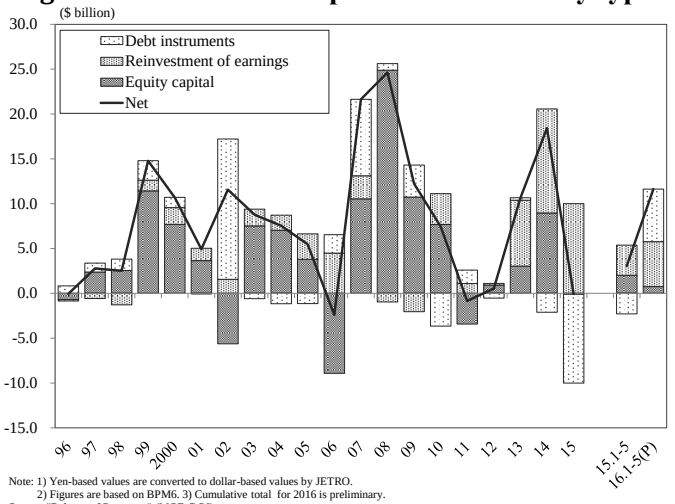
Source: Aggregated and compiled from SPEEDA

Asia boosts its presence in Japan's inward FDI

■ Asia and US sustain high levels of FDI in Japan

In 2015, the value of Japan's inward FDI (on a balance of payment basis, flow) was $145.6 billion (gross) and negative $42 million (net). From January to May in 2016, however, the net value shifted toward an increase with $11.6 billion, marking an increase of 281.1% from the same period of the previous year. By main regions, investments from Asia in 2015 shrank somewhat as compared to the previous year, when there were large-scale investment projects. However, its presence has grown further as a stronger source of investment that exceeds investments from North America and Europe. At the end of 2015, the inward stock of FDI in Japan increased to ¥24.4 trillion from the end of the previous year. Reflecting the rise of Asia in inward FDI to Japan in recent years, Asia's composition ratio to the foregoing stock also rose to 17.6% from 15.5% at the end of 2014.

Figure I-38: Trends in Japan's inward FDI by type



Note: 1) Yen-based values are converted to dollar-based values by JETRO.
2) Figures are based on BPM6. 3) Cumulative total for 2016 is preliminary.
Source: "Balance of Payments" (MOF, BOJ)

Figure I-37: Japan's inward FDI by country

(Unit: $ million, %)

	2013	2014	2015	2016 Jan-May(P)	YoY change
Asia	867	6,459	5,639	1,156	-42.7
China	140	765	554	-95	-
Hong Kong	172	2,253	1,273	-52	-
Taiwan	186	1,135	606	217	19.8
South Korea	48	559	823	179	20.4
ASEAN	317	1,746	2,366	917	-1.5
Singapore	325	1,460	1,937	755	-9.4
North America	1,414	6,844	5,220	2,911	158.7
United States	1,378	6,827	5,194	2,931	170.2
Latin America	-1,363	669	-2,101	282	26.9
Oceania	376	582	-634	-222	-
Europe	1,061	3,237	-8,500	7,401	813.2
EU	1,401	2,701	-8,195	7,036	574.2
World	2,358	18,426	-42	11,619	281.1

Notes: 1) The yen-based value is converted to dollars by quarter, using the average quarterly Bank of Japan interbank rate. 2) Because the BOP related statistics have been revised, there is no strict continuity in the data before 2013 and after 2014. 3) The cumulative total for 2016 is a preliminary figure.
Source: "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan).

Figure I-39: Share of inward FDI stock in Japan by region

(Unit: %)

	End of 2000	End of 2010	End of 2011	End of 2012	End of 2013	End of 2014	End of 2015
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Asia	7.8	10.8	11.8	13.5	14.4	15.5	17.6
North America	32.3	34.4	32.2	30.8	31.6	29.8	28.8
Europe	51.6	42.9	45.1	46.1	46.3	46.6	46.0
Latin	7.0	11.0	10.0	8.6	6.7	5.9	6.0
Oceania	1.1	0.6	0.6	0.8	0.9	1.8	1.3
Middle East & Africa	0.2	0.2	0.3	0.1	0.1	0.4	0.3
Inward FDI stock / GDP	1.2	3.9	4.0	4.0	4.1	4.9	4.9
Inward FDI stock (100 million yen)	60,958	187,353	188,238	192,273	195,510	237,480	243,843

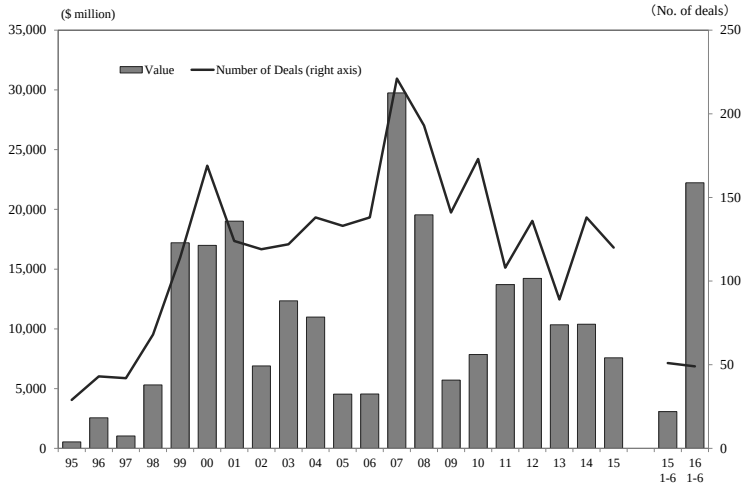
Note: 1) Because the BOP-related statistics have been revised, there is no strict continuity in the data before the end of 2013 and after the end of 2014. 2) Both inward FDI stock and inward FDI stock/GDP are based on BPM6 over the entire period.
Source: "International Investment Position" (MOF, BOJ), data from the Cabinet Office

Aiming for overseas expansion through collaboration with Japanese companies

■ Entering the diversifying service sector

Looking at the trends for foreign corporations in recent years, there has been an increasing number of cases in which conglomerates in Asia and global companies collaborate with Japanese companies with the aim to expand their markets. In addition to the conventional philosophy of "earning in Japan" by breaking into the Japanese market, there is now an added perspective of applying the experience gained in the Japanese market to expanding the business in other regions, or of "earning with Japan" alongside with Japanese companies expanding their businesses in other regions. Furthermore, there is also growing diversification in the service sector that these companies are breaking into, including targeting the inbound market and corporate services sector for clinical trial support and welfare. M&A deals in Japan in 2015 fell by 27.0% to $7.6 billion as a result of the small number of large-scale deals, but increased significantly in the first half of 2016 to $22.2 billion.

Figure I-40: Changes in the value of M&As in Japan



Source: Thomson Reuters (Data as of July 4, 2016)

Figure I-41: Recent trends of foreign-affiliated firms in Japan

	Company	Outline
Collaboration with global companies	Cheung Kong (Holdings) Limited (Hong Kong)	Cheung Kong is a large scale conglomerate and leading enterprise in Hong Kong. It established a joint venture with MCAP, a Mitsubishi Corporation-affiliated aircraft leasing company in March 2015. By taking advantage of 15 airplanes possessed by MCAP, it aims at entering the market of the aircraft leasing industry in Asia, which is widely required by LLC.
	Freudenberg Group (Germany)	Freudenberg is the world's largest company in manufacturing nonwoven fabric. It jointly acquired Japan Vilene, a major Japanese nonwoven fabric maker, with Toray in September 2015. While it had been working together closely with Japan Vilene in establishing a joint venture in Asia, Freudenberg Group decided to accelerate the speed of global business expansion by taking a management initiative.
	Mahindra & Mahindra (M&M) (India)	M&M is a dominant conglomerate company in India, and formed a capital tie-up with Mitsubishi Agricultural Machinery, a Mitsubishi Heavy Industry-affiliated company, in October 2015. It is aiming at jointly strengthening business mainly in Asia, where the demand for food is growing, by combining technology possessed by Mitsubishi Agricultural Machinery and capabilities in procurement and sales possessed by M&M.
	Autoliv (Sweden)	Autoliv is the world's largest air-bag company. It established a joint venture with Nissin Kogyo, a major Japanese brake components maker, in March 2016. It has plans to jointly develop a self-driving system, a field which is expected to grow in the future.
Entering diversified service fields	VINCI Airports S.A.S (France)	A consortium mainly made up of VINCI Airports and Orix Corporation acquired a concession of the Kansai and Osaka International Airports. (The total transaction value: $17.9 billion) Both airports have been privatized from April 2016.
	Almac Group (UK)	Almac Group is a UK-based company that provides distribution services for clinical test drugs (packaging and chilled distribution) and offers solutions for analyzing and developing agents for drug discovery and drug development. In order to enhance support for its existing customers in Japan which are engaged in clinical tests in Asian Pacific region, it has established a corporation
	Edenred (France)	Edenred has been providing the Ticket Restaurant® meal voucher service as employee benefit services for companies, and is also listed on NYSE as well as Euronext Paris. It has expanded operations by developing a digitized version of its meal voucher services since 2016.
	Founder Group (China)	Founder Group is a Chinese state company affiliated with Peking University and has been conducting medical matching services since 2015 to connect Chinese tourists with advanced Japanese medical services, including cancer treatment. It is aiming at incorporating a wide range of needs of Chinese tourists in Japan.

Source: Thomson Reuters, press release announced by each company, and other publications of media

Chapter 2

Trends in development of world trade rules

282 FTAs in force around the world; Asia's FTA network expands in 2015

■ **282 FTAs in force around the world; 14 FTAs entering into force after 2015**

The number of free trade agreements (FTA) in force around the world is 282 as of the end of June 2016 (based on JETRO surveys, including the Customs Union). A total of 14 new FTAs entered into force, with 11 new FTAs in 2015 and 3 from January to June in 2016. The number of FTAs entering into force has recorded double digits for 13 consecutive years since 2003.

■ **Japan, China, and Korea expand their respective FTA networks in Asia**

Of the FTAs that entered into force after 2015, six were within the Asia Pacific region, and Asian countries were parties in three of the four cross-regional FTAs that came into force. Japan's FTA with Australia came into force in January 2015. This was a large-scale FTA between Japan and its 9th largest exporting partner and 3rd largest importing partner after China and the US. In June 2016, Japan's FTA with Mongolia entered into force. This was the first bilateral FTA that Mongolia had concluded. In December 2015, the China-Korea FTA entered into force, while Korea's bilateral FTAs with Vietnam and New Zealand respectively, and China's bilateral FTA with Australia, entered into force.

Figure II-1: Number of FTAs which are in force by region and year (as of end of June 2016)

(Unit: Number)

	Asia-Pacific	Americas	Europe	Middle East/ Africa	Russia/ CIS	Cross-regional	Total
1955-59			1	1			2
60-64		1	1	1			3
65-69							0
70-74		1	1			2	4
75-79	2					1	3
80-84	2	1					3
85-89		3		1		2	6
90-94	4	1	5	1	5	1	17
95-99		7	3	9	14	6	39
Apr-00	9	7	5	8	2	19	50
Sep-05	20	8	4	4	2	37	75
2010-	19	13	8		2	38	80
2010	5	1	6			1	13
2011	3	1				10	14
2012		6	1		1	6	14
2013	3	2				7	12
2014	2	1				10	13
2015	5	1	1		1	3	11
2016	1	1				1	3
Total	56	42	28	25	25	106	282

Source: WTO, data from each government and organization

Figure II-2: FTAs which came into force since 2015

Region	Country/region	Effective date
Asia/Pacific	Japan - Australia	Jan 2015
	China - Australia	Dec 2015
	China - South Korea	Dec 2015
	South Korea - Vietnam	Dec 2015
	South Korea - New Zealand	Dec 2015
	Japan - Mongolia	June 2016
Americas	Mexico - Panama	July 2015
	Pacific Alliance	May 2016
Europe/ Russia/CIS	EFTA - Bosnia and Herzegovina	Jan 2015
	Eurasian Economic Union (EEU)	Jan 2015
Cross-regional	South Korea - Canada	Jan 2015
	Malaysia - Turkey	Aug 2015
	Thailand - Chile	Nov 2015
	Mercosur - Southern African Customs Union (SACU)	Apr 2016

Note: 1) The FTA between Mercosur and SACU is a preferential trade agreement.
2) The member countries of each regional agreement are as follows.
Pacific Alliance: Mexico, Columbia, Peru, Chile
EEU: Russia, Kazakhstan, Belarus, Armenia, Kirghiz
Mercosur: Brazil, Argentina, Uruguay, Paraguay, Venezuela
SACU: South Africa, Botswana, Namibia, Swaziland, Lesotho

Source: WTO, data from each government, regional government and organization

Japan's FTA coverage ratio at 22.7%; to rise to 39.5% if the TPP enters into force

■ **FTA coverage ratio continues to improve: Korea's FTA coverage ratio rises from 41.1% to 67.3%**

According to trade statistics for 2015, FTA coverage ratio for the principal countries (ratio of trade with countries that the subject country has established FTAs with, as a proportion of total trade of the subject country) showed that Korea had achieved its highest coverage ratio at 67.3% after the FTA with China, its largest trading partner, entered into force. Australia's coverage ratio also rose from 44.1% in 2014 to 70.6% as a result of the entering into force of its FTA with China. Coverage ratios for other principal countries and regions were as follows: Japan 22.7%, US 39.6%, EU (extraterritorial trade) 28.5%, and China 29.0%. If the TPP were to enter into force, Japan's FTA coverage ratio would increase 16.8 points (to 39.5%), while that for the US would increase 7.8 points (to 47.4%), in figures of 2015.

■ **Japan's FTA coverage ratio to rise to 77.0% if the TPP, Japan-EU FTA, and RCEP enter into force**

If the TPP, Regional Comprehensive Economic Partnership (RCEP), Japan-EU Economic Partnership Agreement (Japan-EU FTA), and Transatlantic Trade and Investment Partnership (TTIP) all enter into force, FTA coverage ratio would be 77.0% for Japan, 66.1% for the US, 49.2% for EU, and 38.1% for China. With the aim of making progress in TTIP negotiations within the year, and to reach a basic agreement on the Japan-EU FTA as soon as possible, the frequency of these negotiations is gaining pace (as of July 2016). The EU has established the negotiations for both FTAs as a priority issue of its trade strategy.

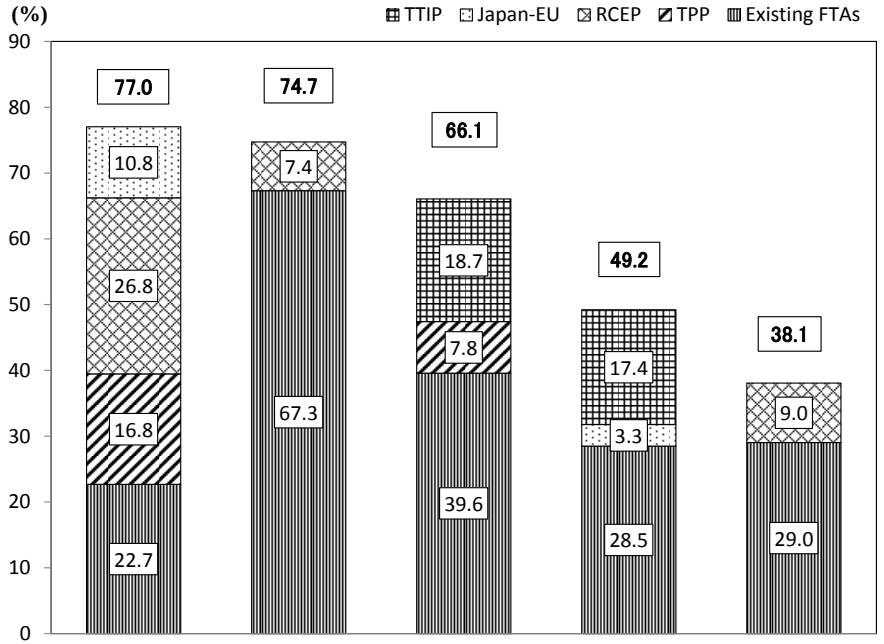
Figure II-3: FTA coverage ratio of major countries/regions (2015)

(Unit: %)

	FTA coverage ratio			FTA partner countries/regions					
	Two-way trade	Export	Import	1st		2nd		3rd	
Japan	22.7	21.1	24.2	ASEAN	15.2	Australia	3.7	Mexico	1.2
US	39.6	47.3	34.4	NAFTA	29.5	S. Korea	3.1	DR-CAFTA	1.4
Canada	70.9	79.5	63.3	NAFTA	67.8	S. Korea	1.2	EFTA	0.9
Mexico	80.2	93.5	67.3	NAFTA	66.5	EU	8.0	Japan	2.6
Chile	92.1	90.6	93.8	China	24.6	US	16.0	EU	14.5
Peru	90.4	92.1	88.9	China	22.4	US	18.1	EU	13.7
EU28 Total trade	73.8	74.8	72.9	EU	63.1	Switzerland	2.7	Turkey	1.5
EU28 Extra-regional trade	28.5	31.6	25.3	Switzerland	7.2	Turkey	4.0	EEA	3.3
China	29.0	22.4	38.5	ASEAN	12.0	S. Korea	7.1	Taiwan	4.9
South Korea	67.3	71.1	62.7	China	23.6	ASEAN	12.4	US	11.8
ASEAN	60.3	56.5	64.1	ASEAN	23.6	China	17.6	Japan	8.4
Singapore	77.7	73.1	80.4	ASEAN	24.1	China	13.6	US	9.7
Malaysia	63.3	63.2	63.5	ASEAN	27.4	China	15.7	Japan	8.7
Vietnam	61.5	43.1	75.5	China	25.2	ASEAN	14.1	S. Korea	10.4
Thailand	59.5	56.0	63.2	ASEAN	23.0	China	15.6	Japan	12.3
Indonesia	64.3	60.0	68.8	ASEAN	24.8	China	15.2	Japan	10.7
India	18.3	19.9	17.2	ASEAN	10.3	S. Korea	2.6	Japan	2.2
Australia	70.6	74.6	66.9	China	27.6	ASEAN	13.6	Japan	11.5
New Zealand	48.2	48.0	48.5	China	18.9	Australia	13.8	ASEAN	12.5

Note: 1) The subject countries include countries and regions which have established an FTA as of the end of June 2016. The figures are based on trade values in 2015.
2) Abbreviations: The Central America-Dominican Republic Free Trade Agreement (DR-CAFTA), the European Free Trade Association (EFTA) and the European Economic Area (EEA).
3) China's figures exclude those of Hong Kong (8.8%) and Macau (0.1%).
4) ASEAN's figures were based on the total trade value with each member country although some have not yet issued FTAs.
5) Figures for Canada, Singapore and New Zealand were calculated by export statistics, which exclude re-exported trade.
Source: Materials and trade statistics from each country's government, "DOT, May 2016" (IMF)

Figure II-4: Mega-FTA coverage ratio by major country/region (2015)



Note: Ratios are based on two-way trade as of the end of 2015. The EU's figures exclude those of its inter-regional trade. China's figures exclude those of Hong Kong and Macau. Japan's total figures exclude numbers double-counted under the TPP and RCEP. The China-Japan-South Korea FTA is not categorized but included in RCEP.
Source: Trade statistics of each country

Japan's FTA utilization rate rises steadily

■ **Amount of imports achieved through the utilization of FTA increases to 3.1 trillion yen**

In 2015, the ratio of the amount of FTA utilized to the total amount of imports from Japan's 16 FTA partner countries was 16.3%. The total amount of trade gained from FTA utilization increased significantly from 2.6 trillion yen in 2014 to 3.1 trillion yen. The countries recording the highest utilization rates were Vietnam (33.0%), Thailand (27.9%), and India (27.6%). Utilization rate as a ratio of the overall imports from ASEAN reached a record high at 19.3%. Tariffs have been eliminated by phases based on the number of years after each FTA entered into force, causing the range of utilization to expand.

■ **Japan's FTAs utilized across a wide range of products**

Looking at the utilization amount by product category according to two-digit HS numbers, the largest amount of utilization was in the category of plastics and articles thereof. This was followed by agricultural products/food products, clothing, footwear, etc.

Figure II-5: Status of Japan's FTA utilization (based on import value)

FTA counterparty		Value of utilized FTAs (100 million yen)			Utilization rate (%)		
		2013	2014	2015	2013	2014	2015
ASEAN	Thailand	5,615	6,247	6,889	26.1	27.2	27.9
	Indonesia	3,125	3,414	3,730	11.1	12.6	15.6
	Singapore	476	474	463	6.5	5.7	4.8
	Vietnam	3,854	4,847	6,054	27.7	29.7	33.0
	Malaysia	2,635	2,998	2,961	9.1	9.7	11.4
	Philippines	2,192	2,418	2,574	24.3	22.5	24.0
	Myanmar	11	33	45	1.4	3.7	4.3
	Cambodia	42	105	132	7.4	12.9	11.2
	Laos	10	9	12	9.2	7.7	10.6
	Brunei	0	1	0	0.0	0.0	0.0
	AJCEP	4,130	5,207	6,437	4.8	5.5	6.8
	Total for ASEAN	17,959	20,546	22,859	15.6	16.8	19.3
Other Asia Pacific countries	India	1,367	1,565	1,623	19.8	21.2	27.6
	Australia	-	-	2,848	-	-	6.8
Europe	Switzerland	401	476	540	5.6	6.2	6.0
Latin America	Mexico	834	1,052	1,227	20.3	23.2	21.3
	Peru	116	134	130	4.6	7.2	8.7
	Chile	1,567	1,851	1,734	20.2	21.5	23.9
Total		**22,244**	**25,624**	**30,961**	**15.5**	**16.8**	**16.3**

Notes: 1) The total amount of imports for the utilization of AJCEP (ASEAN-Japan FTA) does not include the amount for Indonesia, for which the FTA has not entered into force. 2) Close to 80% of the amount of imports for Japan is estimated to be tax-free.
Source: "Trade Statistics" (MOF)

Figure II-6: Top product categories for FTA utilization among Japanese imports

(Unit: million yen, %)

HS	Product	Average tariff rate	Value	Share
39	Plastics and articles thereof	3.2	361,582	11.7
02	Meat and edible meat offal	10.0	293,781	9.5
03	Fish and crustaceans, molluscs and other aquatic invertebrates	5.9	287,778	9.3
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	12.4	246,871	8.0
44	Wood and articles of wood; wood charcoal	3.4	205,291	6.6
61	Articles of apparel and clothing accessories, knitted or crocheted	9.0	193,233	6.2
62	Articles of apparel and clothing accessories, not knitted or crocheted	9.3	174,481	5.6
08	Edible fruit and nuts; peel of citrus fruit or melons	8.7	132,647	4.3
29	Organic chemicals	2.0	117,719	3.8
64	Footwear, gaiters and the like; parts of such articles	18.2	102,136	3.3
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	3.5	89,215	2.9
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	10.6	63,747	2.1
63	Other made up textile articles; sets; worn clothing and worn textile articles; rags	6.0	53,931	1.7
38	Miscellaneous chemical products	2.0	53,452	1.7
22	Beverages, spirits and vinegar	5.7	45,491	1.5
20	Preparations of vegetables, fruit, nuts or other parts of plants	16.0	38,113	1.2
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	2.3	35,950	1.2
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	0.7	35,724	1.2
07	Edible vegetables and certain roots and tubers	6.1	33,959	1.1
95	Toys, games and sports requisites; parts and accessories thereof	1.3	31,877	1.0
Total			3,096,071	100

Notes: Average tariff rate is the simple average tariff rate for the tariff line basis of each category (MFN).
Source: Minstry of Finance Trade Statistics, WTO

FTAs of note in 2015: China-Korea, EU-Vietnam

■ **Of the FTAs of note in 2015, China-Korea FTA enters into force, while negotiations are completed for EU-Vietnam FTA**

In the China-Korea FTA, which entered into force in December 2015, many of the products that were considered sensitive to both parties, such as industrial products including passenger vehicles and construction machinery for China, and agriculture and fishery products for Korea, were excluded from the scope of tariff elimination. Many are of the view that the China-Korea FTA has not reached the high level of the FTAs achieved in recent years. Also in December 2015, negotiations were completed for the EU-Vietnam FTA. Vietnam is a signatory country of the TPP, and a connection can be seen between the contents of the agreement for the EU-Vietnam FTA and the agreement standards of the TPP.

■ **The entering into force of the China-Korea FTA to have limited impact on Japan's exports to China in the immediate future**

The top export products from Japan to China and products to which the MFN tariff rate is applied and which will have their tariffs eliminated immediately under the China-Korea FTA include electrical circuit control equipment parts such as cathode copper and switches. This is followed by liquid crystal panels, propylene, and engine parts that will have their tariffs eliminated in 10 years. While there may be medium- to long-term impact, many products are excluded or are subject to elimination of tariffs in the long-term (15 years, 20 years). Hence, the impact on Japan's exports to China is considered to be limited for the immediate future.

Figure II-7: Trends and contents of FTAs of note in 2015

Countries/regions (Phases)	Key points/Characteristics
China - Korea (Entered into force in December 2015)	❍ The percentage of products for which tariffs will be eliminated within 10 years was 71.3% for China and 79.2% for Korea. ❍ China has promised to open up the service sector to a certain degree. In the entertainment and cultural services sector, Korean corporations are permitted to enter the performance business through mergers as long as they are minority investors, while the sale of books by large-scale distribution corporations with 30 stores or more is permitted in the distribution sector. ❍ With regard to government procurement, the chapter on "Economic Cooperation" affirms ensuring the transparency of laws and regulations, and the sharing of information between governments. ❍ Additional negotiations will take place in the services/investment sectors through the negative list method within two years from the entering into force of the FTA.
EU - Vietnam (Completed negotiations in December 2015)	❍ Tariffs will be eliminated for 99% of products and the amount of trade between the two parties. ❍ In the services sector, the "economic needs test", which has become a criteria for establishing plural stores in the retail distribution industry in Vietnam, will be abolished five years after the FTA enters into force, similarly as for the TPP. ❍ The base amount of government procurement in scope of the agreement will be set at the same or lower level than for the TPP (expansion in the scope for open procurement), and procurement by local governments which are not targeted under the TPP was also included in the commitment. ❍ A permanent investment tribunal and permanent appeal institution will be established under the investor-state dispute settlement system (ISDS).

Source: "BIZ NEWS" (JETRO), governmental and institutional materials from the respective countries/regions

Figure II-8: Top exports from Japan to China (taxable products only)

(US$ million, %)

HS code	Product (Overview)	Amount of imports from Japan (2015)	Best rate (2012)	Tariff schedule based on China-Korea FTA	Amount of imports from Korea (2015)
90138030	Liquid crystal display panels	4,463	5	10 years (maintain for 8 years)	15,914
87084091	Automatic transmission and parts thereof	2,141	10	80% of existing in 5th year	1,123
29024300	Paraxylene	1,866	2	Excluded	4,493
38249099	Chemical products and preparations	1,683	6.5	15 years	1,127
87032362	Cross-country vehicles (>2500cc - 3000cc)	1,495	25	Excluded	0
74031111	Cathode copper	1,458	2	To be eliminated immediately	876
87084099	Other gearboxes and parts thereof	1,374	10	Excluded	480
84571010	Vertical machining center	1,197	9.7	70% of existing in 5th year	76
87032412	Cross-country vehicles (>3000cc - 4000cc)	1,105	25	90% of existing in 5th year	22
96190010	Diapers, napkins	1,077	7.5	Excluded	153
87032343	Vans (>1500cc)	1,043	25	90% of existing in 5th year	300
90012000	Sheets and plates of polarizing materials	927	8 (①)	10 years	849
87032352	Cross-country vehicles (>2000cc - 2500cc)	844	25	90% of existing in 5th year	34
39206200	Polyethylene sheets, plates, films, etc.	827	6.5	15 years	512
90139020	Parts and accessories of liquid crystal devices	781	8	15 years	622
90328990	Other automatic regulating equipment	780	7	15 years	409
39199090	Other acrylic sheets, plates, films, etc.	755	6.5 (②)	15 years	630
85389000	Electrical circuit control equipment parts such as switches	725	7	To be eliminated immediately	301
84073410	Automotive engines (>1000cc - 3000cc)	717	10	20 years	88
29012100	Ethylene	715	2	10 years	650
85489000	Primary cells and accumulators	715	12 (②)	20 years	141
29012200	Propylene	701	2	10 years	1,016
90318090	Testing instruments of optimal communications/optical fibers	667	5 (①)	10 years	388
84099199	Engine parts	647	5	10 years	381
90019090	Other optical supplies	644	8 (①)	10 years	749
87032351	Sedans (>2000cc - 2500cc)	635	25	90% of existing in 5th year	6
85299049	TV, video and other digital product parts	604	12	15 years	168
85076000	Lithium-ion batteries	581	12	80% of existing in 5th year	1,042
74040000	Copper scrap	545	1.5	To be eliminated immediately	130
29025000	Styrene	496	2	20 years	1,382
35069190	Rubber or polymer adhesives	482	10	10 years	222

Notes: 1) As these are target products under the expanded ITA, tariffs will be eliminated earlier than the China-Korea FTA based on the commitments under this agreement.
2) Similarly, target products under the ITA. However, note that they will be subjected to tariff elimination based on the commitments under this agreement only in the case of specific applications.

Source: Trade statistics of each country, contents of China-Korea FTA agreement

Majority votes to leave the EU in UK referendum

■ **Uncertainty in the direction of upcoming negotiations on leaving the EU**

In June 2016, a UK referendum determined the decision of the British people to leave the EU. This result stunned the world. Going forward, negotiations on the withdrawal will commence between UK and the EU. Despite uncertainty in the direction of negotiations, they will cover many of the issues that have an impact on corporate activities.

■ **43.9% of UK's total exports are bound for EU**

43.9% of UK's total exports are bound for the EU, indicating its strong reliance on trade with the EU. The EU imposes a maximum of 22% of external tariffs on transport equipment, including 10% on passenger vehicles, a maximum of 13 of external tariffs on chemical products, and a maximum of 5% of external tariffs on mineral fuels.

Figure II-9: UK's exports to EU as a ratio of its major exports

(Unit: Million USD, %)

	Amount of exports to the world	Amount of exports to EU	Share (against world)
General machinery	64,724	22,797	35.2
Electrical equipment	29,327	14,539	49.6
Precision equipment	19,510	7,562	38.8
Transportation equipment	71,610	32,801	45.8
Passenger vehicles	39,087	15,682	40.1
Automobile parts	8,538	5,490	64.3
Chemicals	85,971	42,552	49.5
Pharmaceuticals	36,146	15,405	42.6
Mineral fuels	32,365	23,533	72.7
Food	28,521	17,115	60.0
Textiles and textile products	12,725	8,591	67.5
Steel	13,420	6,469	48.2
Total	468,058	205,267	43.9

Source: UK trade statistics

Figure II-10: Major trade issues related to UK's withdrawal from EU

Withdrawal of UK from EU: Trade issues		Overview	Point
Negotiations between EU and UK	Tariff	After Brexit, import tariffs may be levied on trade between EU and UK.	Can a free trade agreement or customs union be concluded?
	Product standards/Various regulations	The EU's principle of a single market, which allows for the distribution of products that are permitted in a member state to be legitimately distributed in all member states, will no longer be applicable.	Will UK join the European Economic Area (EEA), and the single market principle of be applied?
	Services/Finance	There is a possibility that the freedom of finance transactions or service provision based on the principle of the single market may become limited.	The provision of financial services is the greatest issue for concern. There will be no changes if UK joins the EEA.
	Free Movement of persons	Restrictions may be imposed on the freedom of the movement of EU citizens, which had been one of the four freedoms established under the EU framework, along with freedom of goods, services, and capital.	One of the central issues of interest among the breakaway faction has grown as a result of the national referendum. The establishment of unique rules is expected.
	Investment/Tax systems	Treatment of withholding tax between corporations in UK and EU, which is exempted under the EU Parent-Subsidiary Directive and Interest Royalty Directive.	Imposition of the tax is possible depending on the contents of the tax treaty. May have impacts on UK's headquarter function.
	Intellectual property rights	Need for the review of the harmonized patent system in Europe that is under preparation, and the trademark and design system of the European community.	Need for adjustments through legislative proceedings for the various rights established at the EU level.
	Competition laws/State aid	Cartels under the jurisdiction of the European Commission and M&A reviews will come under the jurisdiction of the UK authorities. EU rules on subsidies by the government may no longer be applicable.	If UK joins the European Economic Area (EEA), the EU competition law will become applicable.
External trade relations	FTAs in negotiations with EU	There may be an impact on TTIP negotiations between US and EU, and future FTA negotiations such as those between EU and ASEAN countries.	Negotiations for FTAs may become prolonged due to the need for the review of conditions.
	FTAs concluded with EU	There may be an impact on the ratification processes of FTAs that have already been concluded, such as the EU-Canada FTA and the EU-Vietnam FTA.	With regard to the withdrawal of UK from EU, will the parliament of the partner countries ratify the FTA in question?
	New FTAs between UK and a third country	After Brexit, tariffs may be imposed on trade between UK and third countries. As such, UK intends to proceed with the conclusion of FTAs as soon as possible.	The standpoint that negotiations with UK would be difficult if the contents of agreements between EU and UK are not made clear for each country.
	UK's WTO negotiations	There is a need for renegotiations with WTO member countries as UK's liberalization of services and WTO tariffs were based upon common concessions with EU.	Need for the consent of all WTO members in liberalization commitments.

Source: "BIZ NEWS" (JETRO), various reports

Utilization rate of US-Korea FTA rises at the start of 2016

■ Establishment of ASEAN Economic Community (AEC)

ASEAN has officially declared the establishment of three communities, including the ASEAN Economic Community (AEC) at the end of 2015. The AEC Blueprint 2025 was adopted as a framework for future economic integration. While continuing with the various measures for economic integration that have been put in place to date, initiatives will be put forth to strengthen institutional enforcement capability and the roles of the industry.

■ Impact of the elimination of passenger vehicle tariffs by the US on Korea

With respect to the import FTA utilization rate of the US, the utilization rate for the US-Korea FTA was observed to have risen significantly at the start of 2016, from 23.4% in 2015 to 40.3% in January-April 2016. Tariffs on passenger vehicles, which were maintained at 2.5% for the four years since the FTA entered into force, were eliminated in January 2016. The increase in utilization rate corresponded almost fully with the utilization rate for the value of passenger vehicle imports. Passenger vehicle imports from Korea to US for January to April 2016 increased year-on-year by 10.8% to $6.28 billion.

Figure II-11: Comparison of the contents of the old and new AEC Blueprint

AEC Blueprint 2025	(Reference) Former AEC Blueprint
A. A highly integrated and cohesive economy	A. Single market and production base
A1. Trade in goods	A1. Free flow of goods
A2. Trade in services	A2. Free flow of services
A3. Investment environment	A3. Free flow of investment
A4. Financial integration, financial inclusion, and financial stability	A4. Freer flow of capital
A5. Facilitating movement of skilled labour and business visitors	A5. Free flow of skilled labor
A6. Enhancing participation in global value chains	A6. Priority integration sectors
	A7. Food, agriculture and forestry
B. A competitive, innovative and dynamic ASEAN	B. Competitive economic region
B1. Effective competition policy	B1. Competition policy
B2. Consumer protection	B2. Consumer protection
B3. Strengthening intellectual property rights cooperation	B3. Intellectual property rights (IPR)
B4. Productivity-driven growth, innovation, research and development, and technology commercialisation	B4. Infrastructure development
B5. Taxation cooperation	B5. Taxation
B6. Good governance	B6. E-commerce
B7. Effective, efficient, coherent and responsive regulations, and good regulatory practice	
B8. Sustainable economic development	
B9. Global megatrends and emerging trade-related issues	
C. Enhanced connectivity and sectoral cooperation	
C1. Transport	
C2. Information and communications technology	
C3. E-commerce	
C4. Energy	
C5. Food, agriculture and forestry	
C6. Tourism	
C7. Healthcare	
C8. Minerals	
C9. Science and technology	
D. A resilient, inclusive, people-oriented and people-centred ASEAN	C. Equitable economic development
D1. Strengthening the role of micro, small, and medium enterprises	C1. SME development
D2. Strengthening the role of the industry	C2. Initiative for ASEAN integration (IAI)
D3. Public-private partnership	
D4. Narrowing the development gap	
D5. Contribution of stakeholders on regional integration efforts	
E. A global ASEAN	D. Integration into the global economy
	D1. Coherent approach towards external economic relations
	D2. Enhanced participation in global supply networks

Notes: The items in shaded cells refer to newly established pillars of the AEC Blueprint 2025.
Source: AEC Blueprint and AEC Blueprint 2025 (ASEAN Secretariat)

Figure II-12: FTA utilization rate for US imports

(Unit: %)

Partner countries/regions	Year of entry into force	Utilization rate against total amount of imports				
		2012	2013	2014	2015	2016 Jan-Apr
Israel	Aug-85	13.3	13.0	12.7	11.8	13.8
Canada (NAFTA)	Jan-94	52.1	51.9	49.1	46.8	47.5
Mexico (NAFTA)	Jan-94	50.9	51.6	54.7	55.8	55.5
Jordan	Dec-01	87.6	89.2	85.7	89.6	87.4
Singapore	Jan-04	4.8	9.1	8.7	8.4	8.6
Chile	Jan-04	60.3	59.0	51.9	54.5	50.1
Australia	Jan-05	34.9	36.8	42.6	46.1	38.5
Morocco	Jan-06	17.7	19.1	24.3	25.4	18.7
Dominican Republic/ Central American countries (DR-CAFTA)	From March 2006 till January 2009 (in serial order)	40.4	38.8	42.6	53.4	55.2
Bahrain	Aug-06	60.6	65.7	56.0	58.2	60.0
Oman	Jan-09	40.7	57.0	62.4	66.1	52.1
Peru	Feb-09	37.6	31.5	48.6	49.9	49.5
South Korea	Mar-12	24.3	24.1	23.0	23.5	40.3
Colombia	May-12	25.5	22.8	19.6	16.1	22.8
Panama	Oct-12	6.0	7.5	8.1	11.8	14.7
Total	-	46.5	46.0	46.2	45.9	47.8

Source: International Trade Commission (ITC)

Liberalization in manufacturing-related services

■ Services inject much added value into the value-chain of the manufacturing industry

Services have a significant impact on economic activities. For example, of the merchandise exported by Japan's manufacturing industry, more than 30% are contributed by the service industry. A diverse range of services are injected into the value-chain of the manufacturing industry, from research and development to aftersales services, and generate added value. According to the case studies on 22 companies (including machinery manufacturing and plants) in 12 countries/regions in the APEC region, implemented by APEC from 2014 to 2015, there were even cases that involved more than 70 types of services. Many of the services are introduced into the back-office, manufacture, and pre-manufacture phase.

■ Stringent regulations for the service industry

According to OECD's index, regulations on the service industry generally tend to be more stringent than that on the manufacturing industry. Regulations on investment ratio form a significant part of the regulations. Although the distribution industry in countries such as Vietnam and Indonesia became partially opened after 2015, the barriers to entering the service sector remain high in Asia as compared to other regions.

■ Liberalization of manufacturing-related services

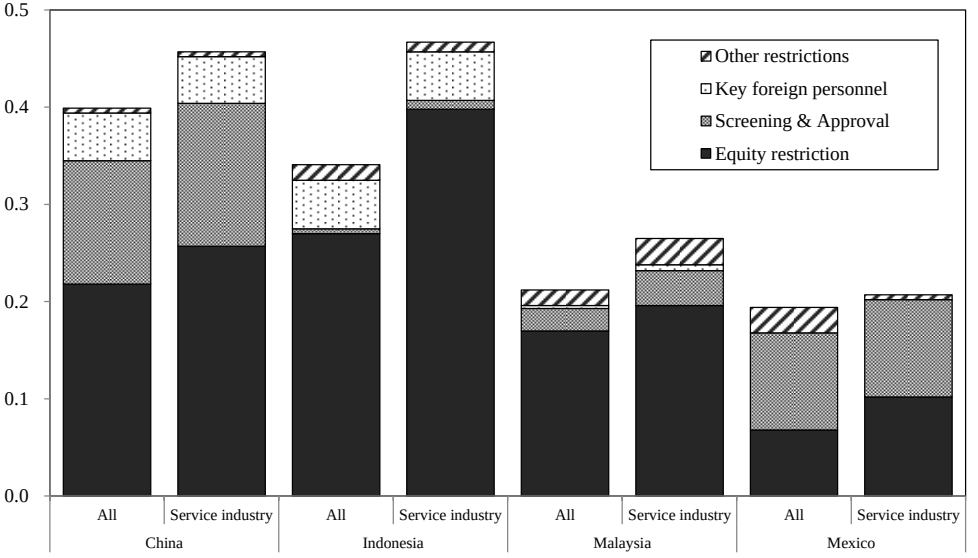
APEC will cooperate on liberalization of services essential to the value-chain of the manufacturing industry, as well as capacity-building. At the APEC Summit held in 2015, the members agreed on an action plan for the liberalization of manufacturing-related services. APEC will analyze the current situation based on this action plan, and conduct an interim review in 2018 and a final review in 2020.

Figure II-13: Examples of services injected into the manufacturing production stage

(1) Establishment (4%)	(2) Pre-manufacture (22%)	(3) Manufacture (23%)
・Consulting ・Land development ・Construction, etc.	・Research and development ・Design ・Procurement and transportation of raw materials ・Technology, safety inspections ・Customs clearance of raw materials, etc.	・Production management ・Engineering ・Storage of intermediate goods, etc.
(4) Post-manufacture (15%)	**(5) Post-sales (5%)**	**Back-office (31%)**
・Packaging ・Transportation ・Equipment installation ・Advertising, marketing ・Distribution (wholesale, retail) ・Quality management, etc.	・Warranty, repair, maintenance ・Storage of products ・Cargo insurance for products, etc.	・Accounting ・Legal services ・Human resources ・Insurance, etc.

Notes: Figures in parentheses indicate the breakdown of the phase as a proportion of all services injected into the manufacturing processes (100%). Source: "Services in Global Value Chains: Manufacturing-Related Services"(APEC Policy Support Unit) and the Ministry of Economy, Trade and Industry.

Figure II-14: FDI Regulatory Restrictiveness Index for Principal Countries (2015)



Notes: 1) The regulations are increasingly stringent as the index approaches 1. 2) "Tertiary industry" in the OECD database is applied to this graph as "Service industry." 3) "Key foreign personnel" refers to regulations on the recruitment of foreigners in key positions. "Other regulations" refers to regulations on the opening of branches and the repatriation of capital, and includes regulations pertaining to land ownership by foreign corporations, etc. Source: "FDI Regulatory Restrictiveness Index" (OECD)

Service trade and the movement of natural persons

■ Consideration to regulations on the movement of natural persons

One of the elements of service trade is the movement of natural persons. In the granting of work permits and visas to foreigners, for example, in the case of engineers who are sent on business trips for the maintenance and repair of facilities, or in case that Japanese corporations increase the number of expatriates or employ foreign workers at their factories and offices, regulations can become a business issue.

■ Liberalization of the movement of natural persons through international rules

There are some examples of the liberalization of the movement of natural persons through an FTA, such as US FTAs establishing special visa quotas for citizens from partner countries and the ASEAN Agreement on Movement of Natural Persons.

Figure II-15: Working visa systems of key emerging economies, and the impact on businesses

	Overview of work visa systems	Impact on businesses
Singapore	○The main work visas are the EP (employment pass for foreigners at the management and professional level), S Pass (for foreigners with an intermediate level of skills), and WP (working pass for low-skilled workers such as construction laborers and factory laborers. ○The minimum basic monthly salary for EP and S Pass eligibility have been increased gradually in recent years, and criteria for academic qualifications have also been tightened. Since September 2015, the minimum basic monthly salary that serves as a standard for issuing visas to accompanying family members has also been raised. ○After August 2014, it has become compulsory for companies to publish recruitment advertisements for the domestic job market in the job bank managed by the government, with some exceptions. After October 2015, companies with few registered local employees in managerial executive positions are subjected to tighter reviews in EP applications.	○The S Pass and WP regulate the employment quota for foreigners corresponding to the number of Singaporeans/permanent residents employed by the company. Foreign Worker Levies are imposed on the employer. These levies have been raised gradually since 2010 and will additionally be imposed on a wide range of industries with effect from July 2016. ○Since July 2013, the employment quota for foreigners in the service sector was reduced from 45% of all employees to 40% for WP holders and from 20% to 15% for S Pass holders. It has become even more difficult to secure human resources in the service sector. ○Reviews have also been tightened not only when processing a new application for a foreigner's work visa but also when renewing a visa. There are cases where S Pass renewal applications are rejected or where existing EP have been downgraded to the S Pass.
Indonesia	○Work visas are termed "IMTA." Employment quota for foreigners is based on the Foreign Manpower Utilization Plan and determined in consideration of factors such as capital and scale of business. ○There is a requirement to pay a foreign worker employment compensation of $100 per month for each foreign employee.	○In recent years, the requirements for the issuance of IMTA have been strengthened. In 2012, appointment of foreigners to specific jobs became prohibited, while academic and job qualifications for obtaining a work visa were tightened in 2013. ○Cases such as short-term business trips for technological guidance and maintenance are also treated as "employment." Even if the job requires a stay lasting only a few days, employees sent on such business trips have to stay for a minimum of approximately two weeks.
Thailand	○Foreign employees are required to obtain a Non-immigrant Visa (B Visa) and a Work Permit. ○In principle, more than four Thai employees must be employed for one foreign employee, the company must have 2 million Baht in paid-up capital for each foreign employee, and other criteria are imposed. However, based on the response from the Department of Employment, Ministry of Labor, in July 2015, it is now clear that the criteria pertaining to the number of employees does not have to be fulfilled. ○Based on Alien Occupation Law, there are 39 occupations that foreigners are not permitted to take up employment in. ○While short-term employment lasting up to a maximum of 15 days is permitted, it is necessary to submit a notification.	○For the application for a B Visa in Japan, a letter of invitation in English (original) issued by the company in Thailand must be submitted as part of the application documents. In cases where an employee is to be dispatched as an expatriate in the establishment of a new subsidiary in Thailand, it is difficult to secure a Thai corporation that can issue the letter. ○There are cases where a certificate for the prior application of a Work Permit in Thailand is required as one of the application documents for the B Visa. In the case of a newly established corporation, there are no agents in Thailand who are able to procure a prior application for the Work Permit, making it impossible to prepare the application documents.
Malaysia	○The main work visas include the Employment Pass, Professional Pass, and Work Permit for foreign workers. ○The minimum monthly salary is 5,000 ringgit or more. In addition, corresponding with the classification of whether the company is a local or foreign capital (standards also differ depending on the foreign investment ratio), it is necessary to have a minimum paid-up capital ranging from 250,000 ringgit to 1 million ringgit.	○When applying for an employment pass for dispatch of expatriates to a newly established company, there are cases where it may take several months to obtain a visa. Under the online registration system introduced by the Immigration Department in April 2014, the workflow initially failed to proceed smoothly. However, there have been recent signs of improvement. ○In March 2016, it was decided to suspend acceptance of new foreign workers, making it more difficult than before to secure human resources.
Vietnam	○It is necessary to obtain a work permit. There is a total of 16 categories of exemptions, including investors, lawyers, and internal transfers within companies in the service sector, which Vietnam opened up when it became a WTO member. ○Companies employing foreigners are required to submit documentation explaining the need to do so, and an Employment Authorization Letter will be issued upon the granting of approval. ○The documents required for a work permit differ for applications for company president/manager, professional, and engineer. Some of the requirements were eased in April 2016, and the target scope for engineers was also expanded.	○A non-criminal certificate, which is submitted when applying for a work permit, is required for the period that the foreigner had stayed in Vietnam for in the past, and imposes a heavy burden on the applicant. ○It is possible to stay in the country for 15 days without a visa. However, if the traveler returns to Vietnam within 30 days, starting from the day after departing from Vietnam, it then becomes necessary to obtain a visa.
Mexico	○Business travelers from Japan are required to obtain residency status of "Visitor" while expatriates are required to obtain residency status of "Temporary Resident." ○Under the labor law, employers are required in principle to employ nine Mexicans for one foreign employee. In addition, foreigners are prohibited from taking up employment in special industries.	○Till now, the requirement for employing 9 Mexicans for every one foreign employee has rarely been applied in reality. However, based on the enforcement regulation for the immigration law in 2012, it has become mandatory to register a list of employed persons and their nationalities. This may be used by the authorities as justification for conducting an inspection. ○With the revision of the labor law in 2012, the responsibility of employers toward dispatched employees has become more stringent than before.

Source: Reports from the JETRO offices overseas and "J-FILE" (JETRO)

Growing momentum for the review of investment rules

■ Emerging controversy on reviews to resolve disputes between investors and states

Bilateral Investment Treaties (BIT) and multilateral investment agreements, which have been on a steady rise since the 1990s with the aim of protecting foreign investment in host states, have entered a turning point. After the second half of the 2000s, in addition to protecting investors, a greater focus has been placed on these treaties and agreements from the perspective of the implementation of public policies for legitimate purposes by host state governments, as well as regulatory rights. In particular, there has been greater use of the investor-state dispute settlement (ISDS) system included in investment rules. Taking TTIP negotiations as an opportunity, controversy about this system is now emerging.

■ Issues pertaining to the review of the ISDS system

The following are the key issues pertaining to the ISDS system: (1) Criticism that investors' rights are too dominant; (2) Poor predictability on decisions, lack of consistency between arbitration awards, and doubts about the validity of decisions arising as a result of these problems; (3) Criticism on the problem of consistency between judicial decisions, including the relationship with the domestic judicial system. As part of concrete review measures put in place, reviews on the introduction of appeal proceedings as well as adjustment clauses with the domestic judicial system have already been incorporated into recent FTAs, including the TPP. Furthermore, while the EU has undertaken its own reviews and announced the establishment of a permanent investment arbitral tribunal as a pillar of its proposals, it has not arrived at the formation of an international agreement.

Figure II-16: No. of ISDS disputes by agreement/industry

Agreement	No. of cases
Energy Charter Treaty	87
North American Free Trade Agreement (NAFTA)	56
Argentina - United States	20
Ecuador - United States	15
Netherlands - Venezuela	13
Argentina - Spain	10
Argentina - France	9
Dominican Republic-Central America FTA (CAFTA-DR)	9
Czech Republic - Germany	8
Czech Republic - Netherlands	7
Czech Republic-United Kingdom	7
Russia - Ukraine	7
Kazakhstan - United States	7

Notes: Agreements indicated only by the name of the country are bilateral investment
Source: UNCTAD database

Industry		No. of cases
Primary industry		**138**
	Agriculture, forestry and fisheries	26
	Oil and natural gas	57
	Mineral resources	56
Manufacturing		**104**
	Food and beverages, tobacco	33
	Chemicals, petroleum products	18
	Pharmaceuticals	8
	Metal processing	12
	Machinery, electrical equipment, transport equipment	12
	Other manufacturing	22
Service industry		**485**
	Electricity and gas	139
	Water supply and sewerage, waste disposal	45
	Construction and engineering	63
	Wholesale and retail	16
	Transportation (land, water, air, pipelines, etc.)	39
	Hotels, restaurants, tourism	11
	Audio-visual, information	12
	Telecommunications	35
	Finance and insurance	65
	Real estate, rental and leasing	40
	Expertise, business	19
	Entertainment and sports	9
	Other services	7
Unknown		8
Total		**696**

Notes: There are cases that span more than one industry, so the totals do not correspond.
Source: UNCTAD database

Figure II-17: Issues pertaining to ISDS rules by major agreements

	TPP	Japan-Switzerland	Japan-Mongolia	EU-Canada	EU-Vietnam
Consultations	First, attempt to resolve the dispute through consultations and negotiations	Where possible, resolve the dispute through amicable consulations	Where possible, resolve the dispute through amicable consulations	Consulation procedure stipulated	Consulation procedure stipulated
Mediation	Raised as one of the forms of negotiations	Equivalent treatment as arbitration	-	Mediation procedure stipulated	Mediation procedure stipulated
Submission to arbitration	In the case where the dispute is not resolved within six months from the request for consultation	In the case where the dispute is not resolved within six months from the request for consultation	In the case where the dispute is not resolved within 120 days from the request for consultation	A minimum of more than 180 days from the request for consultation	・More than 6 months from the request for consultation ・ More than 3 months from the notification of intention for submission to arbitration
Deadline for submission	Within 3 years and 6 months from the alleged breach	Within 5 years from the alleged breach	Within 3 years from the alleged breach	Permanent	Permanent
No. of arbitrators	3 persons	Follows the regulations for selection	3 persons	3 persons from 15 permanent arbitrators	3 persons from 9 permanent arbitrators
Term of office of arbitrators	Up till the final award	Up till the final award	Up till the final award	5 years per term (maximum of 2 terms)	4 years per term (maximum of 2 terms)
Appeal proceedings	In the event that an appeal mechanism is developed under other institutional arrangements in the future, consider if the same system should be abided by.	-	-	Establish an Appellate Tribunal. Review the details through the joint committee after the agreement enters into force.	Establish a permanent Appeal Tribunal comprising 6 members (4-year term, maximum of 2 terms).
Relationship with domestic courts, other dispute resolution proceedings	・To relinquish the rights to domestic proceedings (excluding provisional measures) ・Submission for arbitration is not permitted in cases where domestic proceedings have commenced (reservation provisions)	・Domestic court proceedings shall not have begun ・ ISDS proceedings shall be withdrawn if domestic court proceedings have begun	・To relinquish the rights to domestic proceedings (excluding provisional measures) ・Proceedings under Bilateral investment agreement have not yet begun	・To withdraw domestic proceedings that are underway (excluding provisional measures) ・Define measures in cases where there is a possibility of overlap with proceedings based on other international agreements	・To withdraw domestic proceedings that are underway (excluding provisional measures), etc., and define details for the relationship with other dispute resolution proceedings

Notes: This summarizes the characteristics of the ISDS systems under each agreement. Refer to the agreement texts for details.
Source: Based on the respective agreements

Move to establish CSR rules accompanying supply chain expansion

■ **Establishing rules for corporate social responsibility (CSR) through international frameworks and the national laws**

Amidst increasing overseas business expansion, corporate social responsibility (CSR) is attracting global interests. Along with international frameworks by the United Nations or OECD, individual countries are establishing CSR rules as part of their domestic laws. According to JETRO's overseas business survey, as many as 34.7% of Japanese corporations have formulated CSR plans.

■ **Increase in the number of FTAs that include labor-related provisions**

There have been increasing trends, particularly among advanced economies, to incorporate labor-related provisions into FTAs. According to the ILO, the number of FTAs that includes labor-related provisions has increased from four in 1995 to 47 in 2011.

Figure II-18: CSR-related laws and regulations of each country/region

	Laws and regulations	Contents of provisions
United States	Federal Acquisition Regulation	Mandates the disclosure of human rights information to business operators involved in government procurement.
	Financial Regulatory Reform Bill	Mandates the issuance of conflict minerals report.
	Lacey Act	Prohibits illegal timber trade.
	Trade Facilitation and Trade Enforcement Act of 2015	The pillar of this Act is the strengthening of the implementation of trading rights. It strengthens the prohibition of the import of products manufactured by forced labor and the like.
	Foreign Corrupt Practices Act	Prohibits bribery of foreign public officials.
	California Transparency in Supply Chains Act	Mandates efforts to disclose information on measures that have been implemented to prevent slave labor and human trafficking.
EU	Modernization of Accounts Directive	Mandates the disclosure of non-financial information such as information on environment, human resources, employees, etc.
	Timber Regulation	Regulates the inflow of illegal timber.
	[UK] Modern Slavery Act	Mandates the issuance of human trafficking report.
	[UK] Bribery Act	Prohibits and penalizes acts of bribery, including acts that take place overseas.
China	New Environmental Protection Law	Basic law on environmental protection. Provides for the strengthening of administrative responsibility, clarification of inspection rights, publication of environmental assessment results, disclosure of information, etc.
	Provisions on the bribery of foreign officials	Prohibits bribery of foreign public officials and employees of international organizations.
	Provisions on the bribery of domestic officials	Prohibits bribery of domestic officials, etc.
India	Companies Act	Mandates the establishment of a CSR committee, expenditure on CSR activities, election of female directors, etc.
	Environment Protection Act	Establishes emission standards for pollutants, conditions and regulations for activities in specific industries/regions, etc.
	Swachh Bharat Cess	0.5% tax on target services aimed at improving public health, etc.

Source: "Research report on international strategies of CSR towards strengthening Japanese companies' competitiveness" (Business Policy Forum, Japan) and materials from the respective governments

Figure II-19: Examples of FTAs with labor-related provisions

	Partner countries	Contents of provisions
United States	NAFTA (Canada, Mexico)	・Clearly sets forth the creation of new employment opportunities, improvements in working conditions and standards of living, and protection, strengthening, and implementation of basic labor rights as the objectives of the agreement. ・Among the labor agreements that entered into force concurrently with NAFTA, this provides for the realization of labor principles, establishment of a cooperative committee, and full establishment of dispute settlement proceedings.
	Jordan	First FTA to set forth labor provisions in the text of the agreement. Became the template for future FTAs.
	Singapore, Australia, Korea, etc.	・Affirms the duties of both countries as ILO member states. ・Mandates efforts to guarantee international basic labor rights under domestic laws. ・Strengthening of labor supervision departments. ・Establishment of a bilateral cooperative mechanism, capacity building. ・Provision of opportunities for bilateral talks in cases where there are alleged violations.
EU	Tunisia	Creates opportunities for regular dialogues between two countries/regions on social problems such as the movement of workers, working environments, and elimination of discrimination.
	Jordan	
	Egypt	If there are requests from the partner country, a dialogue on working conditions for workers, etc. will be held.
	Korea, Vietnam, etc.	The chapter on "Trade and Sustainable Development" reaffirms the duty of both parties as ILO member states, and sets forth provisions on establishing domestic advisory bodies, building mechanisms for dialogues with civil society, and resolving disputes independently.
Japan	Philippines	The investment chapter establishes provisions on labor. Requests for talks may be made in cases where measures to promote investments are implemented in violation of the duty to comply with international labor standards.
TPP	-	・Affirms the duty as an ILO member state. ・Effective enforcement of domestic labor laws. ・Recommends refraining from importing products produced by forced labor. ・Recommends voluntary corporate social responsibility (CSR) activities by companies. ・Promotes raising awareness on labor laws, and the building of a framework for civic participation.

Source: US Trade Representative, European Commission, Ministry of Economy, Trade and Industry, and Ministry of Health, Labor and Welfare

Divided views on the direction of the WTO Doha Round

■ **Agreement reached on some fields of negotiations at the WTO Ministerial Conference held at Nairobi in December 2015**

The 10th WTO Ministerial Conference was held in December 2015 at Nairobi, Kenya, and an agreement was reached for some of the fields of the Doha round. Negotiations were also concluded on expanding the scope of items on the Information Technology Agreement (ITA), which seeks to eliminate tariffs for IT-related products.

■ **Issues pertaining to plurilateral negotiations, and China**

Negotiations on the liberalization of services among interested countries and the elimination of tariffs for environment-related merchandise are moving forward on a plurilateral basis (between countries participating on a voluntary basis). The spotlight is also being placed on WTO-related issues relating to China.

■ **Whether to continue the Doha negotiations, or to adopt a new approach?**

At the Ministerial Conference in Nairobi, there was growing interest in the future direction of the Doha Round as it entered its 15th year. However, there were divided views among developing economies calling for the continuation of the former framework, and advanced countries that asserted the need to move toward a new approach.

Figure II-20: Summary of WTO Nairobi Package

Fields	Points	Agreement	Evaluation & issues
Agriculture	Export subsidies	Commit to eliminate the export subsidy for agriculture. Agreeing to set limitation on public support based on export such as export credit.	Successful in reaching a binding agreement. Effectinve in preventing an increase of future export subsidies.
	Safeguard mechanism for agriculture	Acknowledging the right for a special safeguard by developing countries. Commit to establishing a system for such safeguard mechanism.	A result of considering requests from an agricultural group of developing countries (G33). It is predictable that negotiations for requirements for implementation will proceed with difficulty.
	Public stockholding for food security purposes	Confirming the Bali ministerial agreement that public stockholding for the purpose of food security shall not be a subject for dispute settlement. Agree to make all efforts on finding permanent solution until the next ministerial meeting.	Not being able to find permanent solutions in the Nairobi Ministerial Meeting. Reaffirming this agenda as a high priority issue in the agriculture field.
Development	Cotton	Imposing on developed countries the obligation to grant LDCs to export cotton tariff-free/quota-free. Confirming that the agreement to eliminate the export subsidy for agriculture covers the export of cotton.	Reaching a degree of agreement on one of the symbolic issues of the Doha Development Agenda. Not being able to reach an agreement to eliminate domestic subsidies.
	Preferential treatment towards least developed countries (LDCs)	Setting a certain degree of rules regarding the rules of origin to give LDCs preferential treatment. Extending preferential treatment for LDCs' access the service market.	Reaching a degree of agreement in the development field. Aiming at harmonizing the rules of origin to give LDCs preferential access, but in the form of guidelines.

Source: Documents of WTO

Figure II-21: Major issues of recent negotiations on multilateral trade

Issues	Outlines
Environmental Goods Agreement	Regarding goods required for the environment measures and eco-friendly products, all WTO member countries are likely to benefit from the results of the Agreement based on the principle of most-favored-nation treatment. 17 countries and regions, including China, the EU, the US and Japan, have been engaged in negotiations.
TiSA: Trade in Services Agreement	23 countries and regions, which account for approx. 70% of the global service market, are proceeding with liberalization of trade in services and creating rules which exceed coverage of the General Agreement on Trade in Services (GATS). This is a regional trade agreement outside the scope of WTO, that is to say, FTA negotiations in the service field.
Expiring article of "non-market economy" for China	Article 15 (a)ii of the accession protocol of China to the WTO, which allows WTO member countries to use special methods regarding anti-dumping investigations towards China, will expire in December of 2016. This has been a point of controversy within political and business circles in the US and EU.
Negotiation on China's accession to "WTO Agreement on Government Procurement (GPA)"	While China has been negotiating accession to the TWO Agreement on Government Procurement, talks have been prolonged. If China accedes to this agreement, a two-hundred-billion-dollar procurement market will be created. Hence, industry circles of WTO member countries have particularly large expectations for it.
UK's re-negotiation with WTO member countries in line with exit from EU	As a result of the referendum to leave the EU, it is foreseen that the UK must re-negotiate with other WTO member countries on matters such as general tariff rates (concession tariff rates) and agreement on liberalization of trade in services.

Source: Documents of WTO, government data of each country, press information

Figure II-22: Position of major countries/regions on WTO negotiations

Countries/regions	Stance on WTO negotiations
United States	According to the Nairobi Declaration, "WTO members have an opportunity to undertake new approaches to longstanding issues and take up new issues without being constrained by the strictures of the Doha Round architecture"; a standpoint that focuses on results for each theme through plurilateral negotiations.
EU	Close to the US' stance in the aspects of adopting a new approach and need to tackle new issues including e-commerce. However, the EU stands on a viewpoint that agreements between bilateral and plurilateral countries should contribute to the revitalization of multilateral trading systems centered on the WTO. It takes the position that the results of plurilateral negotiations should in principle be provided to all WTO member states.
China	In addition to supporting the continuation of Doha Round negotiations, China takes part in plurilateral negotiations such as ITA expansion and negotiations for environmental goods tariffs, and make strong assertions to maintain its interests. The results of plurilateral agreements indicate concern for permitting "free rides" by non-participants.
India	Indicates support for the continuation of Doha Round negotiations, and a cautious attitude toward initiatives in new areas. Establishes support for public stockholding policy in agricultural negotiations and the establishment of special agricultural safeguards as the top priority issue.

Source: WTO documentation and materials from the respective governments

ITA expansion expected to contribute to trade growth; world ITA trade reaches $3 trillion

■ **ITA products revised for the first time in 20 years; growing amount of ITA exports reaches $1.8 trillion**

Negotiations to expand the products under the Information Technology Agreement (ITA) were concluded in December 2015. The 53 WTO members that participated in the negotiation will eliminate tariffs for an additional 201 items. The growing amount of world ITA trade (exports basis) reached $1.8 trillion, making up 11.0% of global trade. The total trade value of the current and expanded ITA is estimated to reach $3.0 trillion.

■ **All tariffs to be eliminated by 2023; advantageous situations for Japanese exports**

A comparatively higher amount of tariffs is imposed by Japan's key partner countries, China (6.1%) and Korea (6.0%). Members of the expanded ITA, including the two countries, will eliminate tariffs for 65.3% of the items at their first tariff cuts, and all items will be free of duty by 2023. According to the Ministry of Economy, Trade and Industry, Japan will be able to spare approximately 170 billion yen as a result of the tariff cuts.

FigureII-23 Major products subject to ITA

	List	Examples
Current ITA	List A (144 items)	-Computers and peripheral equipment: personal computers, printers, monitors, scanners -Communication equipment: cellphones, fax machines -Semiconductors: memory chips, wafers, CPUs
Current ITA	List B (13 items)	Amplifiers, flat panel displays, monitors, optical disk storage, set-top boxes, etc.
Expanded ITA	List A (191 items)	-Digital AV equipment: digital video cameras, DVD players, BD players -Communication equipment: car navigation systems, ETCs, GPS receivers -Parts and materials: photoresist for semiconductors, polarizing sheets for liquid crystal display panels -Medical equipment: MRI, CT -Others: semiconductor manufacturing equipment, multifunctional
Expanded ITA	List B (10 items)	New type semiconductor including multi-component IC, LED back light, touch panel, ink cartridge, electric educational device, etc.

Source: Information Technology Agreement and WT/L/956(WTO)

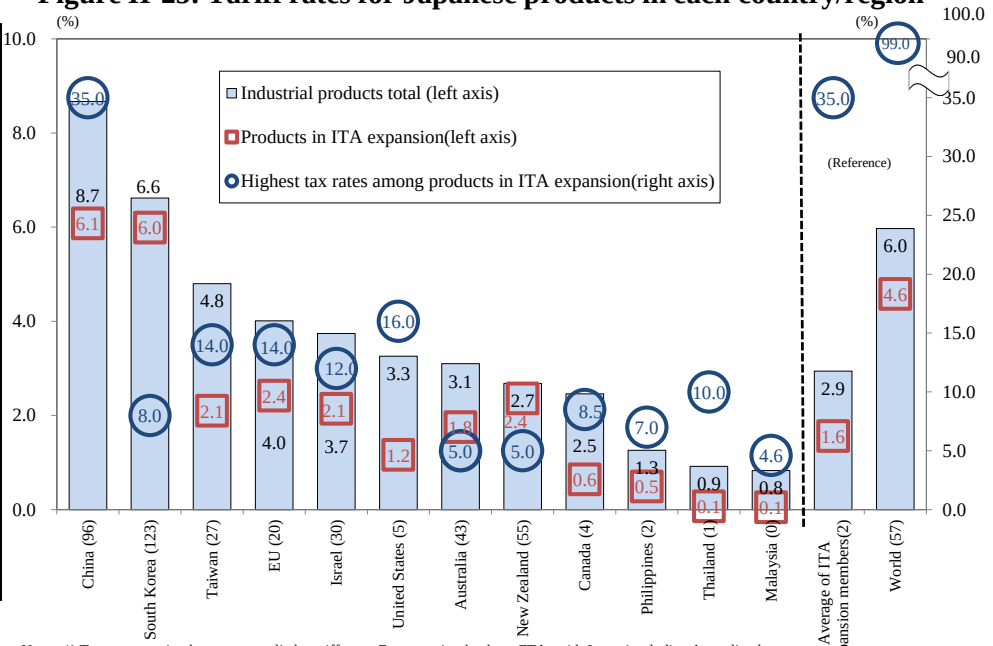
FigureII-24: Global trade value of ITA products (2015)

(Unit: US$ million, %)

	Export	Value	Share		Import	Value	Share
Current ITA	China	707,184	27.4	Current ITA	EU	585,841	21.2
	EU	483,460	18.7		China	528,265	19.2
	US	210,606	8.2		US	374,945	13.6
	Japan	116,413	4.5		Japan	101,957	3.7
	World	2,581,088	100.0		World	2,757,636	100.0
Expanded ITA	EU	409,119	22.6	Expanded ITA	China	412,626	21.0
	China	336,265	18.6		EU	395,835	20.1
	US	184,800	10.2		US	231,217	11.7
	Japan	109,893	6.1		Japan	71,035	3.6
	World	1,810,877	100.0		World	1,968,564	100.0
	Participants to the ITA expansion	1,699,969	93.9		Participants to the ITA expansion	1,678,564	85.3
ITA total	China	769,380	25.4	ITA total	EU	726,173	22.6
	EU	662,709	21.8		China	576,292	17.9
	US	280,899	9.3		US	449,380	14.0
	Japan	146,134	4.8		Japan	120,993	3.8
	World	3,034,718	100.0		World	3,219,732	100.0
	Participants to the ITA expansion	2,833,126	93.4		Participants to the ITA expansion	2,737,584	85.0

Note: 1) Both current and expanded ITA includes same products within 6-digit HS code. The values of each "current ITA" and "expanded ITA" include these duplicated value and therefore the sum of both does not correspond to the ITA total. 2) While the current and expanded ITA contains some products of 6-digit HS code, of which uses are specified by adding technical terms, this specification is not reflected on these values. 3) Trade values of Montenegro and Mauritius are not included due to statistical constraints. Source: Trade statistics of respective countries and regions

Figure II-25: Tariff rates for Japanese products in each country/region



Notes: 1) Tax rates are simple average applied tariff rates. For countries that have FTAs with Japan (excluding Australia, due to statistical limitations), the tax rate reflects the respective preferential rate. 2) Tax rates are accurate as of 2013 - 2015. 3) Of the countries/regions participating in the ITA expansion, the 15 countries with the top amount of export from Japan have been extracted. Of these, Hong Kong, Singapore, and Switzerland have been omitted as all product items are tax-free. 4) Figures in parentheses indicate the number of products in ITA expansion with tax rate of 5% or higher. Source: WTO

Chapter 3

Broad economic zones and the growth strategies of Japanese corporations

TPP positioned as a “21st century FTA”

■ A “21st century FTA” that encompasses a massive economic zone and the formation of new rules

The first characteristic of the TPP is the large scale of the economic zone. The TPP covers 37.4% of the world’s GDP (2015) and 11.1% of its population (2015), and if it enters into force, it will create a massive regional economic zone. Secondly, in addition to promising a high level of liberalization, it is also positioned as a “21st century FTA” that encompasses the formation of new rules across a wide range of sectors.

Figure III-1: Broad comparison of the key contents of the TPP agreement and the WTO

Categories	Contents	Presence/Absence of WTO agreement	Categories	Contents	Presence/Absence of WTO agreement
National treatment/market access for goods	Provides for the elimination of tariffs, etc. according to the schedule of tariff concessions for each country. Establishes rules for elements such as national treatment, restrictions on imports and exports, treatment of remanufactured goods, transparency of procedures on import and export licensing, administrative fees and procedures, and export tariffs.	Present	Temporary entry for business persons	Provides for the permission for temporary short-term entry for business persons between countries that are party to the agreement, and facilitating improvements in speed and transparency for the conditions and application procedures thereof.	Present
Rules of origin/Origin procedures	Provides for the conditions, certification procedures, etc. on primary products that are eligible for preferential tariff treatment. Incorporates elements such as the application of standardized rules of origin for 12 countries, introduction of a full accumulation system, and introduction of a system for self-certification of origin completed by the exporters/producers/importers.	Present	Telecommunications	Provides for rules related to the access and use of public telecommunications services, safeguards for securing conditions of competition, mutual connectivity between primary service providers, etc.	Present
Textiles/Apparel	Provides for rules of origin/safeguard mechanism, etc. for textiles/apparel.	Present	Electronic commerce	Provides for various rules to prohibit the introduction of excessive regulations that pose as a barrier to e-commerce. Provides for elements such as prohibition of the imposition of tariffs on electronic transmissions between countries that are party to the agreement, prohibition of disadvantageous treatment for the digital products of other countries that are party to the agreement in comparison with the treatment toward other like products, and prohibition of requests for corporations, etc. to locate computing facilities as a condition for conducting business within the domain of the country.	Absent
Customs administration/Trade facilitation	Provides for the predictable, consistent, and transparent application of customs procedures, etc., with elements such as swift customs clearance (within 48 hours), express shipments (unloading within 6 hours), and advance ruling systems (response within 150 days).	Present (Trade facilitation agreements adopted in November 2014 are targeted. However, not entered into force as of June 2016.)	Government procurement	Provides for rules on the procurement of goods and services equivalent to or exceeding the relevant threshold by designated procurement organizations, with elements such as the principle of public tender, and national treatment/non-discrimination principle during the tender.	Present (Limited to member countries of WTO Government Procurement Agreement)
Trade remedies	To prevent serious injury to domestic industries as a result of the rapid increase in imports, this enables the implementation of provisional measures (transitional safeguard measures), other anti-dumping measures, and countervailing tariffs.	Present	Competition policy	Provides for the adoption/maintenance of competition laws, maintenance of competition regulatory authorities, fair implementation of procedures in the enforcement of competition laws, cooperation between the relevant authorities, etc.	Absent
Sanitary and Phytosanitary (SPS) measures	Provisions to prevent unjustifiable barriers to trade caused by the sanitary and phytosanitary (SPS) measures imposed by the respective countries that are party to the agreement.	Present	State-owned enterprises and designated monopolies	Provides for elements such as conduct that is in accordance with commercial considerations in the buying and selling of goods and services by state-owned enterprises and designated monopolies, ensuring that countries that are party to the agreement give non-discriminatory treatment to corporations from other parties to the agreement, preventing the adverse effect of non-commercial aid offered to state-owned enterprises on the interests of other countries that are party to the agreement.	Absent (However, rules on subsidies, and State Trading Enterprises exist)
Technical barriers to trade (TBT)	Provisions to ensure transparency and enable procedures to prevent unnecessary barriers to trade caused by technical regulations, standards, and conformity assessment procedures. When technical regulations, standards, and conformity assessment procedures are introduced, the time-frame when other countries that are party to the agreement and other stakeholders in these countries may submit their views is typically set as 60 days, while the "reasonable interval" between the publication and implementation of conditions is typically set as 6 months or more.	Present	Intellectual property	Provisions on the protection of intellectual property. Provides for the protection of trademarks, geographical indications, patents, designs, copyrights, etc. and the exercise of intellectual property rights (procedures on the exercise of rights, border measures, etc.).	Present
Investment	Provides for national treatment/most-favoured-nation treatment during and after the establishment of investment assets, fair and equitable treatment/adequate protection/assurance for investment assets, in-principle prohibition of performance requirements (local procurement, technology transfer, etc.), prohibition of expropriation not accompanied by reasonable compensation, investor-state dispute settlement systems (ISDS), etc.	Absent (Partially covered under TRIM agreement)	Labour	Provides for elements such as the enforcement of laws, etc. of countries party to the agreement that are directly related to internationally recognized labour rights, the adoption/maintenance of rights described in the International Labor Organization (ILO) under the laws of the country (such as the abolition of forced labour, prohibition of child labour, elimination of discrimination in employment/professions) etc.	Absent
Cross-border trade in services	Provides for cross-border transactions, provision of services overseas, provision of services through the movement of natural persons, national treatment, most-favoured-nation treatment, market access, etc. Adopts the negative listing method (method that lists the measures and areas for which the stipulations are not applicable in the Annexes).	Present	Environment	Provides for elements such as confirmation on the importance of the respective Multilateral Environmental Agreements, measures to protect the ozone layer, protection of the marine environment from ship pollution, illegal harvesting of wild flora and fauna and response to such acts, preservation and sustainable management of fisheries, cooperation between member countries for the implementation of initiatives to protect the environment.	Absent
Financial services	Provides for rules pertaining to the cross-boarder provision, etc. of financial services, such as national treatment, most-favoured-nation treatment, prohibition of market access restrictions, prohibition of nationality/residency requirements on senior management and Boards of Directors, etc., and authority to access payment/settlement systems.	Present	Anti-corruption	Provides for the adoption/maintenance of the necessary measures to eliminate corruption, etc. related to matters that have an impact on international trade and investment.	Absent

Notes: "Present" refers to areas that are covered under the scope of the WTO agreements (areas that benefited from the TPP in the aspects of significant liberalization, clarification of rules, and expansion of scope), while "Absent" refers to areas that are not currently regulated under WTO rules (including areas that are partially covered under WTO). TRIM refers to trade-related investment measures.
Source: "Overview of TPP agreement," "Overview of all the chapters of TPP agreement" (TPP Taskforce, Cabinet Secretariat), TPP agreement, WTO agreements

Creation of new FTAs in Asia and the Americas

■ Relationship between TPP parties and existing FTAs

Among the countries that are party to the TPP, trade is expected to take place between countries that already have bilateral/regional FTAs in force, and countries that are anticipated to establish FTAs for the first time as a result of the TPP. After the TPP enters into force, countries that already have FTAs in force may make use of either existing FTAs or the TPP, whichever is easier to use. Among countries that are concluding FTAs for the first time, new FTAs will be established, including the following: (1) From the perspective of Japan's trade, an FTA will be concluded for the first time between US, Canada, and New Zealand; (2) A new FTA will be concluded between Vietnam and Malaysia, where there is a concentration of Japanese corporations, and US, Canada, Mexico, and Peru; (3) A new FTA will be concluded between Australia and New Zealand, and US, Canada, Mexico, and Peru. (However, this excludes US and Australia, which already have a bilateral FTA in force.)

Figure III-2: Simple average applied tariff rates within TPP member countries

(Unit: %)

		US	Canada	Mexico	Peru	Chile	Australia	New Zealand	Singapore	Malaysia	Vietnam	Brunei	Japan
Simple average applied tariff rates		3.5	4.2	7.5	3.4	6.0	2.7	2.0	0.2	6.1	9.5	1.2	4.2
	Agriculture product	5.1	15.9	17.6	4.1	6.0	1.2	1.4	1.1	9.3	16.3	0.1	14.3
	Industrial products (Non-agriculture products)	3.2	2.2	5.9	3.3	6.0	3.0	2.2	0.0	5.5	8.4	1.3	2.5
By product	Electrical machinery	1.7	1.1	3.5	2.1	6.0	2.9	2.6	0.0	4.3	7.9	5.1	0.1
	Transport equipment	3.1	5.8	8.5	1.0	5.4	5.0	3.2	0.0	11.1	17.5	2.4	0.0
	Non-electrical machinery	1.2	0.4	2.8	0.5	6.0	2.9	3.0	0.0	3.5	3.3	2.6	0.0
	Chemicals	2.8	0.8	2.4	2.0	6.0	1.8	0.8	0.0	2.7	3.1	0.5	2.2
	Textiles	7.9	2.6	9.8	8.4	6.0	4.3	1.9	0.0	8.8	9.6	0.8	5.4
	Apparel	12.0	16.5	21.1	11.0	6.0	8.8	9.7	0.0	0.2	19.8	0.0	9.0

Source: "World Tariff Profiles 2015" (WTO, ITC, UNCTAD)

Figure III-3: Relations between existing FTA and TPP member countries

(Unit: %)

		Ratio of export toward TPP member countries (value of export to each country/total export value)														Total export value (Unit: $100 m)
		US	Canada	Mexico	Peru	Chile	Australia	New Zealand	Singapore	Malaysia	Vietnam	Brunei	Japan	Total for TPP	Total for new FTA	
Exporter	US		18.7	15.7	0.6	1.0	1.7	0.2	1.9	0.8	0.5	0.0	4.2	45.2	5.7	15,026
	Canada	76.8		1.3	0.2	0.2	0.4	0.1	0.3	0.2	0.1	0.0	1.9	81.2	2.9	4,101
	Mexico	81.1	2.8		0.4	0.5	0.3	0.0	0.1	0.0	0.0	0.0	0.8	86.1	0.5	3,808
	Peru	15.1	7.0	1.6		3.2	0.3	0.1	0.0	0.1	0.2	0.0	3.3	31.0	0.7	335
	Chile	13.4	2.1	2.1	2.5		0.8	0.1	0.1	0.1	0.4	0.0	8.9	30.5	0.0	620
	Australia	5.4	0.6	0.2	0.0	0.1		3.3	2.7	1.8	1.4	0.0	15.9	31.6	0.9	1,877
	New Zealand	11.8	1.4	0.7	0.3	0.3	16.9		2.2	1.9	1.1	0.0	6.0	42.6	20.2	344
	Singapore	6.3	0.2	0.4	0.0	0.0	3.3	0.5		10.9	3.5	0.2	4.4	29.7	0.6	3,467
	Malaysia	9.4	0.4	0.8	0.0	0.1	3.6	0.5	13.9		2.2	0.3	9.5	40.9	10.7	2,000
	Vietnam	19.1	1.4	0.7	0.1	0.3	2.7	0.2	2.0	2.6		0.0	9.8	38.9	21.3	1,502
	Brunei	0.3	0.1	0.0	0.0	0.0	5.0	5.5	2.1	1.7	1.9		35.6	52.2	0.4	60
	Japan	20.1	1.2	1.7	0.1	0.3	2.1	0.3	3.2	1.9	2.0	0.0		33.0	21.7	6,251

Note: Cells in light color indicate countries where bilateral or regional FTAs have already entered into force. Cells in darker color indicate countries which are expected to conclude new FTAs for the first time through the TPP. The figures of Vietnam are calculated with data of 2014. Those of others from export statistics in 2015. Only Brunei's statistics are based on DOT. Others were based on trade statistics of respective countries. As for the Global System of Trade Preferences (GSTP) among developing countries, countries where this agreement has already become effective are defined as countries where FTAs have not come into effect yet. Source: Trade statistics of respective countries, "DOT May 2016" (IMF)

High-level provisions for investments, services, intellectual property, etc.

■ Investments

When the TPP enters into force, the percentage of countries which have investment agreements (including investment chapters of FTAs) as a proportion of Japan's outward FDI stock will rise from the current 35.1% to 69.9%. The key points to the investment chapter are as follows: (1) Secure protection of investment in all member countries, including countries that have had no agreements to date (US, Canada, and New Zealand); (2) TPP strengthens the prohibition of performance requirements, such as the prohibition of government intervention in licensing agreements concluded by investors; (3) Adoption of ISDS (including provisions to suppress the abuse of petition by investors); (4) Introduction of a consultation mechanism for measures by local governments.

■ Services

With regard to cross-border services, the TPP provides national treatment, most-favored-nation treatment, and market access. Through the adoption of the negative list and the ratchet clause, there is increased predictability for regulations in the future. On the other hand, the members have excluded areas with the potential for the adoption/strengthening of regulations in future from the target scope for liberalization.

■ Intellectual property

TPP provides protection and enforcement of intellectual property rights at a level exceeding the Trade-Related Aspects of Intellectual Property Rights (TRIPS). Provisions which might affect corporate activities include (1) facilitation of the acquisition of trademark rights; (2) strengthening of the protection of patent rights; and (3) protection of Geographical Indication. Regarding enforcement, strong countermeasures against counterfeit and pirated products are incorporated. These include granting the customs office with the authority to withhold counterfeit goods, and making it mandatory to impose criminal penalties against the use of labels that infringe trademark rights and the secret filming of movies, etc.

Figure III-4: Japan's outward FDI stock(end of 2015) and investment agreements/FTA

(US$ million, %)

Countries/regions	Balance	Share	Investment agreement	Countries/regions	Balance	Share	Investment agreement
United States	418,794	33.3	Signed	Vietnam	13,072	1.0	✔
EU	288,656	22.9	under negotiation	Philippines	12,329	1.0	✔
ASEAN	166,998	13.3	Note (3)	Taiwan	11,984	1.0	✔
China	108,847	8.6	✔	Mexico	7,367	0.6	✔
Australia	67,786	5.4	✔	South Africa	7,159	0.6	–
Thailand	51,320	4.1	✔	Switzerland	6,388	0.5	✔
Singapore	50,460	4.0	✔	Saudi Arabia	4,924	0.4	Signed
South Korea	31,344	2.5	✔	NZ	3,094	0.2	Signed
Hong Kong	24,733	2.0	✔	Russia	1,800	0.1	✔
Indonesia	24,434	1.9	✔	UAE	596	0.0	under negotiation
Brazil	23,591	1.9	–	Iran	6	0.0	Signed
Canada	16,341	1.3	Signed	World	1,259,050	100.0	
India	14,104	1.1	✔	Countries/regions with agreements	441,350	**35.1**	
Malaysia	13,642	1.1	✔	TPP total	590,556	**46.9**	

Notes: 1) Investment agreements include FTA investment chapters. 2) Some of the countries that already have agreements with Japan are not included in the coverage ratio as figures are not available. 3) The FTA investment chapter with ASEAN reached an agreement in December 2013. Bilateral agreements with ASEAN countries are already in force.
Source: Ministry of Finance, Bank of Japan, and Ministry of Economy, Trade and Industry

Figure III-5: Domestic laws and the accession status to treaties with respect to intellectual property

	System/Framework	Overview	Japan	United States	Canada	Mexico	Chile	Peru	Australia	NZ	Singapore	Malaysia	Vietnam	Brunei
Domestic laws	Patents in general													
	Grace period	In cases such as the disclosure of one's invention prior to filing a patent application, the provision prevents the denial of novelty of the invention within a certain period from the date of disclosure (12 months under the TPP).	6 months	✔	✔	✔	✔	✔	✔	✔	✔	✔	6 months	✔
	Patent term adjustment	A system that permits the patent term adjustment for unreasonable delays exceeding a certain period, and which arise from the point of filing or request for assessment (five years and three years respectively under the TPP) until rights are granted for the patent filed.	-	✔	-	-	✔	Effort obligation	-	-	✔	-	-	✔
	Intellectual property of pharmaceutical products													
	Patent term extension	A system that permits the extension of the patent period in order to compensate the patent owner, with respect to the unreasonable shortening of the effective patent term based on the results of the procedures for authorizing sales.	✔	✔	-	-	✔	-	✔	-	✔	-	-	✔
	Period of data protection of pharmaceutical products	Provides explicit indication of the fixed period after the authorization of pharmaceutical products containing new active ingredients, when data that is submitted by the corporation that had developed the new drug is not used for the approval of generic drugs (five years under the TPP, eight years for biopharmaceuticals).	8 years	5 years; 12 years for biopharmaceuticals	8 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	5 years	Unknown
	Patent linkage	A system that mandates confirmation to the authority, on whether patent rights are infringed during the application for approval by a generic drug manufacturer, through the notification to the patent owner.	✔	✔	✔	✔	-	-	✔	-	✔	-	-	-
Treaties that mandate membership in the TPP	Madrid Protocol	Madrid Protocol concerning the international registration of marks.	✔	✔	-	✔	-	-	✔	✔	✔	-	✔	-
	Singapore Treaty	Singapore Treaty on the trademark law. It is acceptable to accede to either the Madrid Protocol or this Treaty.	✔	✔	-	-	-	-	✔	✔	✔	-	-	-
	Budapest Treaty	Budapest Treaty concerning the international recognition of the deposit of microorganisms for patent procedures.	✔	✔	✔	✔	✔	✔	✔	-	✔	-	-	✔
	UPOV Convention (1991)	International convention concerning the protection of new plant species.	✔	✔	✔			✔	✔	-	✔	-	✔	-
	WIPO Copyright Treaty	WIPO treaty concerning copyrights.	✔	✔	✔	✔	✔	✔	✔	-	✔	✔	-	-
	Performances and Phonograms	WIPO treaty concerning performances and records.	✔	✔	✔	✔	✔	✔	✔	-	✔	✔	-	-

Notes: Based on information as of June 2016. "✔" indicates countries that have already established domestic laws/joined treaties, blank indicates countries that have no domestic laws/have not joined any treaties. Under the TPP, it is mandatory to be members of the Patent Cooperation Treaty, the Paris Convention, and the Berne Convention. However, all 12 countries have already joined these three treaties.
Source: Japan Patent Office, World Intellectual Property Organization (WIPO), and materials from the governments of each country

Significant effect of tariff cuts in the US

■ **US tariffs on TPP partners estimated to reach $6 billion (2015)**

With respect to utilization of the TPP from the aspect of tariffs, as the US boasts the largest economy in the TPP region, and due to the large number of countries entering into an FTA agreement for the first time, the effect of tariff cuts in the US is believed to be significant. According to the United States International Trade Commission (ITC), US tariffs on TPP partners is estimated to reach $6 billion (2015).

■ **Benefits of tariff elimination/cuts in many industrial sectors**

The amount of tariffs by the US on Japanese imports (2015) is estimated to be $2.3 billion, with taxes imposed on a wide range of items including transport equipment and parts, general machinery, and electrical equipment.

Figure III-6: Calculated duties applied to TPP member countries by US (2015)

(Unit: $1 million, %)

	Calculated duties	Dutiable value	Calculated duties / dutiable value
Vietnam	2,805	19,556	14.3
Japan	2,276	77,254	2.9
Mexico	339	13,074	2.6
Malaysia	229	4,707	4.9
Canada	198	34,187	0.6
Singapore	44	1,179	3.7
New Zealand	40	2,601	1.5
Australia	17	657	2.5
Peru	5	298	1.8
Chile	4	181	2.3
Brunei	1	12	10.3
Total of TPP member countries	5,958	153,706	3.9

Note: Calculated duties are estimeted by the US ITC.
Source: United States International Trade Commission

Figure III-7: Estimated US tariffs on Japanese imports (2015)

(US$ million, %)

HS code	Classification	Import value	Dutiable value	Calculated duties	
				Value	Share
87	Transport equipment and parts thereof	48,123	44,907	1,129	49.6
84	General machinery	29,958	9,165	311	13.7
85	Electrical equipment	15,966	7,171	195	8.6
39	Plastic products	2,205	1,932	99	4.3
40	Rubber products	2,486	2,025	72	3.2
90	Precision equipment	6,604	2,822	68	3.0
91	Clocks	935	902	63	2.8
29	Organic chemicals	2,388	1,157	62	2.7
82	Base metals products	790	679	31	1.3
81	Other base metals/cermet and the products thereof	266	199	28	1.2
Others		24,504	6,295	218	9.6
Total		134,226	77,254	2,276	100.0

Notes: Tariffs are estimates by the United States International Trade Commission.
Source: Materials from the United States International Trade Commission

Utilization of TPP for trade between third countries

■ **Review on the utilization of TPP for trade with a third country such as US or Vietnam**

When the TPP enters into force, Japan will have new FTAs with three countries: US, Canada, and New Zealand. Firms in various industries such as automotive parts, textile products, general machinery, and pottery, already anticipate the effects of US's tariff cuts.

In trade among 11 countries excluding Japan, the combination of export source to export destination that many firms consider utilizing the TPP is exports from Vietnam to US (82 responses). This is followed by exports from Malaysia to US (26 responses). Many firms are considering utilizing TPP between Vietnam/Malaysia and the US, between which there is no FTA in force at the moment.

FigureIII-8: Prospects of TPP utilization by Japanese companies

	Business types	Prospects
Firm A	Auto components	Currently, a 2.5% tariff is imposed on export of car parts from Japan to the US. It is expected that the TPP will contribute to reducing the tariff value by approx. 300 million yen. We are going to utilize the TPP in export to Canada.
Firm B	Auto components	We are now paying several tens of millions of yen for exports to the US per year. We will be able to save on tax through the TPP.
Firm C	Apparel (SME)	We are exporting high-class jeans to the US. We anticipate that the abolition of tariffs by the TPP will expand export.
Firm D	Textile related	We have been already increasing sales of our products through an affiliated firm by expanding production in Vietnam. We are expecting that the textile and apparel market in Vietnam will be further expanded by the TPP.
Firm E	Measuring machine	Currently, duty of approximately 3% is imposed by the US on large equipment for business use. This duty will be eliminated immediately after the TPP takes effect.
Firm F	General machine	A 3% tariff is imposed on export of general machines from Japan to the US. It is expected that the TPP will save tax by several tens of millions to several hundred million yen per year.
Firm G	Pottery and porcelain (SME)	We are paying around 6-20.8% tariffs for exporting tableware including mugs, napkin rings, and salt and pepper shakers toward the US. The TPP will eliminate this tariff instantly or in 10 years.
Firm H	Pottery and porcelain (SME)	The competitiveness of Japanese products in the US market will increase if the up-to-28% tariff imposed at exporting to the US is abolished.
Firm I	Pottery and porcelain (SME)	The TPP's self-certification system will be convenient if it successfully works.

Source: Interview servey

Figure III-9: Export sources and export destinations that corporations are considering utilizing the TPP in trade between third countries

(Multiple response, no. of responses)

Export destinations / Export source	United States	Canada	Mexico	Chile	Peru	Singapore	Malaysia	Vietnam	Australia	New Zealand	Total
United States		11	17	1	1	8	6	10	4	1	60
Canada	3		-	-	-	5	3	1	2	-	14
Mexico	15	2		-	-	-	-	1	-	-	18
Chile	6	-	-		-	1	1	1	-	-	9
Peru	1	1	-	-		1	1	-	-	1	5
Singapore	10	4	-	-	-		6	6	2	2	31
Malaysia	26	4	3	2	2	5		8	5	2	57
Vietnam	82	15	8	2	1	22	15		12	4	161
Australia	9	4	-	-	-	5	3	5		1	27
New Zealand	3	2	1	-	-	3	2	-	2		13
Total	155	43	29	5	4	50	37	32	27	11	395

Notes: The number of responses with the combination of export sources and export destinations for which corporations are considering utilizing the TPP for among 11 countries, excluding Japan. Brunei is not shown due to the small number of responses. Source: "FY2015 Survey on the International Operations of Japanese Firms" (JETRO)

Automobiles/Automotive parts: Benefits through exports from Japan, etc.

■ **Potential for wide utilization in exports from Japan to US, Canada**

In the automobile/automotive parts sector, the TPP is expected to be utilized for exports from the strongly competitive Japan to TPP partner countries. In particular, FTAs are expected to be established between Japan and the US and Canada as a result of the TPP. Trade values between these countries are high, and tariffs will be levied widely on Japanese automobiles/automotive parts. As such, it is believed that the TPP will be utilized.

■ **Potential for utilization also in exports to Mexico that uses a wide cumulative basis**

There is also a possibility that the TPP may be utilized for exports from Japan to Mexico. In recent years, the automobile production sector has been expanding in Mexico, and automobiles/automotive parts produced in Mexico are characterized by the fact that they are exported to the US. Under the TPP, a cumulative provision will be applied to the 12 countries as a whole, making it possible for parts procured from Japan to also be covered under the cumulative scope.

Figure III-10: Import values of cars and auto components into US and Canada from world (2015), and TPP base rate

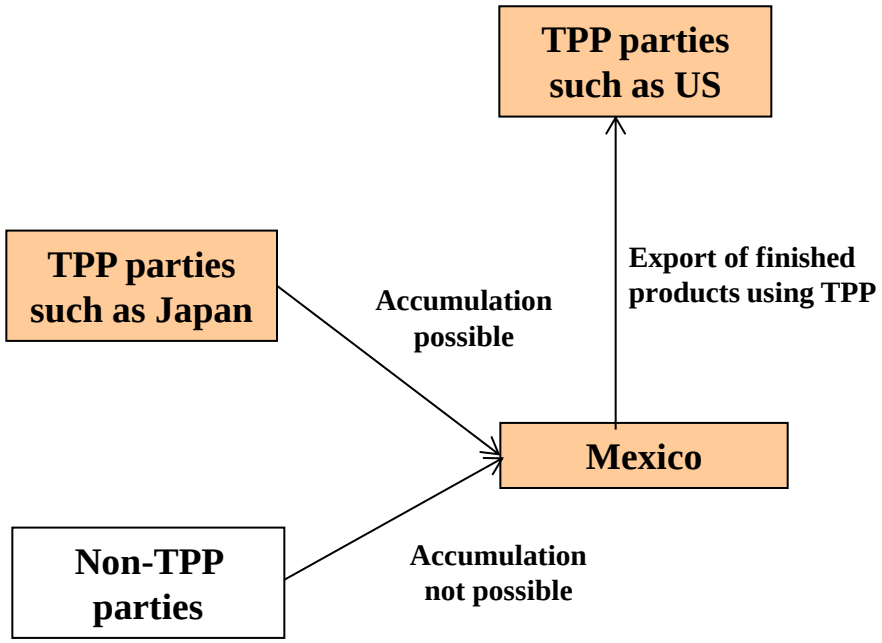
(Unit: $100 million)

	US		Canada	
	Import values ($100 m)	Base rate (%)	Import values ($100 m)	Base rate (%)
Passenger vehicles	1,672	2.5%	264	6.1% No tariff
Commercial vehicles	234	25% 4% No tariff	119	6.1% No tariff
Auto components	754	4% 2.5% No tariff	237	8.5% 6.0% 3.5% No tariff

Note: HS code: passenger vehicle 8703; commercial vehicle 8704; and auto components from 8707 to 8708 and from 840731 to 840734

Source: Trade statistics of respective countries, letter of agreement of the TPP

Figure III-11: Potential for cumulative utilization in Mexico



Note: The “accumulation” is applied to parts produced in TPP party countries such as Japan.

Textiles/Sewn products : Anticipation for expansion in trade within the region

■ **Amount of imports for textiles/sewn products for TPP parties (10 countries excluding Brunei and Vietnam) is $197 billion; US is the largest import market at $115.1 billion**

Among the countries that are party to the TPP, the simple average tariff rates applied to the textiles/sewn products sector is high, and there are countries with significant tariff reduction/elimination. The amount of imports for TPP parties (10 countries excluding Brunei and Vietnam) (2015) reaches $161.5 billion for sewn products and $35.5 billion for textiles, totaling $197 billion. Of these, the value of textile/sewn product imports for the US is $115.1 billion (of which sewn products makes up $100.3 billion), forming an overwhelmingly large market.

■ **Potential for the expansion of exports from production regions in Japan; Vietnam's strength in the production of sewn products**

In the textiles/sewn products sector, there are high expectations for the expansion of exports for these products from Japan mainly to the US. There are also expectations for the growth of the sewn product export sector from Vietnam, which is expanding its exports of these products against a backdrop of low labor costs, to countries such as the US. Furthermore, if the production of textiles and sewn products within the TPP region, such as in Vietnam, expands going forward, it is anticipated to contribute to growth in the export of sewing machines and textile-related products as well as in sales in the local markets.

Figure III-12: Scale of import market in TPP member countries for textiles and sewn products

(US$ million)

	Sewn products			Textiles		
	2010	2014	2015	2010	2014	2015
US	83,724	96,230	100,283	11,731	14,556	14,838
Japan	28,400	33,089	30,306	4,507	5,558	5,078
Canada	8,691	10,604	10,307	3,157	3,380	3,227
Australia	5,478	7,309	7,429	1,388	1,527	1,459
Mexico	2,486	3,897	4,040	5,604	6,437	6,469
Singapore	2,051	2,668	2,522	888	864	759
Chile	1,589	2,567	2,417	589	641	607
Malaysia	491	1,267	2,195	1,267	1,518	1,613
New Zealand	1,019	1,322	1,281	349	439	406
Peru	363	795	754	884	1,128	1,037
Vietnam	315	537	n.a.	8,154	13,986	n.a.
Total	134,607	160,283	161,534[Note2]	38,519	50,034	35,493[Note2]

Note: 1) Textiles belong to HS50-60, and sewn products HS61-63. 2) Due to statistics constraints, Brunei's data and Vietnam's data for 2015 are excluded. Source: Trade statistics of respective countries

Figure III-13: Import destinations for textiles from Vietnam

(US$ million, %)

	TPP	Import value			Share		
		2010	2013	2014	2010	2013	2014
China	Non-party	2,701	4,771	5,794	33.1	38.6	41.4
South Korea	Non-party	1,454	2,190	2,340	17.8	17.7	16.7
Other Asian region	Non-party	1,445	1,794	1,933	17.7	14.5	13.8
Japan	Party	512	749	771	6.3	6.1	5.5
United States	Party	295	532	578	3.6	4.3	4.1
India	Non-party	220	341	416	2.7	2.8	3.0
Thailand	Non-party	316	431	403	3.9	3.5	2.9
Hong Kong	Non-party	423	453	358	5.2	3.7	2.6
Indonesia	Non-party	121	130	170	1.5	1.1	1.2
Australia	Party	19	94	159	0.2	0.8	1.1
Brazil	Non-party	37	87	137	0.5	0.7	1.0
Malaysia	Party	95	116	113	1.2	0.9	0.8
Total import value		8,154	12,356	13,986	100.0	100.0	100.0

Notes: Textiles falls under the categories of HS50 - 60.
Source: Vietnam's trade statistics

Elimination of tariffs for general machinery greatly anticipated by corporations

■ Tariff cuts to have a significant effect on the general machinery sector

General machinery (defined as HS84) is a primary export category of Japan, making up as much as 18.8% of the country's total exports. Among countries that are party to the TPP, this figure reaches 34.0%. 67.8% of Japan's exports to TPP countries are bound for the US. For tariffs on general machinery in the US, 40% of the tariff line are taxable items, and more than $0.3 billion of tariffs is paid per year on exports from Japan.

In addition to the US, there are also commitments on the immediate elimination of tariffs for many of the taxable general machinery items for Canada and New Zealand, which do not have FTAs with Japan. Exporting companies can benefit from tariff reduction effect immediately after the agreement enters into force.

■ US eliminates tariffs immediately for ¾ of taxable items

According to the schedule for tariff cuts in the US under the TPP, tariffs will be eliminated immediately for 76% of the taxable items once the agreement enters into force. Among exceptions with tariffs that will be eliminated after 10 years or more, 15 products are from Japan, most of which are bearings (4.4% - 9.9%).

■ High expectations from corporations

Machine tools are mainly produced domestically, with the exception of some leading manufactures. As such, there are high expectations that exports may expand as a result of the TPP.

For general machinery manufacturer, Company F, approximately 3% of tariffs are imposed on its general machinery exports from Japan to the US. However, if the TPP enters into force, it is expected to generate savings ranging from several tens to several hundreds of millions of yen per year.

Figure III-14: Breakdown of tariffs for HS84 products by the US on Japan under the TPP agreement

(Unit: Items, %)

General tariff rates		Product	Share
Tax-free		471	60.7
Taxed		305	39.3
Less than 5%	To be eliminated immediately	217	28.0
	5th year	47	6.1
	10th year	8	1.0
	12th year	2	0.3
	15th year	1	0.1
5% or more	To be eliminated immediately	14	1.8
	5th year	3	0.4
	10th year	0	0.0
	12th year	12	1.5
Other (Composite tax rate)	To be eliminated immediately	1	0.1
Total		776	100

Source: TPP agreement

Figure III-15: Top-ranking taxable imports from Japan to the US (HS84 products)

(US$ million, %)

HS number	Overview of items	2015	Base rate	Year of elimination
8409915085	Piston engine parts	906	2.5	Immediate
8479899899	Other machinery	482	2.5	Immediate
8481809005	Solenoid valves	316	2	Immediate
8407344800	Piston engines (>2,000cc)	307	2.5	5th year
8411999085	Gas turbine parts	279	2.4	Immediate
8458110030	Numerically controlled lathe	194	4.4	Immediate
8415908085	Air-conditioning parts	191	1.4	Immediate
8483905000	Gearbox parts	180	2.5	10th year
8458110010	Numerically controlled lathe	175	4.4	Immediate
8407341800	Piston engines (>1,000cc - 2,000cc)	164	2.5	Immediate
8466939585	Other machine tool parts	163	4.7	Immediate
8413309030	Piston engine pumps	156	2.5	Immediate
8457100015	Machining centers	152	4.2	Immediate
8457100055	Machining centers	150	4.2	Immediate
8483101030	Cam, crank shafts (for engines)	142	2.5	Immediate
8483308090	Bearing housing	139	4.5	10th year
8481200020	Hydraulic or pneumatic power transmission apparatus for valves	133	2	Immediate
8481809050	Other valves/cocks	128	2	Immediate
8457100060	Machining centers	127	4.2	Immediate
8481809015	Other valves/cocks	125	2	Immediate
8409999190	Automotive engine parts	105	2.5	Immediate
8456101010	Laser processing machines	102	3.5	5th year

Notes: Taxable items are items with import value exceeding $0.1 billion in 2015 and with a base rate.
Source: US trade statistics, TPP agreement

Electrical equipment: US eliminates tariffs immediately for most products

■ High-tariff electrical equipment remain in US

Japan's exports of electrical equipment to TPP partner countries are $25.9 billion (2015), and make up 27.1% of its total exports for the sector.

The US, which is the largest export destination, imposes tariffs of approximately 0.1% - 5% on key export items from Japan. Tariff reductions/ exemptions may be realized for the first time under the TPP, for items that were not covered by the ITA expansion such as lithium-ion batteries.

On the effective date of the TPP, the US will eliminate tariffs for 98.0% of the items currently subject to duty.

Figure III-17: Examples of base rate and tariff elimination schedule for Japan in electrical equipment

(Unit: %)

United States			Canada		
Product	Highest tariff rate	Tariff elimination schedule	Product	Highest tariff rate	Tariff elimination schedule
<Top ranking export items from Japan (taxable items only, based on 2015 results)>					
TV cameras, digital cameras, etc.	2.1	Immediate (2016-19)	Nickel-hydrogen batteries	7.0	Immediate
Lithium-ion rechargeable batteries	3.4	Immediate	Lithium primary batteries	7.0	Immediate
Stick converters	1.5	Immediate (2016-19)	Heating equipment	7.0	Immediate
Power generators	2.5	Immediate	Switchboards (<1,000V)	2.5	Immediate
Switchboards (<1,000V)	2.7	Immediate/10th year	Electrical conductors	6.5	Immediate
< Other high-tariff items >					
Color television sets	15.0	Immediate	Coffee-makers	9.0	Immediate
Flashlights	12.5	Immediate	Magnetic cards	8.5	Immediate (2019)
Handset parts	8.5	Immediate (2016-19)	Vacuum cleaners	8.0	Immediate
Electric motors	6.7	Immediate	Food mixers	8.0	Immediate
Toasters	5.3	Immediate	Regenerative radiators	8.0	Immediate

Notes: 1)"Immediate" means the tariff will be eliminated upon the effective date of TPP. 2) "Highest tariff rate" shows the highest rates on the basis of 6-digit HS code. There may be tax-free items on and after 7-digit. 3) Shaded cells show target products under the ITA expansion, while figures in parentheses show the year of elimination under the ITA expansion.
Source: TPP agreement, WTO documentation, trade statistics from the Ministry of Finance

Figure III-16: Electrical equipment trade matrix within the TPP (2015)

(US$ million, %)

Export destination→ Export source ↓	United States	Canada	Mexico	Peru	Chile	Australia	New Zealand	Singapore	Malaysia	Vietnam	Brunei	Japan	TPP total
<Average tariff rates>	1.7	1.1	3.5	2.1	6.0	2.9	2.6	0.0	4.3	7.9	5.1	0.1	3.1
United States	-	25,091	41,112	813	1,007	2,051	177	3,954	6,001	865	15	5,217	86,303
Canada	9,806	-	235	24	29	101	15	99	55	12	0	101	10,478
Mexico	71,696	1,803	-	446	474	107	17	186	63	15	1	254	75,064
Peru	24	1	2	-	16	0	-	0	0	0	0	0	43
Chile	108	1	8	54	-	0	0	0	-	0	-	1	172
Australia	397	19	11	5	11	-	516	130	68	16	1	32	1,205
New Zealand	161	15	8	0	2	218	-	22	7	2	0	34	469
Singapore	7,402	164	633	4	12	968	136	-	11,387	3,788	87	5,706	30,287
Malaysia	9,021	236	970	30	106	686	88	9,972	-	772	22	4,078	25,983
Vietnam	8,303	807	2,194	127	147	989	139	989	1,971	-	-	2,473	18,138
Brunei	0	0	0	-	-	0	0	3	0	-	-	-	4
Japan	14,670	537	1,562	23	21	374	35	3,310	2,823	2,579	5	-	25,937
TPP total	121,588	28,673	46,734	1,528	1,824	5,493	1,125	18,666	22,377	8,050	132	17,895	274,084

Notes: 1) Of the exports to TPP parties from each country, countries with share exceeding 10% are shown in the shaded cells. 2) Average tariff rates are simple average MFN tariff rates for electrical equipment as defined by WTO. 3) Figures for Vietnam and Brunei are estimates. Source: Trade statistics of each country, "World Tariff Profiles 2015" (WTO)

Services: Easing and clarification of foreign investment restrictions

■ Easing of restrictions for retail sector, etc. contributes to overseas expansion success

For the services sector, TPP includes rise in the threshold of investment value requiring government approval as well as raising of foreign investment ratio. One of the examples is the easing of restrictions on foreign investment for the retail sector in Vietnam. In Vietnam, the Economic Needs Test (ENT) that companies are required to undergo when opening two or more stores after the five-year transition period after the TPP enters into force. Predictability of restrictions on the rental and sublease of real estate will rise, and this is in turn likely to drive the entrance of retail sector into the market, along with the abolishment of the ENT.

Figure III-18: Examples of TPP member's commitments on liberalization in the services sector

Countries	Sectors	Regulated items	Commitments under existing agreements ⇒ **Commitments under TPP**
Vietnam	Distribution	Economic needs test	Economic needs test (ENT) is required for foreign distribution firms to open a second or subsequent location.. **⇒After the five-year transition period after the TPP entered into force, ENT will be eliminated. Designated commercial areas do not need ENT even in the transition period.**
	Shipping related services	Restrictions on foreign investment	Customs clearance services are only permitted through merger with a Vietnamese corporation or capital contribution in a Vietnamese corporation in the same sector. **⇒This restriction will be abolished.**
	Maritime transportation	Limitations of sector	Foreign firms are not permitted to provide some services. **⇒These restrictions will be removed, excluding cabotage.**
	Advertising	Merger requests	Foreign investors have to form commercial agreements or joint ventures with local companies active in the same field. **⇒This rule will be abolished.**
	Telecommunications	Restrictions on foreign investors	The provision of fixed/mobile terrestrial services by foreign service providers is permitted only when it is carried out through a commercial contract with a Vietnamese corporation, under a license for international telecommunications services. **⇒This restriction will be abolished.**
	Rental and sublease of real estate	Limitations on foreign ownership	No liberalization commitment. **⇒Rental and sublease of real estate will be liberalized. (E.g. Department stores will be able to lease their space to other companies.)**
Malaysia	Distribution	Limitations on foreign ownership	Distribution services by foreign investors are not allowed, and there is the possibility of additional restrictions. **⇒Foreign investors can invest in supermarkets and hypermarkets by up to 70%. Foreign investors, excluding licensors, will be able to invest in convenience stores by up to 30%.**
	Finance	Restrictions on foreign investment	(1) Foreign banks can only have up to eight branches. In addition, ATMs cannot be set up outside a bank. **⇒Banks will be able to have up to 16 branches. The restriction on ATMs will be abolished.** (2) Ratio of investment in credit rating companies by foreign capital is limited to 49%. **⇒This rule will be abolished by the end of 2016.**
	Non-life insurance	Restrictions on foreign investment	Requirement for the repurchase of reinsurance from state-owned reinsurance businesses: Uniform rate of 30%. **⇒Eased to 2.5%.**
	Leasing/rental of machinery/equipment	Restrictions on foreign investment	Investment is permitted only through mergers. Investment ratio is capped at 51%. **⇒This restiction will be abolished.**
Australia	All sectors	Investment amount requiring approval	AUD$248 million **⇒Raised to AUD$1.94 billion.**
	All sectors	Nationality requirements	Private companies are required to have at least one director and one secretary residing in Australia; for public companies, there is a requirement for at least two directors and one secretary. **⇒This restriction will be abolished.**
NZ	All sectors	Investment amount requiring approval	Approval is required for the following: A foreign company obtaining more than 25% share and control of a company, and the transaction value is over 100 million NZ dollars; or a company has to pay more than 100 million NZ dollars in accordance with a new project or acquisition of business property. **⇒In both cases, the standard amount will increase to 200 million NZ dollars.**
Canada	All sectors	Investment amount requiring approval	CAD$369 million **⇒Raised to $1.5 billion Canadian dollars.**
	Culture business	Restrictions on foreign investment	Restrictions may be introduced in the future for culture-related services. **⇒It is clarified that no restrictions will be set on any foreign audio and video content provided via Internet.**
Mexico	All sectors	Investment amount requiring approval	Peso-denominated investment equivalent to $150 million. **⇒Raised to the equivalent of $1 billion.**
Chile	All services	Nationality requirements	(1) More than 85% of the workers under the same employer are required to be Chileans. **⇒In addition to Chileans, foreigners who have resided for 5 years or more are also permitted.** (2) Employers have to be representatives or mandataries in Chile, and residing in Chile. **⇒This requirement will be abolished.**

Source: TPP agreement and the Cabinet Secretariat

Comparison of macro indicators among TPP parties

■ US leads the TPP market; emerging economies experience significant growth

Among the TPP parties, the scale of the US economy is massive. Nominal GDP of the US in 2015 was $17.9 trillion, making up 24.5% of the world's GDP. Emerging economies such as Vietnam and Mexico have experienced dramatic economic growth, and imports to these countries have risen in recent years. According to IMF forecasts, real GDP growth rate for Vietnam from 2015 to 2020 is the only one among the TPP parties that is expected to remain at a level of about 6%. GDP per capita is expected to increase for Malaysia in particular (average growth rate from 2015 to 2020: 8.2%).

■ Emerging economies to enter a period of demographic dividend in earnest

Looking at the population trends for TPP parties, we can see that many of the emerging economies are currently entering a period of demographic dividend, or are likely to enter it in the near future. The demographic dividend is expected to continue up till 2036 for Vietnam, 2038 for Mexico, and 2049 for Malaysia.

Figure III-19: Macro indicators for TPP parties (2015)

		Nominal GDP ($1 billion)	Population (1 million people)	Nominal GDP per capita ($)	Real GDP growth rate (%)	Average growth rate for imports (2010 - 2015, %)
Advanced economies	United States	17,947	321.8	55,805	2.4	3.3
	Canada	1,552	35.9	43,332	1.2	1.4
	Australia	1,224	24.0	50,962	2.5	0.7
	New Zealand	172	4.5	37,045	3.4	3.7
	Singapore	293	5.6	52,888	2.0	-0.9
	Japan	4,123	126.6	32,486	0.5	-1.3
Emerging and developing economies	Brunei	12	0.4	28,237	-0.2	-
	Malaysia	296	30.3	9,557	5.0	1.3
	Vietnam	191	93.4	2,088	6.7	14.3
	Mexico	1,144	127.0	9,009	2.5	5.6
	Chile	240	17.9	13,341	2.1	1.6
	Peru	192	31.4	6,021	3.3	4.7
TPP total		27,388	818.9	-	-	2.4

Notes: 1) Average growth rate for the amount of imports in the TPP total does not include Brunei due to statistical limitations. 2) Definitions of advanced, emerging, and developing economies are based on IMF definitions.
Source: "WEO,April 2016" (IMF), "World Population Prospects: The 2015 Revision" (United Natioins)

Figure III-20: Period of demographic dividend for TPP parties

	1990	2000	2010	2020	2030	2040	2050	Period of demographic dividend	Period of demographic dividend: Period of continuous rise in working-age population ratio	Period of demographic dividend: Period when ratio of working-age population rises + working-age population/dependent population is 2 or more	Period of demographic dividend: Period when working-age population/dependent population is 2 or more
Malaysia	1.46	1.69	2.11	2.34	2.17	2.15	1.97	1965～2049	1965～2007	2008～2019	2020～2049
Brunei	1.69	2.04	2.47	2.62	2.34	1.96	1.57	1966～2039	1966～1999	2000～2018	2019～2039
Mexico	1.31	1.54	1.79	2.02	2.08	1.97	1.79	1967～2038	1967～2018	2019～2029	2030～2038
Vietnam	1.32	1.63	2.31	2.23	2.07	1.90	1.61	1969～2036	1969～2005	2006～2013	2014～2036
Peru	1.35	1.55	1.81	1.92	1.97	1.93	1.79	1968～2031	1968～2031	-	-
Chile	1.79	1.91	2.17	2.15	1.89	1.64	1.47	1967～2026	1967～2002	2003～2015	2016～2026
Singapore	2.70	2.47	2.79	2.40	1.77	1.40	1.23	1964～2026	1964～1978	1979～2010	2011～2026
Canada	2.13	2.15	2.27	1.90	1.56	1.49	1.42	1963～2017	1963～1977	1978～2008	2009～2017
United States	1.93	1.98	2.05	1.83	1.57	1.53	1.52	1963～2013	1963～2000	2001～2008	2009～2013
Australia	2.02	2.01	2.08	1.81	1.63	1.59	1.52	1962～2013	1962～1987	1988～2008	2009～2013
New Zealand	1.91	1.90	1.98	1.75	1.54	1.43	1.45	1962～2008	1962～2008	-	-
Japan	2.30	2.14	1.76	1.44	1.34	1.16	1.05	1951～2004	1951～1963	1964～1992	1993～2004

Notes: 1) Median estimates. 2) Light grey: Period when ratio of working-age population/total population rises mostly consistently. Grey: Period when ratio of working-age population/total population rises mostly consistently, and working-age population/(youth population + senior population) is mostly 2 or more. Shaded: Period when working-age population/(youth population + senior populaton) is 2 or more. 3) Time-series data figures show working-age population/dependent population (youth population + senior population).
Source: "World Population Prospects: The 2015 Revision" (United Nations)

Re-evaluation of US market and concentration of industries of note

■ TPP's largest market draws attention

According to JETRO's 2015 Survey on the International Operations of Japanese Firms (March 2016), with respect to countries/regions for the future expansion of international operations, the US (33.7%) rose from fifth place in FY2013 to third place after China (53.7%) and Thailand (41.7%). Response rates were higher than average for the textiles/textile products and apparel sectors (57.7%) and precision equipment (57.1%), and higher than figures for 2013, suggesting anticipation of the effects of tax elimination/reduction through the TPP.

■ Expansion based on industrial concentration over a wide area

One of the characteristics of the US economy is the fact that the concentration of key industries is spread out over the vast expanse of the country. Looking at the overall industry, while California, Texas and New York, which have large populations, take up the top ranks, categorization by industry shows the manufacturing industry scattered across a region spanning from the Midwest to the South. As such, active marketing efforts in the areas of expansion will take on greater importance.

Figure III-21: Gross operating surplus in the US by state (Top 10 states in 2014)

(Cells indicate regions in the northeast, midwest, south, or western parts of the US in order from light-colored cells to dark-colored cells.) (Unit: %)

Rank	All sectors		Metal products		Machinery manufacturing		Electrical equipment/machinery/ parts manufacturing		Computer/ Electronic equipment manufacturing	
	State	Share	State	Share	State	Share	State	Share	State	Share
1	California	14.0	Texas	11.1	Texas	16.0	Tennessee	12.5	California	29.0
2	Texas	10.5	California	8.8	Illinois	14.2	North Carolina	8.5	Oregon	20.6
3	New York	7.9	Ohio	8.6	California	7.1	Ohio	7.4	Texas	10.4
4	Florida	4.4	Illinois	6.3	Iowa	6.7	Georgia	6.6	Massachusetts	5.6
5	Illinois	4.1	Indiana	5.5	North Carolina	5.0	South Carolina	6.5	North Carolina	4.3
6	Pennsylvania	3.7	Michigan	4.5	Wisconsin	4.8	Illinois	6.2	New York	2.5
7	Ohio	3.4	Massachusetts	4.4	Indiana	3.9	Wisconsin	6.1	Minnesota	2.4
8	New Jersey	2.9	Pennsylvania	4.4	Ohio	3.9	Pennsylvania	4.1	Florida	2.2
9	North Carolina	2.8	Wisconsin	3.6	Michigan	3.6	Michigan	3.9	Illinois	2.1
10	Georgia	2.6	New York	3.0	New York	3.0	Missouri	3.7	Colorado	2.0

Rank	Automobile/car body/trailer/parts		Textile product manufacturing		Chemical product manufacturing		Plastics/Rubber product manufacturing		Food products/beverages/ Tobacco manufacturing	
	State	Share	State	Share	State	Share	State	Share	State	Share
1	Michigan	28.9	Georgia	29.1	Texas	16.5	Texas	8.9	Virginia	9.1
2	Texas	11.6	North Carolina	18.0	California	15.3	Ohio	7.8	California	7.9
3	Indiana	10.7	Mississippi	5.4	Indiana	10.0	Illinois	7.5	North Carolina	7.3
4	Tennessee	7.1	South Carolina	5.3	North Carolina	9.0	Pennsylvania	6.0	Georgia	6.1
5	Ohio	5.8	California	3.5	Louisiana	4.8	California	5.8	Ohio	5.5
6	Kentucky	5.0	New York	3.5	Pennsylvania	4.6	North Carolina	5.5	Texas	5.4
7	Alabama	3.9	Alabama	3.3	New York	4.5	Michigan	4.8	Illinois	5.1
8	South Carolina	3.8	Texas	3.2	New Jersey	4.3	Indiana	4.3	Pennsylvania	4.4
9	North Carolina	3.1	Tennessee	3.2	Ohio	3.2	New York	4.1	Tennessee	3.7
10	Illinois	2.1	Pennsylvania	2.7	Illinois	3.2	Wisconsin	3.7	Missouri	3.5

Source: United States Department of Commerce

Key factors for opening up and expanding sales channels in the US market

■ **Focus on areas with a large number of high-income households**

Even in the US, where there is a large number of high-income households, a comparison by state and urban area shows that there are areas with incomes that are significantly higher than the national average (22.9%). These areas have a stronger appeal as consumer markets.

■ **Build appropriate sales channels that fit the business strategy**

Building appropriate sales channels from several options, such as expanding the own company or using distributors, is important from the perspective of minimizing operating costs.

■ **E-commerce (EC) markets that are increasingly drawing attention**

The EC market has sustained a double-digit annual growth rate, and makes up 7.8% of the retail market, valued at $92.8 billion, in the first quarter of 2016. In addition to high usage rates among the millennials (consumers born between 1980 – 2000), usage rates among those aged 55 and above also reached the same level as the overall average.

Figure III-22: States and urban areas with a high proportion of high-income households (2014)

(Unit: %)

State (including administrative district)	Ratio of household income of $100,000 or higher	Urban area (state/administrative district)	Ratio of household income of $100,000 or higher
Maryland	36.1	San Jose, Sunnyvale, Santa Clara areas (California)	46.9
Washington, D.C.	36.0	Washington, Arlington, Alexandria areas (around Washington DC)	46.0
New Jersey	35.6	Bridgeport, Stanford, Norwalk areas (Connecticut)	42.6
Connecticut	33.9	California, Lexington Park areas (Maryland)	42.2
Massachusetts	33.2	San Francisco, Oakland, Hayward areas (California)	40.8

Notes: Refer to data on five-year estimates (2009 - 2014)
Source: 2014 American Community Survey

Figure III-23: Comments about sales strategies from corporations expanding into the US market

Expansion method	Implementation/Management of business strategies	Marketing	Business cost	Sales area	Speed of business expansion	Local human resources
Own-company expansion	Easy to implement the strategy on the company's own basis. (Fashion, food products, etc.)	Easy management of products, prices, distribution, etc. (Fashion, food products, etc.)	Business costs are likely to increase (particularly fixed costs). (Precision equipment, fashion, etc.)	Sales area tends to be restricted. (Food products, automotive parts, etc.)	Tends to take time to expand the business. (Automotive parts, food products, etc.)	Recruitment and retention of human resources tends to incur time and cost. (Food products, automotive parts, etc.)
Distributor (importer/sales agent)	Easily subjected to restrictions in the implementation of the own's company strategy. (General machinery, food products, etc.)	Easily subjected to restrictions with regard to products, prices, distribution, etc. (Medical equipment, food products, etc.)	Easy to keep business costs low (particularly fixed costs). (General machinery, food products, etc.)	Sales area is easily expanded through the designation of dealer stores for each area. (Medical equipment, food products, etc.)	Cooperation from import/sales agents is necessary in order to expand the business. (Medical equipment, general machinery, etc.)	Recruitment and retention of human resources does not incur time and cost. (General machinery, food products, etc.)
Sales representative	Relatively easy to implement the own company's strategy. (Health, design, etc.)	Relatively easy to manage products, prices, distribution, etc. (Health, food products, etc.)	While it is easier to keep business costs low as compared with own-company expansion (particularly fixed costs), there is a possibility for increase depending on sales commissions and incentives. (Everyday merchandise, health, etc.)	Sales area is easily expanded through the designation of sales representative for each area. (Food products, health, etc.)	Takes relatively little time to expand the business. (Medical equipment, health, etc.)	Relatively easy to secure human resources. However, tends to take time and cost to secure and retain outstanding human resources. (Health, etc.)
Sales alliance	Able to execute and manage the own company's strategy if there is adequate coordination during the partnership. (Pottery, etc.)	Easily subjected to restrictions. However, if the mutual benefits are shared between the partners, management would be possible. (Pottery, general machinery, etc.)	Easy to keep business costs low (particularly fixed costs). (General machinery, food products, etc.)	Sales area is easily expanded through the mutual use of management resources. (Pottery, general machinery, etc.)	Depending on the contents of the partnership, cooperation from the partners is necessary in order to expand the business. (Pottery, food products, etc.)	Little impact on the recruitment and retention of human resources. (Food products)
Acquisition of local corporation （M&A）	Easy to execute and manage the own company's strategy. (IT, hotels, etc.)	If conditions for differentiation, etc. with products of acquisition are fulfilled, it would be easy to manage aspects such as products, prices, distribution, etc. (IT, general machinery, etc.)	Depending on the acquisition price, comprehensive business costs may rise. Time and costs are easily incurred on business integration after the acquisition. (Hotels, automotive parts, etc.)	Sales area is easily expanded through the use of existing management resources (IT, general machinery, etc.)	Speedy business expansion possible. (IT, industrial gas, etc.)	Relatively easy to secure human resources. However, there are cases where it may incur time and cost to retain outstanding human resources. (Medical equipment, IT, etc.)

Source: Corporate interviews, BIZ NEWS, etc.

Lack of human resources is the most serious issue in opening up overseas markets

■ Increasing use of foreign human resources alongside nurturing of Japanese employees

In attempts by Japanese corporations to open up overseas markets through the utilization of TPP and other means, the lack of existing human resources in these companies has become the most serious management issue. According to JETRO's Survey on the International Operations of Japanese Firms, the largest proportion of corporations (52.8% of all respondents) selected "human resources to take charge of overseas businesses" as their response to the question about issues when engaging in international operations (export/overseas expansion). With regard to the human resources that are vital in opening up overseas markets, Japanese corporations are interested in utilizing foreign human resources after the first option of fostering Japanese employees. This survey also polled respondents on the benefits for corporations that have employed foreign employees, or that are considering employing them in the future. In response, more than 40% of the corporations answered "expansion of sales channels" and "improvement in negotiation capability with foreign countries." Of these, the percentage of companies that selected "expansion of sales channels" increased by 5.1% points as compared to the previous year, indicating heightened expectations among Japanese corporations toward the use of foreign human resources. On the other hand, foreign companies established in Japan point to improvements in negotiation capability with foreign countries as a benefit of having a multinational workforce.

Figure III-24: Issues regarding overseas business

(Unit: %, percent point)

	FY2015 survey			Change from FY2013 survey		
	Total (n=3,005)	Large-scale firms (n=638)	SMEs (n=2,367)	Total	Large-scale firms	SMEs
Human resources for overseas operations	52.8	68.8	48.5	11.6	16.2	10.1
Information on overseas systems (tariff rate, regulations,	51.1	59.2	48.9	11.0	10.5	10.9
Local business partners (alliance partners)	48.5	45.1	49.3	0.7	-1.2	1.2
Information on local markets (consumers' preferences, needs,	47.1	48.9	46.6	7.7	6.8	7.8
Expansion of local sales networks	38.8	39.8	38.5	6.3	6.0	6.3
Cost competitiveness	32.5	46.6	28.8	5.5	10.6	4.0
Goods for local markets	27.5	31.7	26.3	6.1	5.4	6.1
Raising of necessary funds	18.4	9.1	20.9	2.2	1.0	2.7
Other	1.9	1.1	2.1	0.8	-0.5	1.1
Nothing in particular	4.5	4.4	4.6	1.0	1.8	0.9

Note: 1) Percentage to the total number of respondent firms. 2) Multiple answers

Source: FY2015, FY2013"Survey on the International Operations of Japanese Firms"(JETRO)

Figure III-25: Examples of benefits and issues in the utilization of foreign human resources by Japanese and foreign corporations

Industry		Benefits	Overview
Japanese companies	Transportation	Expanding sales channels	While it is also important to understand the foreign language and business practices, it is most important to have personal connections. Existing overseas business partners are mostly acquaintances of foreign employees.
	General machinery	Expanding sales channels	After foreign employees are trained at the head office, there are cases where they become sales dealers or suppliers in the home country.
	Trading companies/wholesale	Expanding sales channels, improving international negotiation ability	Efforts to establish sales channels and export routes to China. The utilization of foreign personnel is effective in the aspect of communication. Business negotiations can take place with few misunderstandings.
Foreign companies in Japan	Chemicals	Improving international negotiation ability	Effective in overcoming language and cultural barriers, and in building strong and extensive relationships with external stakeholders.
	Real estate	Improving international negotiation ability	In order for facilitating communication with external parties, it is highly effective to hire foreign employees who are well-versed in the business practices of the country of business expansion.
	Other services	Improving international negotiation ability	Local employees are indispensable in the aspect of building relationships with local business partners. It is beneficial to have human resources of various nationalities in order for the Japanese branch office to oversee the Asia region.
Industry		**Issues**	**Overview**
Japanese companies	Chemicals	Difficult to share the organizational vision	Monthly interviews are conducted during the probationary period, efforts are made to achieve mutual understanding such as the sharing of company vision, etc., and cultural gaps are eliminated as far as possible.
	Trading companies/wholesale	There are many people who wish to return to the home country/switch jobs in the future; resignation rate is high	Whether or not the foreign employee wishes to return to the home country in future appears to be undecided. It would be possible to assign more important work to the employee once verify his or her intent to stay for the long-term.
	Electronic components	No (or few) applications even if a call for recruitment is put out	In the recruitment of foreign employee, the inability to find desirable persons is an issue. A concern would be whether the foreign employee would settle down in a locality where wage levels are relatively low.
Foreign companies in Japan	Chemicals	Difficult to share the organizational vision. Many barriers to communication between employees.	Much cost and time is injected into reducing cultural gap and sharing organizational culture.
	Real estate	Many barriers to communication between employees.	It takes time to foster a common understanding. Unnecessary communication would be required if there were only employees of the same nationality.
	ICT/software	Many barriers to communication between employees.	Confrontation arising due to differences in way of thinking and views, and language issues in work. However, it is fairly possible to resolve the abovementioned problems through employee education where employees are taught mutual respect.

Source: Interview survey

Strong presence of rapidly increasing foreign tourists in the domestic tourism market

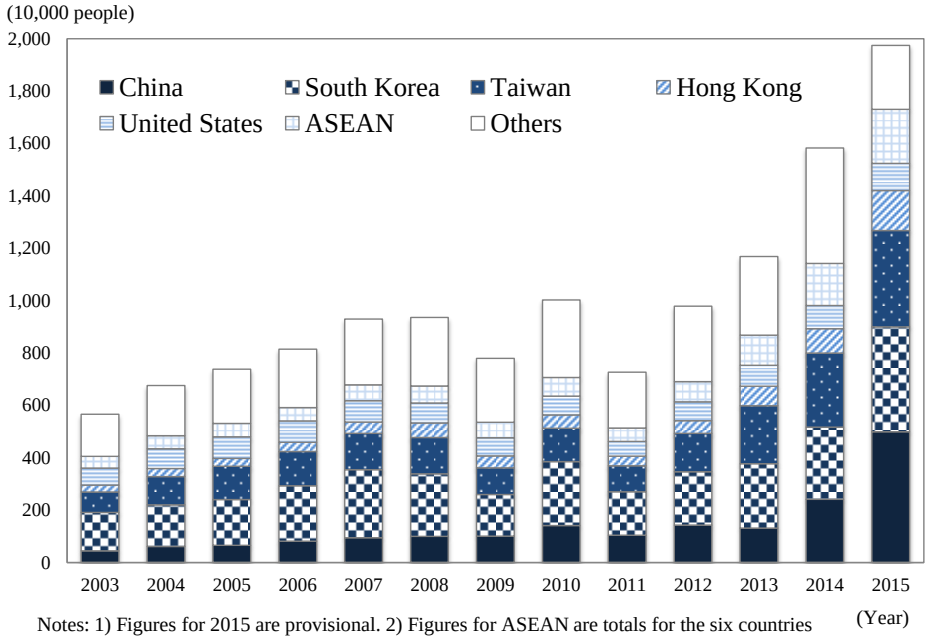
■ **Number of foreign tourists to Japan in 2015 reaches historical high for third year running at 19.74 million (47.1% increase year-on-year)**

The number of foreign tourists to Japan reached a new historical high for the third year running, doubling from the number in 2012 (8.36 million) (according to JNTO). Looking at tourist numbers by region of origin, the number of tourists from Asia grew by 53.9%, surpassing the average growth rate as in last year, and making up 84.3% of all tourists. In terms of nationality, the number of tourists from China (4.99 million, 107.3% increase year-on-year) rose dramatically and surpassed the number of Korean tourists (4 million, 64.6% increase year-on-year) to reach the top place for the first time. In 2016, the number of visitors to Japan continued to grow, increasing by 39.3% year-on-year during the first quarter (estimated).

■ **Heightened presence in the domestic accommodations market**

The total number of foreign lodgers increased by 48.1% year-on-year to 66.37 million nights of stay. Looking at the trends by prefecture, we see that Tokyo, Osaka, and Hokkaido rank at the top, while significant increases were recorded for Okinawa in 5th place (64.0% increase year-on-year), Fukuoka in 7th place (75.2% increase year-on-year), and Shizuoka in 9th place (123.8% year-on-year). As a result, the ratio of foreigners to the total number of lodgers overall rose to a double-digit figure for the first time at 13.1%. The breakdown of percentages by prefecture puts Osaka in the lead (30.2%), followed by Tokyo (29.9%) and Kyoto (25.7%). However, the percentages all fall below 5% for the prefectures in the lowest 20 positions, showing a widening gap with the prefectures ranked at the top.

Figure III-26: Changes in the number of foreign tourists to Japan



Notes: 1) Figures for 2015 are provisional. 2) Figures for ASEAN are totals for the six countries of Thailand, Singapore, Malaysia, Indonesia, Philippines, and Vietnam.
Source: Japan National Tourism Organization (JNTO)

Figure III-27: Ratio of foreigners to the total number of lodgers

(Unit: %)

Rank	Prefectures	2012	2013	2014	2015
	National	6.0	7.2	9.5	13.1
1	Osaka	13.1	18.1	21.9	30.2
2	Tokyo	16.9	18.6	24.3	29.9
3	Kyoto	14.2	13.1	19.4	25.7
4	Okinawa	5.0	7.2	11.9	18.8
5	Hokkaido	7.0	9.9	12.6	17.0
6	Chiba	9.3	10.0	12.6	15.5
7	Yamanashi	5.5	7.1	12.5	15.4
8	Fukuoka	5.5	6.4	8.9	14.7
9	Gifu	4.5	6.9	9.8	13.8
10	Aichi	7.0	7.8	9.7	13.5
43	Akita	0.8	1.0	1.1	1.7
44	Fukui	0.8	0.9	0.8	1.4
45	Yamagata	0.6	0.7	0.8	1.3
46	Shimane	0.7	0.6	0.9	1.2
47	Fukushima	0.4	0.4	0.4	0.5

Source: Statistical Survey on Accommodations (Japan Tourism Agency)

Significant gap with advanced tourism countries in both the aspects of people and money

■ **Trade surplus of 1.1 trillion yen ($9 billion) for tourism revenue in 2015, marking first surplus in 53 years**

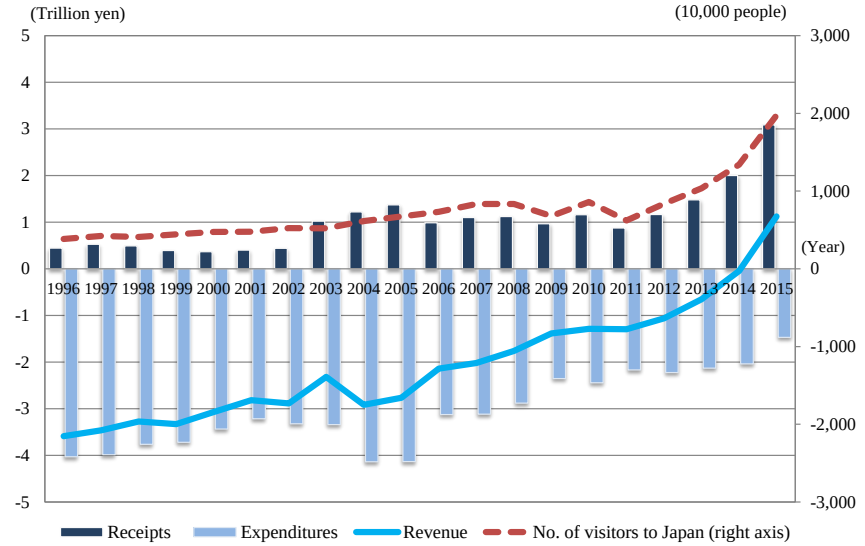
Looking at the balance of payments by country/region, Asian countries/regions such as China (874.4 billon yen), Taiwan (357.8 billion yen), and Hong Kong (169.8 billion yen) have contributed to the surplus, while North America and Europe have continued to register a deficit. The ratio of tourism revenue (receipts) to nominal GDP (2015) increased from 0.4% in the previous year to 0.6%. As the number of foreign tourists to Japan is expected to continue increasing going forward, there are expectations that this will contribute to a surplus in the balance of payments.

■ **Issues that have emerged in comparison with advanced tourism countries**

Japan's share in the number of international tourist arrivals worldwide (1.13 billion people, 2014), as published by the World Tourism Organization, was 1.2%, and its rank improved from 27th place in the previous year to 22nd. Similarly, comparing international tourism revenue (Note), we see that Japan's share, at 1.5%, had risen in ranking from 20th place last year to 17th place. In 2015, its ranking is expected to improve further to 13th place. In comparison with the main advanced countries, a significant gap remains in both the aspects of arrival numbers and revenue. While revenue per tourist exceeds the average, the GDP ratio for international tourism revenue is relatively lower than that for other advanced economies.

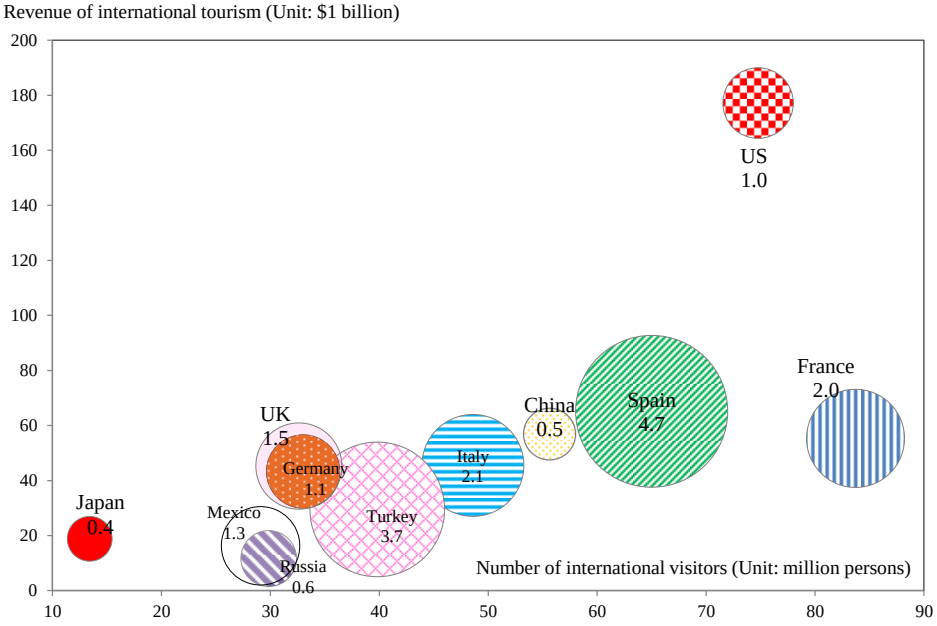
Note: Fare revenue from overseas to airlines companies of the country and advanced payments to travel companies of the country are added to the amount of receipts in the tourism-related balance of payments.

Figure III-28: Changes in Japan's tourism balance of payments and tourist numbers



Source: Balance of Payment Statistics (Bank of Japan)

Figure III-29: Number of international tourist arrivals, international tourism revenue, international tourism revenue to GDP (2014)



Source: "UNWTO Tourism Highlights, 2015 Edition" (UNWTO), World Bank

Key issues in promoting tourism to Japan and reference cases

■ **Numerous challenges including transportation infrastructure, accommodations facilities, etc.**

There are many challenges that should be resolved, including securing transportation infrastructure, insufficient accommodations facilities, developing financial services, increasing the number of interpretation guides, undeveloped secondary transportation, tourist information in foreign languages, and the development of reservation systems compatible with foreign languages. On the other hand, progresses are being made in various areas in the efforts aimed at overcoming the challenges. In cases where the problems cannot be solved through the efforts of a single party, efforts are often made through cooperation and collaboration between regions, public and private sectors, and corporations.

Figure III-30: Key issues and precedents in promoting tourism to Japan

Issues	Current situation	Reference cases
Securing transport infrastructure	Congestion on the runways and airspaces accompanying the increase in flights at major airports, and prolonged waiting time for customs clearance, are increasingly becoming issues. Expansion in the use of local airports is anticipated, including attracting international flights.	Active initiatives by Shizuoka Airport, Saga Airport, etc. to attract direct flights from Asian countries.
Shortage of accommodation facilities	A tight demand and supply situation has continued, such as utilization rate of hotels mainly in the urban areas such as Tokyo, Osaka, and Kyoto exceeding 80% on average. By 2020, a shortage of guestrooms in the tens of thousands is estimated.	Efforts are underway by the governments of Osaka and Ota City in Tokyo, etc. to establish unique rules and enact a Private Accommodations Ordinance.
Development of financial services such as currency exchanges and credit cards, etc.	There are few money exchange businesses, which are concentrated in financial institutions. In addition, there are cases where credit cards issued overseas are not accepted at domestic ATM or payment terminals.	In Hakuba, Nagano Prefecture, local corporations are contributing for installing ATMs in tourism offices that allow for the use of credit cards issued overseas.
Easing of conditions for becoming Japanese licensed tour guide	Those who receive compensation for providing tourist guidance in foreign languages have to be licensed Japanese tour guides. The level of difficulty of the examination for obtaining the license is high, regardless of the guide's foreign language proficiency and specialized knowledge.	Introduction of area-limited tour guides in places such as Tottori Prefecture, Shimane Prefecture, Yamanashi Prefecture, and Takayama City in Gifu Prefecture.
Undeveloped secondary transportation	Compared to domestic tourists, there is inadequate development of secondary transportation that gives consideration to inbound tourists with limitations in their travel itineraries.	In Hakuba, Nagano Prefecture, regular buses to Shiga Kogen, Matsumoto, Zenkoji, and other spots are operated by local corporations.
Tourism information in foreign languages	Inadequate explanations and information in foreign languages with respect to the history, culture, etc. of sightseeing spots.	In Tanabe City of Wakayama Prefecture, tourism information for the city, such as bus schedules, are translated into five languages: English, French, Spanish, Chinese, and Korean.
Reservation system compatible with foreign languages	Inbound tourists cannot use services and facilities as reservations for means of transportation, accommodation facilities, and sightseeing facilities cannot be made in foreign languages.	At the Nakagomi Farm in the Minami Alps of Yamanashi Prefecture, it is possible to make reservations for fruit-picking trips through the website in English and Chinese.

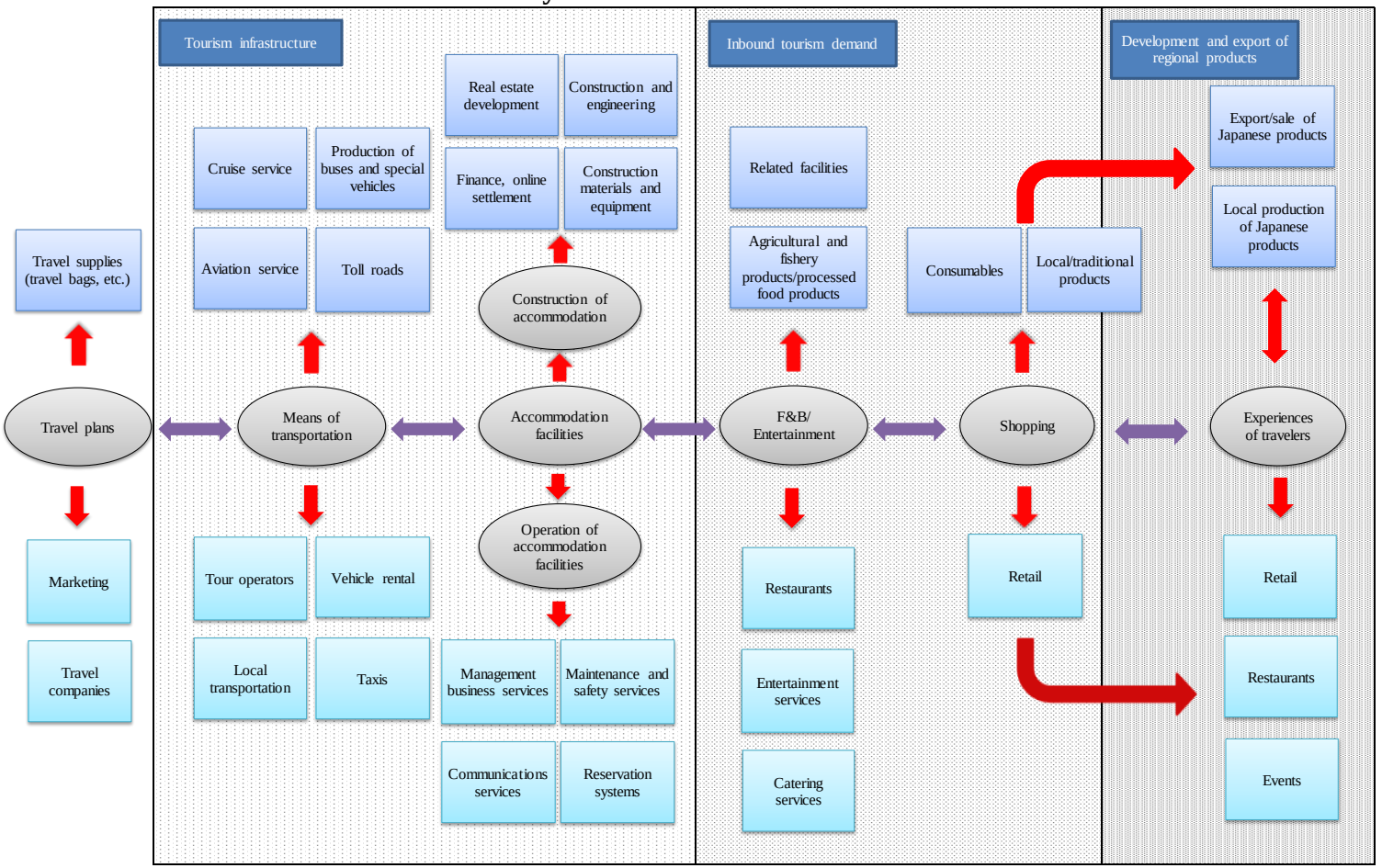
Source: Based on various materials and interviews with the relevant parties

The value-chain of the inbound tourism business, and types of businesses

■ **Value-chain of the inbound tourism business characterized by its broad range and complementary relationship**

The value-chain of the inbound tourism business has a broad range, and there is a mutually complementary relationship between the businesses. In the context of revitalization of the regional economy, the businesses can be organized as follows from upstream to downstream: tourism infrastructure (e.g. means of transportation, accommodations facilities), businesses that fulfill inbound tourism demand (e.g. food and beverage/entertainment, shopping), development and export of regional products (e.g. tourist experiences). Other businesses that enhance the brand value of the region through attracting inbound tourists, and which contribute to the development of the regional economy, may be described as regional brand creation businesses.

Figure III-31: Value-chain of inbound tourism industry



Source: "FDI in Tourism" (UNCTAD), etc.

Advanced tourism businesses and initiatives by public institutions

■ Advanced initiatives put in place by regions with an increasing number of inbound tourists

The inbound tourism business brings a new business perspective. There are cases where the demands of inbound tourists differ from the demands of conventional domestic tourists, and efforts to meet these demands can produce new business models. For example, in the tourism infrastructure sector, there has been a continued trend to establish hotels and attract international airlines for the purpose of targeting Japan-bound visitors as their customers, and an example of an initiative to fulfill the demands of inbound tourists has been the expansion of new domestic production bases by manufacturers brought about by the demand for “made-in-Japan souvenirs” among inbound tourists.

■ Cases where public institutions such as the government plays an important role

From the perspective of branding for a region, there are many cases where public institutions such as local governments plays an important role. In places such as Takayama City (Gifu Prefecture) and Tanabe City (Wakayama Prefecture) that are popular among inbound tourists, public institutions in the region have played a central role in the aspect of promoting the region. In addition, wide-area collaboration is important in efficiently and effectively attracting inbound tourists. In regions that have produced a successful track record, public institutions often promote and engage actively in collaboration.

Figure III-32: Cases of advanced tourism business

Themes	Categories	Areas	Outlines
Inviting international flights including low-cost carriers	Infrastructure oriented	Shizuoka	As a result of continuing inviting international flights into the Shizuoka airport, the number of flights from local cities in China drastically increased in 2015. The number of visitors using this airport doubled from the year earlier. The total number of lodgers in hotels within Shizuoka also increased by 3.5 times.
Establishing hotel targeting foreign tourists	Infrastructure oriented	Osaka	Freeplus Inc opened a hotel in Osaka targeting foreign tourists. The number of single rooms is smaller than that in a conventional hotel in order to respond to demand by these tourists.
Investing in production increase responding to demand by foreign tourists	Responding to inbound demand	Hyogo	Lion Corporation invests in its factory in Akashi for the first time in 10 years, which is the only one domestic plant for this company, to increase production. This company's tooth brushes are popular among foreign tourists.
Strengthening supply chains and responding to demand by foreign tourists by developing domestic production sites	Responding to inbound demand	Gunma Saitama	Kose, a cosmetic company, expands the scale of production in its two domestic factories, including its group companies. It aims at strengthening its supply chains and responds to demand by foreign tourists by flexibly taking advantage of each production site.
Aiming at synergetic effect through accepting foreign tourists and expand business overseas	Developing and exporting specialties	Wakayama	Yuasa Soy Sauce Ltd have been visited by around 2000 to 3000 foreign tourists per year mainly from Singapore, Malaysia, Thailand, and Hong Kong, in addition, from Europe and America. It is now exporting soy sauce and "kinzanji-miso" after increasing awareness of its brand.
Providing special beef as souvenir	Developing and exporting specialties	Gifu	Yamatake-ya; which manages production, wholesale and retail business, and a restaurant for local special beef, hida-gyu; is selling the beef as souvenir geared toward foreign tourists in line with lifting a ban by Singapore allowing to bring back beef into the country as a souvenir.
Considering expanding business overseas by increase of foreign customers	Developing and exporting specialties	Osaka	"Tabio", a socks company, is now considering expanding business through export or opening stores in Asia. Its store located in Harajuku has been visited by foreign tourists accounting for over 90% of all customers. These foreign tourists have strongly requested this company to do so.
Inviting foreign skier	Creating local brand	Nagano	Public and private sectors have been jointly promoting the ski industry of Hakuba area overseas. Local companies have successfully increase the brand value of Hakuba by proactively collaborating with the neighbouring areas. Foreigners were recruited as instructors or staff members through the working holiday program.
Promoting export and inbound sales of traditional porcelain	Creating local brand	Saga	Shin'emon Inc, an Aritayaki Porcelain pottery, has been exporting its products to the Asian market and promoting its sales geared toward inbound tourists since 2011. Many sightseeing buses have brought many Chinese tourists to this pottery. The export toward the Asian market has also steadily increased.

Source: Each company's website, media, field interview

Figure III-33: Advanced initiatives by public institutions such as governments

Theme	Regions	Overview
Advanced implementation of inbound tourism initiatives	Takayama City, Gifu Prefecture	After the declaration as an international tourism city in 1986, initiatives to attract inbound tourists to Japan will be implemented continuously. While gradually expanding the promotion destinations from Europe and the US to Taiwan, Thailand, and other areas, initiatives have also been put in place from an early stage to develop a welcoming environment, such as through multilingual signs, etc., and to establish the Takayama brand.
Collaboration with influential foreign tourist spots overseas	Tanabe City, Wakayama Prefecture	Santiago de Compostela City in Spain and Tanabe City, which have the pilgrimage route of the Santiago de Compostela and the Kumano ancient path respectively, have cooperated on introducing a common pilgrimage "passport." As a result, there has been an increase in the number of tourists from Europe. The Kumano Tourism Bureau in Tanabe City has recruited foreign staff, and is also taking steps to provide information in multiple languages.
Strengthening of wide-area collaboration triggered by the opening of Shinkansen lines	Kyushu region	With the Kyushu Tourism Promotion Organization at the core of the initiatives, tourism promotion efforts are being put in place across a wide area. In addition to joint exhibitions in overseas trade fairs, various discount tickets are also sold to meet the needs of inbound tourists to Japan. A number of trekking spots in the region are also introduced as part of the Kyushu OLLE.
Shoryudo Project	Chubu Hokuriku region	Promotion activities for inbound tourism are promoted in cooperation with nine prefectures in the Chubu Hokuriku region (Aichi, Gifu, Shizuoka, Mie, Ishikawa, Toyama, Fukui, Nagano, Shiga). Multiple tourism routes are proposed corresponding to themes.
Design tourism (industrial tourism)	Saga Prefecture	Saga Prefecture and JETRO Saga are promoting business creation through exchanges with stakeholders in the design sector in cooperation with Singapore. This has brought about the acceptance of tourism training students at the National University of Singapore, export of prefectural products (Japanese tea) using uniquely designed tea caddies exported to Singapore, etc.
Examples of urban revitalization using promotion of the tourism industry	Pittsburgh City (US)	In Pittsburgh City, which has put in place initiatives for industrial structural reform from before in tandem with the decline of the steel industry, efforts are put into the promotion of the tourism industry aimed at revitalizing the local economy. This has enhanced the presence of the city as a tourism city, such as its high rating in the 2016 tourism area ranking in the professional magazine, Travel+Leisure.
Establishment of models that benefit tourism revenue for the whole region	Brittany district (France)	Through efforts such as providing route information corresponding to the seasons and modernization of services, a strategy has been adopted to raise awareness about tourism promotion across a wide area, and a model established to benefit the entire region.
"Cittaslow" (Slow City) initiatives	Italy	"Cittaslow" (Slow City in English) is a movement that began in 1999, the Cittaslow Organization is managed by local governments with the focus on slow life, healthy lifestyles, tradition, and quality food. The number of tourists visiting local governments for the Cittaslow event in the summer of 2014 was approximately 3.4 million, and is estimated to reach about 4 million people in the summer of 2015.
Promotion of inbound tourism during off-peak periods	Vancouver City (Canada)	Vancouver City succeeded in stimulating demand for restaurants and hotels during the off-peak seasons, by providing meals at low prices, such as at well reputed restaurants in the local area. The same event, which was launched after a proposal by tourism industry organizations, saw close to 300 restaurants participate in 2016, and welcomed 100,000 visitors from Canada and overseas during the 17-day event period.

Source: Websites of the respective companies, reports, interviews, etc.

Increase in direct investment into the tourism sector

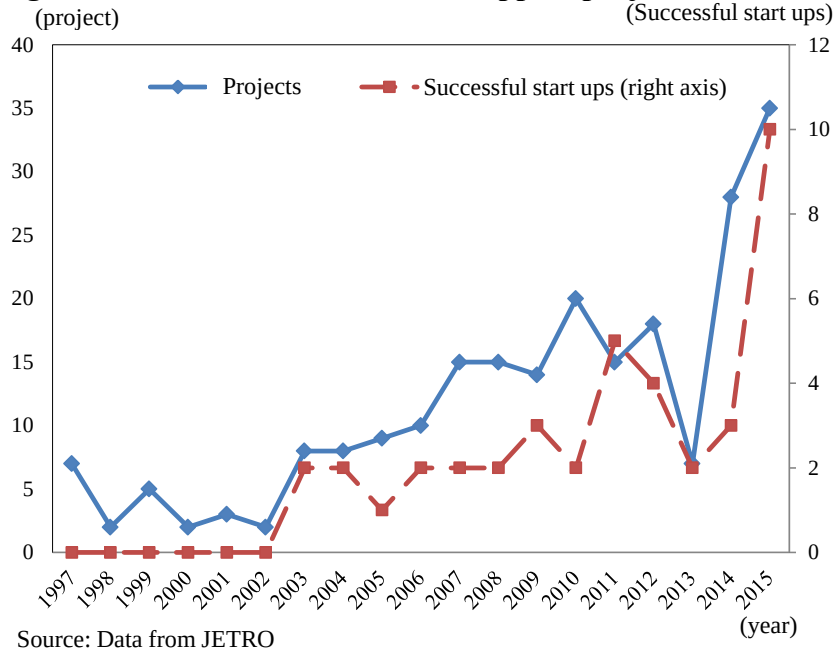
■ **Rapid increase in the number of cases of support and success after 2014**

Looking at the trends for the number of foreign corporations in the tourism sector that JETRO has provided inward FDI support for after 1997, we see the start of a gradual increase from the early half of the 2000s, and the number of cases of support and success also increased significantly after 2014. Direct investment into the tourism sector is expected to bring about an increase in the number of inbound tourists and creation of employment, as well as contribute in aspects such as building up management knowhow.

■ **Transportation sector such as airline companies, as well as travel companies, are prominent**

Looking at the respective sectors, the transportation industry that encompasses airline companies and ferry companies, as well as travel companies that handle domestic itineraries, have made aggressive forays into the market. Looking at the regions of their business expansion, urban areas such as Tokyo and Osaka make up more than half. However, there are also cases of business expansion targeted at inbound tourists who wish to visit the local regions. Repeat visitors with a high frequency of visiting local regions make up approximately 60% of all inbound tourists, and investment in the localities is expected to continue increasing going forward.

Figure III-35: Trends of JETRO's support projects in tourism



Source: Data from JETRO

Figure III-34: Cases of FDI into Japan in tourism

Areas	Company name	Nationality	Business	Contribution to local economy
Nationwide	Travelex Japan	UK	Operating foreign exchange business	Accumulating management knowledge, and creating jobs
Nationwide	Laox	China	Operating large-scale duty-free shops	Increasing foreign tourists, accumulating management knowledge, and creating jobs
Hokkaido	Fuson Group	China	Making hotel reservations	Increasing foreign tourists
Tokyo	TripAdvisor	US	Providing information on trip	Accumulating management knowledge, and increasing foreign tourists
Yamanashi	N/A	China	Re-establishing a hot-spring inn	Increasing foreign tourists
Nagano	Hakuba Hotel Group	Australia	Possessing and managing hotels in Hakuba area	Increasing foreign tourists, accumulating management knowledge
Aichi	Spring Airlines	China	Opening a hotel geared toward foreign tourists	Increasing foreign tourists
Osaka	USJ	US	Managing an entertainment park	Accumulating management knowledge, creating jobs, and increasing foreign tourists
Tottori	DBS Cruise Ferry	South Korea	Operating regular cargo-passenger ships	Increasing foreign tourists
Oita, Fukuoka, and others	T'way Airlines	South Korea	Setting up new sites in line with its international flights	Increasing foreign tourists

Source: Each company's website, media, field interview

Exports of agricultural, forestry and fishery products and food products reach historical high of 745.1 billion yen

■ **Export value reach new historical high**

The amount of exports for agricultural, forestry and fishery products and food products from Japan in 2015 increased for the third year running by 21.8% year-on-year to 745.1 billion yen, setting a new record high. The interim goal of reaching 700 billion yen by 2016, set forth in the government's export strategy, ass achieved one year ahead of schedule.

■ **Exports of apples, beef, whisky, and green tea exceed the 10 billion yen mark for the first time**

Among key export items and among agricultural products that make up 60% of the total exports, the amount of exports for apples, beef, whisky, and green tea exceeded 10 billion yen for the first time. Apple exports registered the greatest growth among fruit and vegetables with a 55.0% increase year-on-year. Whisky exports grew significantly mainly on the back of exports to US, France, and Netherlands. Beef and green tea exports also registered growth of about 30% respectively.

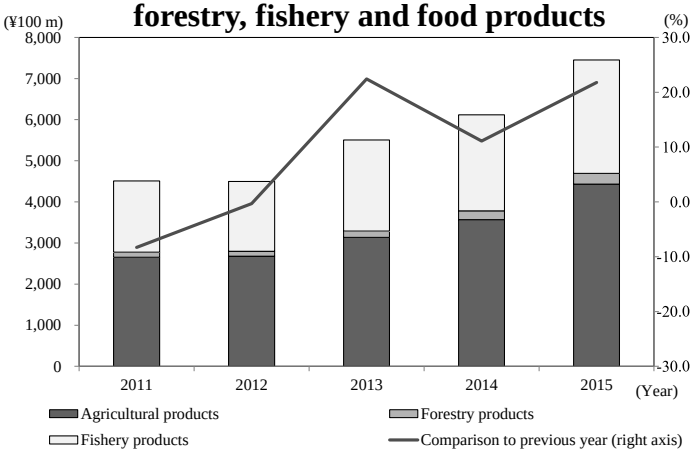
■ **Taking local tastes to the world**

JETRO launched the "One Prefecture, One Product Program" in July 2013 across all prefectures with the aim of uncovering export projects across all parts of Japan and transforming them into pioneering models for other regions to follow. To date, it has implemented a total of 53 projects. The amount of exports contracted through the utilization of the program has reached approximately 2.25 billion yen cumulatively over three years. In FY2016, the items will be changed for 15 of the projects, and efforts will continue to be poured into uncovering new export items.

■ **Active utilization of the GI protection scheme to achieve differentiation**

The Geographical Indications Act was enforced on 1 June 2015, and initiatives were launched to protect the intellectual property rights for product names that are connected to the production region through characteristics such as quality and reputation in society. Through the indication of specialty products as authentic Japanese products, which contributes to the differentiation of Japanese food products, these initiatives are also expected to contribute to businesses' efforts to expand overseas.

Figure III-36: Export value of Japan's agricultural, forestry, fishery and food products



Note: Includes alcoholic beverages, tobacco products and pearls
Source: "Overview of Foreign Trade of Agricultural, Forestry and Fishery Products" (MAFF)

Figure III-37: Top 20 export categories of agricultural, forestry, fishery and food products (value basis)

(Unit: Million yen, %)

	Category	2014	2015	
		Value	Value	Growth rate
1	Scallops (fresh, refrigerated, frozen, salt-cured, dried)	44,665	59,079	32.3
2	Alcoholic beverages	29,351	39,029	33.0
3	Pearls (natural, cultivated)	24,544	31,905	30.0
4	Sauces and seasonings	22,988	26,423	14.9
5	Tobacco products	19,456	23,588	21.2
6	Soft drinks	15,937	19,738	23.8
7	Mackerel (fresh, refrigerated, frozen)	11,513	17,896	55.4
8	Confectionaries (not including rice-based)	14,777	17,702	19.8
9	Seeds for planting	12,823	15,139	18.1
10	Yellowtail (fresh, refrigerated, frozen)	10,012	13,840	38.2
11	Types of bonito, tuna (fresh, refrigerated, frozen)	15,782	13,776	-12.7
12	Apples	8,642	13,393	55.0
13	Beef	8,173	11,005	34.6
14	Dried sea cucumber	10,383	10,306	-0.7
15	Green tea	7,799	10,106	29.6
16	Logs	6,894	9,416	36.6
17	Pig skin (rawhide)	11,609	8,997	-22.5
18	Livestock feed	7,164	8,252	15.2
19	Fish cake products (fish sausage, etc.)	6,961	8,168	17.3
20	Flour	7,446	7,855	5.5
	Total of top ten products (A)	206,066	264,338	28.3
	Total of agricultural, forestry,fishery and food products (B)	611,706	745,100	21.8
	A/B (%)	33.7	35.5	

Source: "Overview of Foreign Trade of Agricultural, Forestry and Fishery Products"
(Ministry of Agriculture, Forestry and Fisheries)

Government and JETRO initiatives on the TPP and export promotion

■ **Expectations for improved market access through the TPP**

As a result of the TPP negotiations, Japan has succeeded in reaching an agreement on tariffs elimination with other TPP member countries on all of Japan's priority export products in agricultural, forestry, fishery and food products. In exports to the US and Vietnam, which posts a high trade value within the TPP region, tariffs on priority export products, such as rice, Japanese sake, beef and fishery products are expected to be removed immediately or gradually, which will facilitate greater market access.

■ **Strengthening of export support system based on the government's strategy to strengthen export capability**

In May 2016, the government approved the strategy to strengthen export capability for agricultural, forestry and fishery products. In light of this, JETRO established the Taskforce for Agriculture, Forestry, Fishery and Food Export Strategy to further strengthen its export support system.

Figure III-38: Schedule of TPP tariff elimination of Japan's priority agricultural and food product exports

US			Vietnam		
Item	Base rate	Tariff elimination schedule	Item	Base rate (FTA tariff rate	Tariff elimination schedule
Rice (milled)	1.4 cents/kg	Eliminated in five annual stages	Sake	59% (JV: 24%; AJ: 33%)	Eliminated in three annual stages
Rice confectionaries	0 - 4.5%	Duty-free on the date of entry into force	Beef	15-31% (JV: 11%; AJ: 10%)	Eliminated in three annual stages
Sake	3 cents/liter	Duty-free on the date of entry into force	Apples	15% (JV: 7%: AJ: 10%)	Eliminated in three annual stages
Beef	26.4% TRQ (200 tons, 4.4 cents/kg)	Eliminated in 15 annual stages (Country-Specific TRQ: 3000 tons [year 1] →6,250 tons [year 14], free of duty)	Tea	40% (JV: 22.5%; AJ: 20%)	Eliminated in four annual stages
Yams	6.4%	Eliminated in five annual stages	Miso	20%	Eliminated in five annual stages
Cut flowers	3.2% - 6.8%	Duty-free on the date of entry into force	Soy sauce	30% (JV: 16%; AJ: 23%)	Eliminated in six annual stages
Miso	6.4%	Eliminated in five annual stages	Chocolate	13-25% (JV: 11- 20%; AJ: 10-18%)	Eliminated in five to seven annual stages
Soy sauce	3%	Eliminated in five annual stages	Yellowtail, mackerel, pike	18%	Duty-free on the date of entry into force
Chocolate	2% -（52.8 cents/kg + 8.5%）	Duty-free on the date of entry into force - eliminated in 20 annual stages	Salmon	15% (JV: 11%; AJ: 15%)	Duty-free on the date of entry into force

Note: 1) The base rates of duty reflect MFN rates of duty in effect on January 1, 2010. 2) Tariff rates within parentheses are FTA tariff rates as of April 1, 2015. "JV" stands for the Japan-Vietnam FTA, "AJ" for the ASEAN-Japan FTA.
Source: Text of TPP, MAFF, "World Tariff" (Fedex)

Figure III-39: "One Prefecture, One Product Initiative" future activities

Region/category		Region/category		Region/category	
Hokkaido	Beef (dairy cattles, wagyu)	Yamanashi	Fruit (mainly peaches, grapes), processed fruit products	Okayama	Fruit, processed fruit products
	Kelp	Nagano	Fruit (apples, grapes, etc.)	Hiroshima	Sake
	Fruit and vegetables, rice, livestock	Toyama	Fishery products, processed fishery products (outside of yellowtail)	Yamaguchi	Fishery products, processed fishery products
Aomori	Apples	Ishikawa	Rice, processed rice products (including types of alcohol)	Tokushima	Citrus fruit (yuzu, hassaku oranges), processed citrus products
Iwate	Fisher products, processed fishery products from Sanriku region	Gifu	Mino Shirakawa tea	Kagawa	Olive beef
Miyagi	Fisher products, processed fishery products from Sanriku region	Shizuoka	Tea	Ehime	Lumber
Akita	Agricultural, processed goods, etc.	Aichi	Agriculturaland processed agricultural products centered on Higashi-Mikawa region	Kochi	Tosa lumber
Yamagata	Apples, pears	Mie	Fishery products such as cultivated yellowtail	Fukuoka	Ornamental plants
Fukushima	Fruit such as persimmon	Fukui	Plums from Wakasa	Saga	Tea (such as Ureshino tea)
Niigata	Ornamental plants	Hyogo	Tamba blackbeans	Nagasaki	Dried shiitake
Gunma	Konjac goods	Shiga	Beef (Oumi beef)	Oita	Dried shiitake, processed goods
Tochigi	Fruit (strawberries, Japanese pears, grapes)	Osaka/ Kansai	Vegetables, fruit, fishery products, perishables such as fishery products	Miyazaki	Authentic Miyazaki shochu
Ibaraki	Fruit	Kyoto	Kyotanabe refined green tea	Kagoshima	Fermented food products (miso, vinegar, blacktea, etc.)
Tokyo	Toyosu (wholesale) fishery products, processed fishery products	Wakayama / Nara	Fruit such as persimmon	Okinawa	Mozuku seaweed
Chiba	Japanese pears, sweet potatoes, etc.	Tottori	Japanese pears, watermelons, Fuyu persimmon	Source: Made by JETRO	
Saitama	Bonsai	Shimane	Shimane peony		