



日本貿易振興機構(ジェトロ)

JETRO Global Trade and Investment Report 2016

**Broad economic zones and
growth strategies for Japanese companies**

Overview

**Japan External Trade Organization (JETRO)
Overseas Research Department**

JETRO Global Trade and Investment Report 2016

～ Key points ～

- 1. World trade declines 12.7%, marking first negative growth in six years.**
- 2. Slow trade becomes apparent in emerging and developing economies.**
- 3. Japan's trade balance is improving, marking surplus of \$17.0 billion in first half of 2016.**
- 4. Japan's outward FDI has exceeded \$100 billion for five consecutive years.**
- 5. Asia boosts its presence in Japan's inward FDI.**
- 6. FTAs in force around the world reach 282. FTA networks in Asia expand in 2015.**
- 7. ITA expansion is expected to increase trade. World ITA trade amounts to \$3 trillion.**
- 8. TPP is expected to be widely utilized.**
- 9. Inbound market produces ripple effects.**
- 10. Export of agricultural, forestry, fishery and food products marks a record high at ¥745.1 billion.**

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1. World trade declines 12.7%, marking first negative growth in six years

- In 2015, world trade (merchandise trade, nominal export basis) decreased by 12.7% from the previous year to \$16.4 trillion (JETRO estimate), marking the first decline in six years. Real exports excluding the impact of price fluctuations slightly increased by 1.3%, although the gain shrank from 3.5% a year earlier.
- US import declined by 4.6% from the previous year. Multiple products such as electrical equipment and transportation machinery, however, experienced an increase due to the recovery in demand. Meanwhile, China's import significantly dropped by 18.4%, with a negative 1.9% contribution ratio to a decrease in world import. While the import of certain consumer goods such as medical and cosmetic products was brisk, that of general machinery decreased by 12.5%. Among major countries, only Vietnam reported a gain in both export (7.9%) and import (11.9%) from the previous year.
- By product category, the trade value of mineral fuel dropped sharply by 40.3%, with a negative 5.9% contribution ratio to a decrease in world trade. Reflecting sluggish capital investment, general machinery also decreased by 9.7%. Some products saw an increase including communication equipment (3.9%) and electronic components such as semiconductors (1.3%), while others showed different results depending on the country and region, such as a gain in transportation machinery toward North America and medical products toward China.

World trade related indicators

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

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

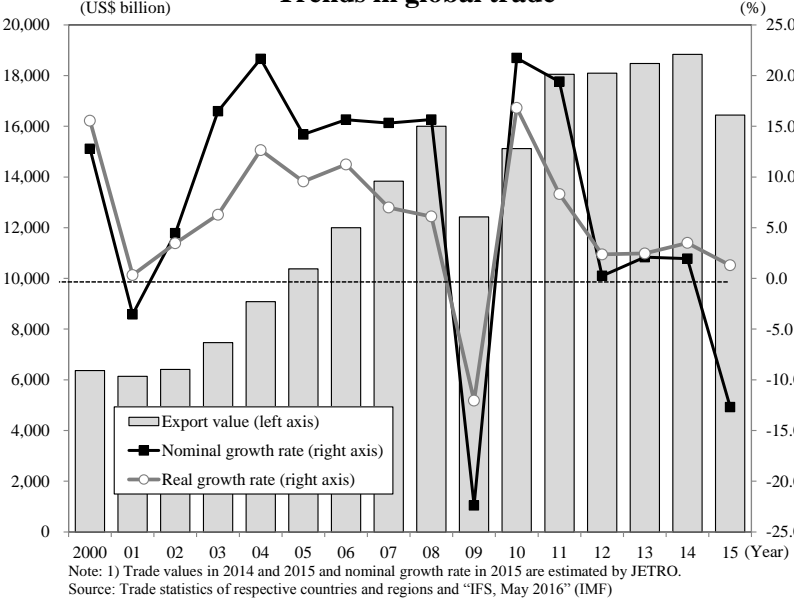
World trade value by country and region (2015)

	Export			Import		
	Value	Growth rate	Contribution	Value	Growth rate	Contribution
US	1,502,572	-7.3	-0.6	2,248,232	-4.6	-0.6
Canada	410,081	-13.7	-0.3	419,351	-9.6	-0.2
Mexico	380,789	-4.2	-0.1	395,232	-1.2	0.0
Germany	1,330,190	-11.0	-0.9	1,050,449	-13.0	-0.8
France	505,864	-12.8	-0.4	572,400	-15.4	-0.5
UK	468,058	-8.8	-0.2	631,791	-9.2	-0.3
Japan	625,068	-10.0	-0.4	648,343	-20.7	-0.9
Australia	187,687	-21.8	-0.3	200,344	-11.9	-0.1
China	2,280,541	-2.7	-0.3	1,601,761	-18.4	-1.9
Korea	526,757	-8.0	-0.2	436,499	-16.9	-0.5
Taiwan	264,020	-10.7	-0.2	227,764	-16.5	-0.2
Thailand	210,865	-6.3	-0.1	201,938	-11.5	-0.1
Malaysia	199,959	-14.6	-0.2	175,978	-15.8	-0.2
Vietnam	162,112	7.9	0.1	165,649	11.9	0.1
Indonesia	150,393	-14.7	-0.1	142,695	-19.9	-0.2
Philippines	58,648	-5.1	0.0	66,686	3.4	0.0
India	267,930	-16.7	-0.3	394,014	-14.6	-0.3
Russia	343,543	-30.9	-0.8	182,719	-36.3	-0.5
Brazil	191,134	-15.1	-0.2	171,449	-25.2	-0.3
World (estimate)	16,446,732	-12.7	-12.7	16,800,440	-12.9	-12.9
Advanced countries	9,867,960	-11.3	-6.6	10,326,487	-12.0	-7.3
Emerging/developing countries	6,578,772	-14.8	-6.0	6,473,952	-14.2	-5.6

Note: 1) Export and import value and their growth rates for the world, advanced and emerging/developing countries are JETRO estimates. 2) Advanced countries include 36 countries and regions based on the definition of DOT (IMF).

Source: Trade statistics of respective countries and regions

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)

World trade by product (export basis, 2015)

	(Unit: US\$ million, %)		
	Value	Growth rate	Contribution
Total	16,446,732	-12.7	-12.7
Machinery and equipment	6,665,710	-5.1	-1.9
General machinery	1,929,784	-9.7	-1.1
Mining and construction machines	79,290	-18.3	-0.1
Machine tools	33,815	-13.4	0.0
Semiconductor manufacturing equipment	48,186	2.7	0.0
Electrical equipment	2,332,063	-1.5	-0.2
Communication equipment	544,243	3.9	0.1
Electronic components such as semiconductors	626,760	1.3	0.0
Transportation machinery	1,809,524	-4.3	-0.4
Automobiles	811,416	-4.5	-0.2
Automobile parts	390,564	-6.0	-0.1
Precision equipment	594,339	-5.8	-0.2
Chemicals	2,199,293	-9.6	-1.2
Food	1,161,215	-10.3	-0.7
Other materials and their products	5,051,964	-24.0	-8.5
Iron ore	69,921	-41.4	-0.3
Mineral fuels	1,639,943	-40.3	-5.9
Coal	77,690	-22.6	-0.1
Natural gas	216,580	-33.7	-0.6
Crude oil	748,799	-45.4	-3.3
Textiles and textile products	764,702	-7.0	-0.3
Iron and steel products	599,526	-16.9	-0.6
IT-related equipment (total)	2,461,923	-2.7	-0.4
Parts	1,183,339	-1.9	-0.1
Final goods	1,278,584	-3.5	-0.2

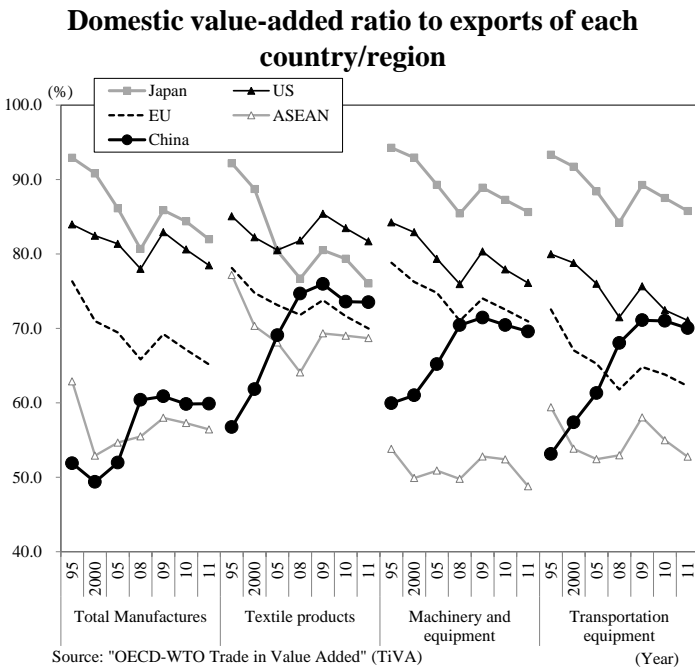
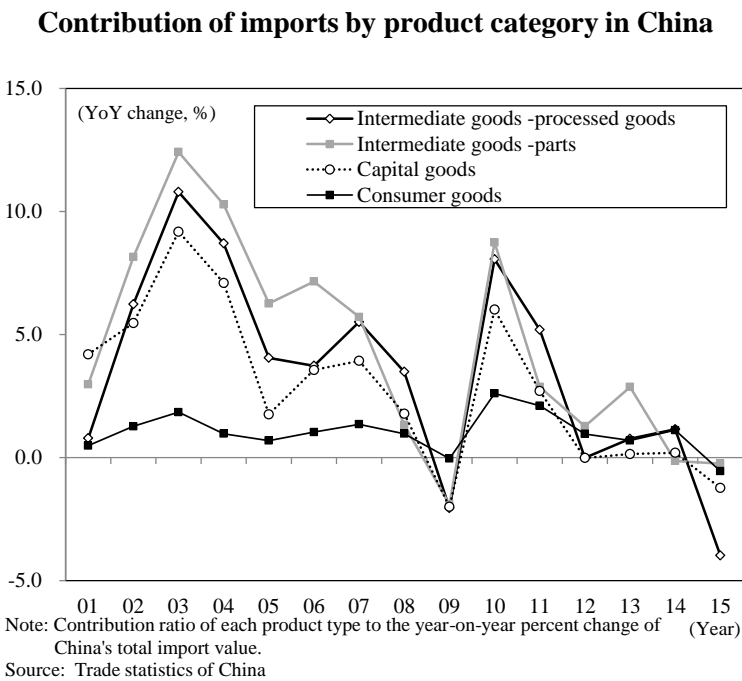
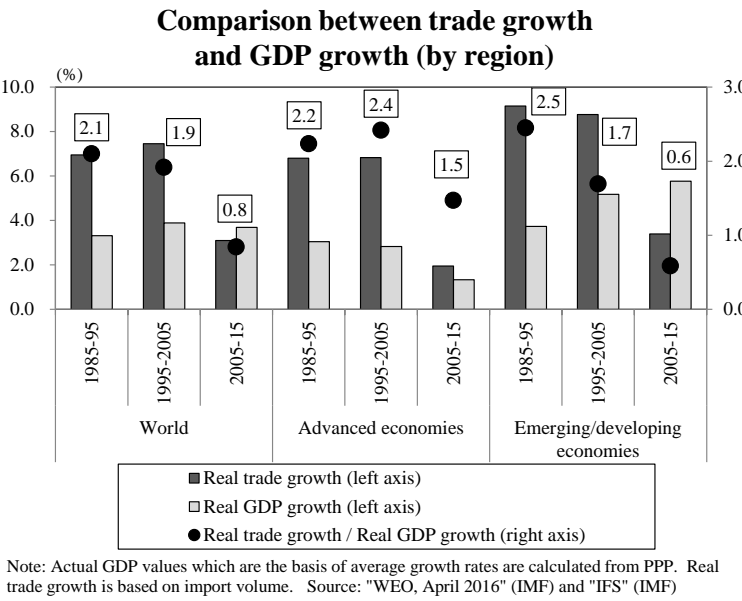
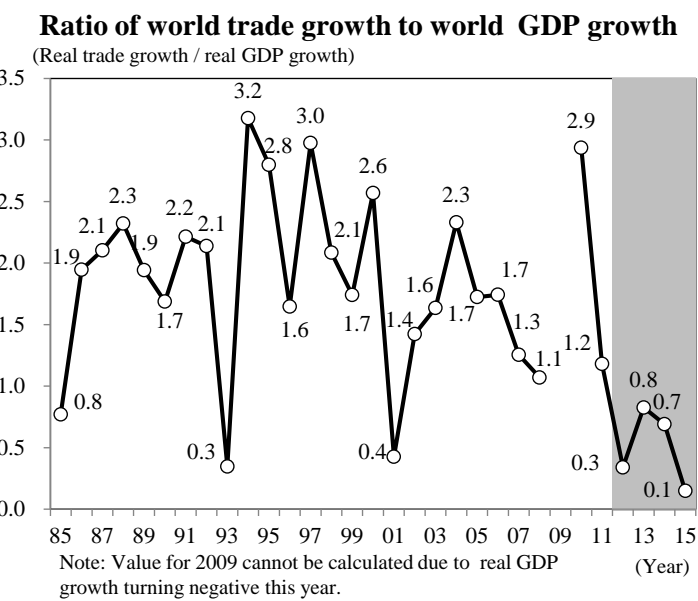
Note: JETRO estimates

Source: Trade statistics of respective countries and regions

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2. Slow trade becomes apparent in emerging and developing economies

- Slow trade is an economic phenomenon where the growth rate of trade is smaller than the world economic growth rate. Since 2012, the trade growth rate has remained below the GDP growth rate, with the percentage of the former to the latter being as low as 0.5%. By region, slow trade is particularly remarkable in emerging and developing economies.
- Sluggish investment is cited as one of the cyclical factors of slow trade due to its impact on trade. The world trade of capital goods and intermediate goods, which are the main drivers of capital investment, has been decelerating since 2012, during which trade growth in these two categories has been generally lower than that of consumer goods.
- The slowdown of expanding global value chains, which have driven world trade, is pointed out as a possible structural factor. This is considered to be caused by China's development in domestic production capacity shifting its previous role as the world factory, the peak reached in intra-regional trade ratios in major economic areas in Asia, and reduction of the cost gap among regions.



3. Japan's trade balance is improving, marking surplus of \$17.0 billion in first half of 2016

■ In 2015, Japan's export amounted to \$625.1 billion (a 10% decline from the previous year) and its import was \$648.3 billion (a 20.7% decline), bring its trade balance to a deficit of \$23.3 billion. Although Japan has recorded a trade deficit for five consecutive years, the amount of deficit shrank approximately \$100 billion from \$122.8 billion marked in 2014. On a yen basis, its export increased by 3.4% to ¥75.6 trillion and import decreased by 8.7% to ¥78.4 trillion. The trade deficit has continued to decline, and the first half of 2016 marked a \$17.0 billion surplus.

■ In export, the US remained the largest partner country for three consecutive years with \$125.9 billion, a 2.8% decline. On the other hand, the export to China decreased by 14.0% to \$109.3 billion, experiencing declines in a wide range of product categories such as general machinery, electrical equipment, and transportation machinery, partly due to its slow economic growth.

■ Compared to major exporting countries, the composition of Japan's export is unique for its high ratios of intermediate and capital goods, the combination of which reaches about 80%. Looking at the Japan's contribution ratio to 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 marked the largest at negative 1.8% among major trade partners.

Japan's trade trends

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

		2014	2015	Jan-June 2016
Dollar-based	Total exports	694,270	625,068	306,014
	(Growth rate)	-3.5	-10.0	-2.9
	Total imports	817,103	648,343	289,002
	(Growth rate)	-2.6	-20.7	-12.3
Trade balance		-122,832	-23,275	17,012
	(Year-on-year difference)	-3,148	99,557	31,370
Yen-based	Total exports	730,930	756,139	345,186
	(Growth rate)	4.8	3.4	-8.7
	Total imports	859,091	784,055	327,066
	(Growth rate)	5.7	-8.7	-17.2
Trade balance		-128,161	-27,916	18,121
	(Year-on-year difference)	-13,477	100,245	35,097
Export volume index		90.7	89.8	87.8
(Growth rate)		0.6	-1.0	-2.3
Import volume index		106.0	103.0	100.7
(Growth rate)		0.6	-2.8	-1.1
Crude oil import price		105.1	55.0	37.1
(Dollar/barrel, growth rate)		-4.9	-47.7	-36.0
Exchange rate (yen/dollar)		105.8	121.0	111.8
(Yen appreciation, %)		-7.8	-12.5	7.5

Note: 1) Yen-based values are converted to dollar-based values by JETRO.

2) Volume index is 2010 basis.

3) Exchange rate is interbank rate average for each period.

4) Growth rate is year-on-year comparison.

Source: "Trade Statistics" (Ministry of Finance), "Foreign Exchange Rate"(Bank of Japan)

Japan's exports and imports by major country/region

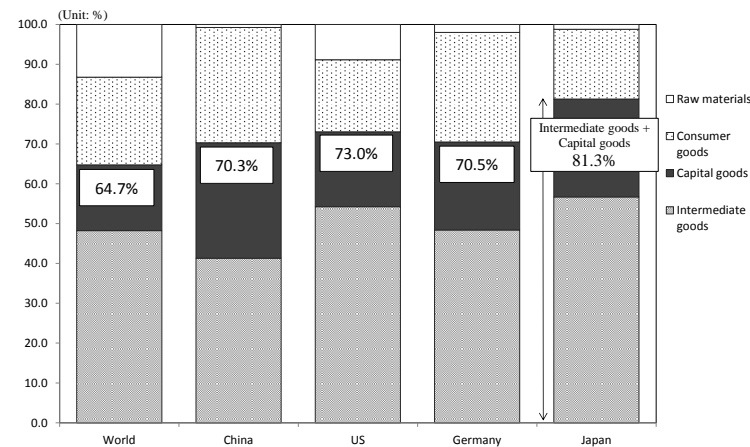
(Unit: \$ million, %)

		2014	2015	YoY change	Jan-June 2016	YoY change
Export	US	129,441	125,852	-2.8	62,380	-0.7
	EU	72,082	66,004	-8.4	35,822	10.5
	China	127,105	109,266	-14.0	52,281	-3.0
	ASEAN	105,241	95,052	-9.7	45,247	-7.5
	Thailand	31,555	27,999	-11.3	12,945	-8.5
	Malaysia	14,239	12,009	-15.7	5,874	-5.6
	Indonesia	14,848	11,550	-22.2	5,205	-14.8
	Vietnam	11,856	12,535	5.7	6,049	-5.8
	Philippines	9,929	9,492	-4.4	4,907	3.5
Import	US	71,751	66,638	-7.1	32,152	-6.7
	EU	77,749	71,265	-8.3	35,667	5.8
	China	182,071	160,674	-11.8	74,851	-4.9
	ASEAN	116,499	97,953	-15.9	44,649	-11.3
	Thailand	21,877	20,437	-6.6	9,755	-7.1
	Malaysia	29,353	21,538	-26.6	8,580	-26.6
	Indonesia	25,789	19,774	-23.3	8,939	-12.8
	Vietnam	15,497	15,142	-2.3	7,561	3.4
	Philippines	10,252	8,877	-13.4	4,198	-5.7

Note: Yen-based values are converted to dollar-based values by JETRO.

Source: "Trade Statistics" (MOF)

Export structure of major countries by product category



Japan's contribution ratio to total export by product category (2015)

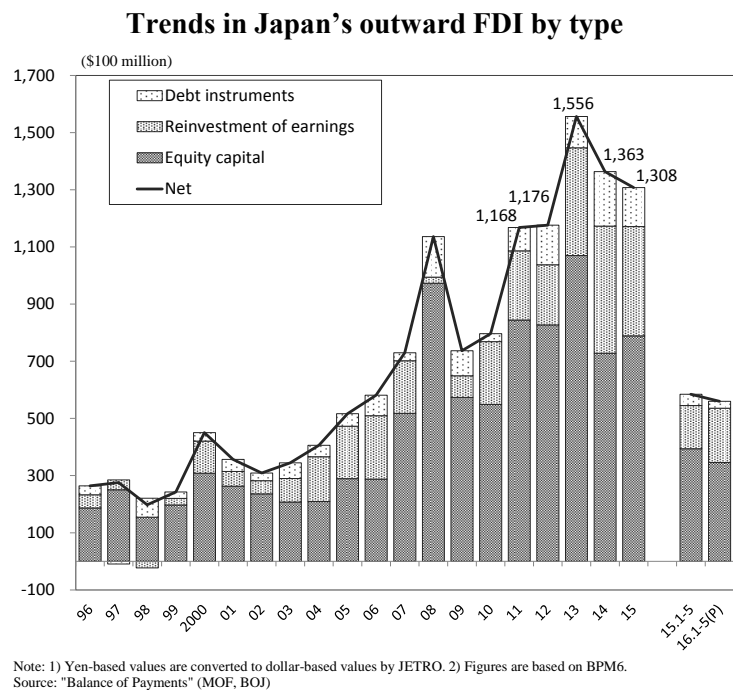
(Unit: %)

	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 duplicate items.
Source: "Trade Statistics" (MOF)

4. Japan's outward FDI has exceeded \$100 billion for five consecutive years

- Japan's outward FDI in 2015 declined by 4.1% from the previous year to \$130.8 billion (on a balance of payment basis, net, flow). Although the figure did not reach that of 2014, it has surpassed \$100 billion for five consecutive years since 2011. By major country and region, the US has been the largest investment destination for six years in a row since 2010, with \$44.9 billion in 2015 (a 7.1% decrease from the previous year).
- In Asia, Japan's FDI toward ASEAN has been in the \$20 billion for three consecutive years. Meanwhile, its FDI toward China ending at \$8.9 billion, which makes the disparity in FDI value between ASEAN and China roughly two-fold for the past three years. By industry, the amount of investment toward China has been declining in both manufacturing and non-manufacturing industries since its peak in 2012, while the proportion of the non-manufacturing industry has been expanding since 2005.
- In FY2015, the percentage of overseas sales of Japanese firms rose to 58.3%. By region, the Americas have continued their upward trend from 18.6% in FY2012 to 25.9% in FY2015, bolstered by their growing demand reflecting the recovery of the US economy.



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)

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)

Japanese companies' sales share by region (Unit: %)

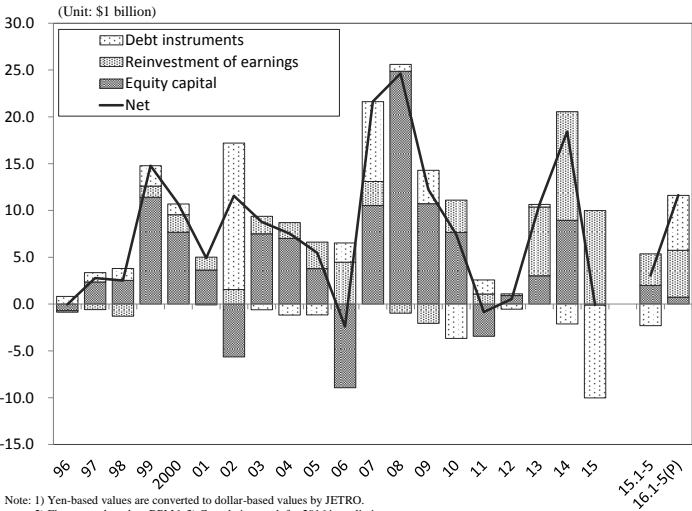
Fiscal year (number of companies)	Domestic	Overseas	Americas	Europe	Asia-Pacific	Other
2000 (547)	71.4	28.6	13.4	5.6	5.8	3.8
2001 (581)	68.5	31.5	14.7	6.1	6.3	4.4
2002 (592)	67.2	32.8	14.9	6.6	6.8	4.5
2003 (624)	66.5	33.5	14.1	7.0	7.7	4.8
2004 (669)	65.4	34.6	13.6	7.4	8.5	5.1
2005 (724)	64.9	35.1	13.8	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

5. Asia boosts its presence in Japan's inward FDI

- In 2015, the value of Japan's inward FDI (on a balance of payment basis, flow) was \$145.6 billion in gross and negative \$42 million in net. From January to May in 2016, however, the net value turned into an increase with \$11.6 billion. By region, investment from Asia exceeded that from North America and Europe, which has further boosted the presence of Asia. At the end of 2015, the inward stock of FDI in Japan increased to ¥24.4 trillion from the end of the previous year, with Asia's composition ratio to the foregoing stock also rising to 17.6% from the 15.5% of the end of 2014.
- There have been increasing numbers of cases in which conglomerates in Asia and global companies collaborate with Japanese companies with the aim to expand their markets. The fields those foreign companies are tapping into are becoming more diversified in the service market.
- Looking at trends in world outward FDI, the share of Asia excluding Japan has surged in recent years, a rise from 6.5% in 2000 to 20.3% in 2015.

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)

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

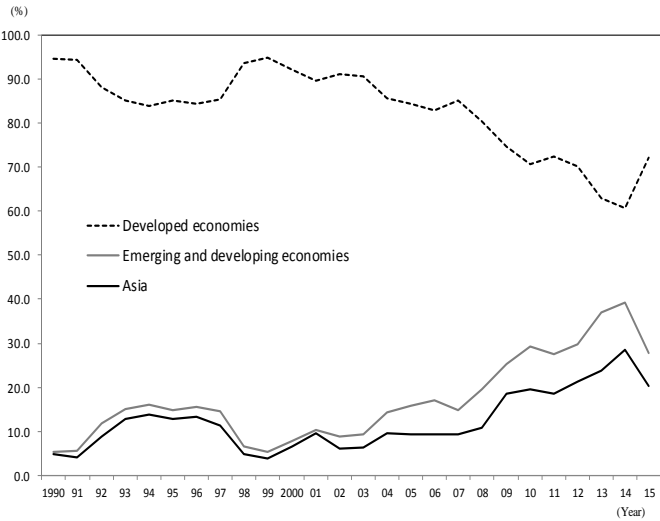
Note: 1) Because the BOP-related statistics have been revised, there is no strict continuity in the data before the end of 2013 and after the end of 2014. 2) Both inward FDI stock and inward FDI stock/GDP are based on BPM6 over the entire period.
Source: "International Investment Position" (MOF, BOJ),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

Recent trends of foreign-affiliated firms in Japan

Collaboration with global companies	Outline
	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.
Emerging diversified service fields	VINCI Airports S.A.S (France) A consortium mainly made up of VINCI Airports and Oris 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

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 centres in the Caribbean region).
Source: UNCTAD

6. FTAs in force around the world reach 282. FTA networks in Asia expand in 2015

- The number of free trade agreements (FTAs) in force has reached 282, including 14 agreements which have come into effect since the beginning of 2015 (as of the end of June 2016). Of the 14 FTAs, six entered into force within the Asia and Oceania region, with three in four cross-regional FTAs concluded by Asian countries.
- As of 2015, Japan’s FTA coverage ratio—the share of trade with partners in which the subject country has established FTAs out of its total trade value—is 22.7%. The enforcement of the Trans-Pacific Partnership (TPP), signed in February 2016, will raise the ratio to 39.5%.
- As the China-Korea FTA took effect in December 2015, South Korea’s FTA coverage ratio increased to 67.3% from 41.1% in 2014.

Number of FTAs which are in force by region and year (as of end of June 2016)

	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	39	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

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
	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)

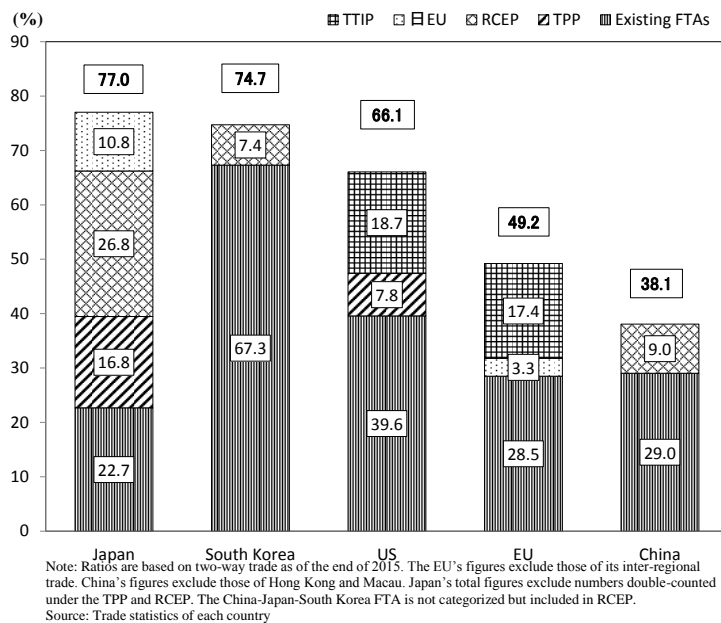
FTAs which came into force since 2015

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

Mega-FTA coverage ratio by major country/region (2015)



7. ITA expansion is expected to increase trade. World ITA trade amounts to \$3 trillion

At the 10th WTO Ministerial Conference in Nairobi, Kenya in December 2015, the member states came to an agreement in certain trade sectors of the Doha Round. The conference, which drew attention to the future direction of the Doha Round as it approaches its 15th anniversary, saw a division between developing countries, which insisted on maintaining the conventional framework, and developed countries, which aimed at taking a new approach.

While negotiations on trade liberalization among all 164 member states have faced increasing difficulties, agreements on tariff elimination for environmental goods and service liberalization among like-minded member countries are moving forward on a plurilateral basis. Other notable issues under multilateral trade negotiations include China-related matters such as its status as a “non-market economy”, as 2016 marks the 15th year of the country’s WTO membership. Meanwhile, the United Kingdom, which voted to leave the European Union in a referendum, will have to re-negotiate a number of treaties, including those regarding tariff rate levels at the WTO.

In December 2015, 53 WTO members agreed to expand the product coverage of the Information Technology Agreement (ITA) to a further 201 products. World trade of ITA expansion products (on export basis) is projected to be \$1.8 trillion, or 11.0% of total world trade. The total trade value of the current and expanded ITA is estimated to reach \$3.3 trillion.

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. Effective 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

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
	List B (13 items)	Amplifiers, flat panel displays, monitors, optical disk storage, set-top boxes, etc.
Expanded ITA	List A (191 items)	-Digital A/V 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 digital machine
	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)

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

Global trade value of ITA products(2015)

(Unit: US\$ million, %)

Export				Import			
		Value	Share			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 due to the nature of trade statistics. 3) Trade values of Montenegro and Mauritius are not included due to statistical constraints.

Source: Trade statistics of respective countries and regions

8. TPP is expected to be widely utilized (1)

- Enforcement of the TPP, a trade accord covering 37.4% of the world GDP and 11.1% of world population (as of 2015), will create a wide regional economic zone.
- Trade among TPP member states consists of two kinds of commerce: that between countries which already have bilateral/regional FTAs in force, and that between countries which are expected to enter into an FTA for the first time through the TPP. Japan is expected to enter into an FTA for the first time through the TPP with the US, Canada and New Zealand. Vietnam and Malaysia, in which multiple Japanese companies are operating, are expected to come into an FTA for the first time with the US, Canada, Mexico and Peru.
- The TPP utilization on the tariff front is expected to have a great impact on tariff reduction in the US, due to the fact that the country boasts the largest economic scale within the TPP region and that the TPP will be the first FTA with many countries. According to the United States International Trade Commission (ITC), it is estimated that duties paid by TPP member countries would be \$6 billion.

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)

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 estimated by the US ITC.

Source: United States International Trade Commission

Relations between existing FTA and TPP member countries

		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)

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 survey

8. TPP is expected to be widely utilized (2)

- The TPP is expected to be utilized in various industries. In the automobile and auto components sector, the pact is likely to be utilized in exports from Japan to TPP member states due to the strong competitiveness of Japan in the field. In particular, the agreement will enable Japan to reduce its tariff costs in these sectors in trade with the US and Canada, with which the TPP will be the first FTA, as the trade value with the two countries is large and they currently impose tariffs on a wide range of products.
- There are some member countries with high “simple average applied tariff rates” in textiles and sewn products, which are expected to reduce or eliminate their tariff rates after the TPP enters into force. In 2015, the import value of 10 TPP member states (excluding Brunei and Vietnam) amounted to \$197 billion, composed of \$161.5 billion for sewn products and \$35.5 billion for textiles. Of the member countries, the US has an overwhelmingly large market in these two products with its import value of \$115.1 billion, of which sewn products account for \$100.3 billion.
- In addition to reduction and elimination of tariffs, TPP has established highly developed rules in various sectors such as investment, services, intellectual property, government procurement, state-owned enterprises and electronic commerce. In the service sector, some members raised the threshold of investment value requiring government approval while others relaxed restrictions on foreign ownership. Electronic commerce is expected to be effective for SMEs to expand their business overseas, since it enables them to directly deal with foreign partners without a large investment. As the electronic commerce market has been expanding, it is significant that related provisions in the TPP developed advanced and comprehensive rules.

Import values of cars and auto components into US and Canada from world (2015), and TPP base rate

	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

Scale of import market in TPP member countries for textiles and Sewn products

	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]

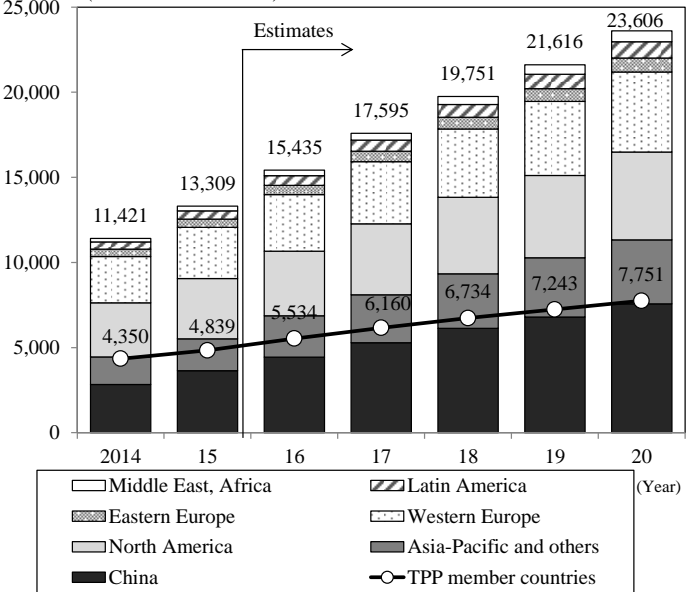
Note: 1) Textiles belong to HS50-60, and sewn products HS61-63. 2) Due to statistics constraints, Brunei's data and Vietnam's data for 2015 are excluded.
Source: Trade statistics of respective countries

Examples of service sector liberalization in TPP

Countries	Industry	Comparison of existing agreements and those of the TPP
Vietnam	Distribution	<Current> Economic needs test (ENT) is required for foreign distribution firms to open a second or subsequent location. <TPP> 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.
	Maritime transportation	<Current> Some services are not allowed for foreign firms to provide. <TPP> These restrictions will be removed, excluding cabotage.
	Advertising	<Current> Foreign investors have to form commercial agreements or joint ventures with local companies active in the same field. <TPP> This rule will be abolished.
	Rental and sublease of real estate	<Current> No relevant agreement. <TPP> Rental and sublease of real estate will be liberalized. (E.g. Department stores will be able to lend their space to other companies.)
Malaysia	Distribution	<Current> Distribution services by foreign investors are not allowed, and there is the possibility of additional restrictions. <TPP> Foreign investors can invest in super markets and hypermarkets by up to 70%. Foreign investors, excluding licensors, will be able to invest in convenience stores by up to 30%.
	Finance	1. <Current> Foreign banks can only have up to eight branches. In addition, ATMs cannot be set up outside a bank. <TPP> Banks will be able to have up to 16 branches. The restriction on ATMs will be abolished. 2. <Current> Ratio of investment in credit rating companies by foreign capital is limited to 49%. <TPP> This rule will be removed at the end of 2016.
NZ	All	<Current> 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. <TPP> The standard amount will increase to 200 million NZ dollars.
Canada	All	<Current> The amount of investment requiring approval: 369 million Canadian dollars. <TPP> The amount will increase to 1.5 billion Canadian dollars.
	Culture business	<Current> Culture related-services may introduce restrictions in the future. <TPP> It is clarified that no restrictions will be set on any foreign audio and video content provided via Internet.

Source: TPP and documents of the Cabinet Secretariat

Market size of global e-commerce



Note: Data of Brunei and New Zealand is not included in TPP member countries due to statistical constraints.
Source: Business Monitor Online

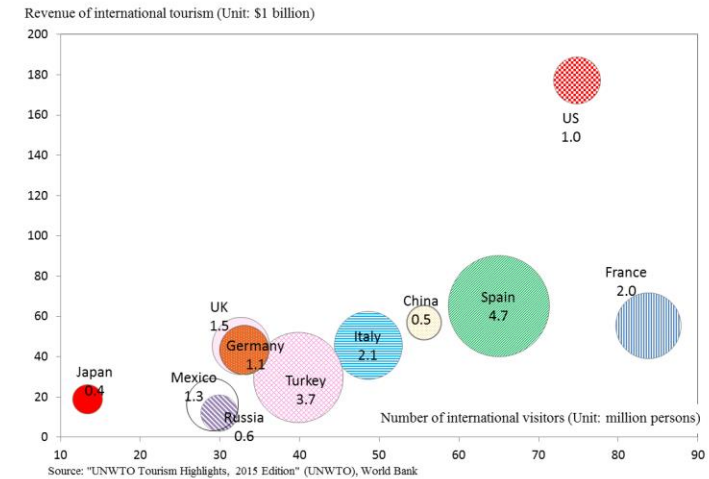
9. Inbound market produces ripple effects

■ Japan’s travel balance for 2015 reached ¥1.1 trillion (\$9 billion), the country’s first surplus since 1962. However, there is still a great disparity between Japan and other major developed countries with respect to the number of inbound travelers and amount of revenue from this field, while the portion of Japan’s GDP corresponding to income from international tourism was at the comparatively low level of 0.4%.

■ Demand from tourists coming to Japan from abroad often differs from that of domestic tourists, and corresponding to this new demand results in the creation of new business models. For example, in the field of travel-related infrastructure, we continue to see an increasing number of international airlines and hotels starting operations in hopes of targeting visitors to Japan as their primary customers. Regarding inbound demand, there are examples of demand for “made-in-Japan” souvenirs sought after by visitors from overseas leading to expansion of domestic production sites by manufacturers.

■ When looking at the project numbers of foreign and foreign-affiliated firms in tourism sector JETRO has supported, both cases in which support has been given and cases in which successful startups have been found have dramatically increased since 2014. By industry, there have been significant inroads made by transportation providers, such as airlines and ferry operators, as well as travel agencies engaged in designing itineraries within Japan.

Number of international tourist arrivals, international tourism revenue, international tourism revenue to GDP(2014)



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 reservations of hotels	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 hotels 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 flight	Increasing foreign tourists

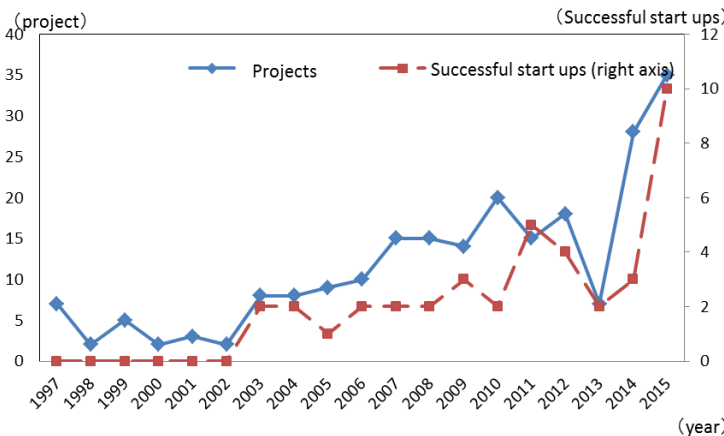
Source: Each company's website, media, field interview

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	Gama 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 "kizanj-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	"Tabito", 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'emom Inc, an Ariyaki 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

Trends of JETRO's support projects in tourism



Source: Data from JETRO

10. Export of agricultural, forestry, fishery and food products marks a record high at ¥745.1 billion

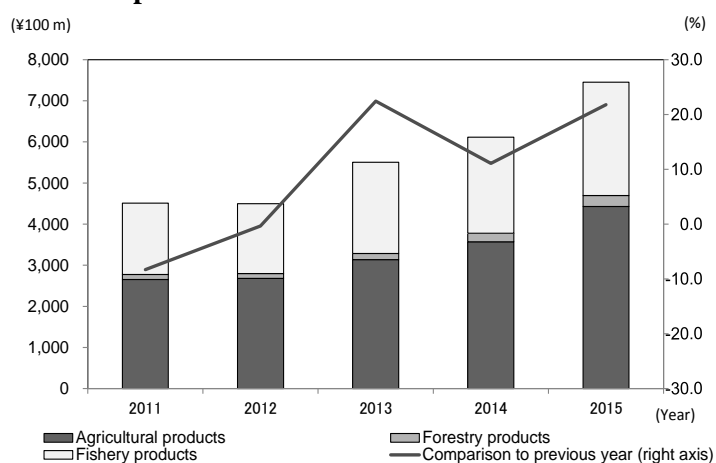
■ Export of Japanese agricultural, forestry, fishery and food products has been increasing for three consecutive years, marking a record high at ¥745.1 billion in 2015, up 21.8% from the previous year. An interim target under an export strategy set by the Japanese government—over ¥700 billion by 2016—has been achieved a year early. Of major agricultural products, exports of each category of apples, beef, whiskey and green tea exceeded ¥10 billion for the first time.

■ Since July 2013, JETRO has undertaken the One Prefecture, One Product Initiative (a program which supports the export of a single type of produce from each of Japan's prefectures), developing a total of 53 projects with the aim of them being as models for future export projects. The three-year accumulated value of the export projects concluded through the program has reached approximately ¥2.25 billion. In FY2016, JETRO changed items in 15 projects and continues to seek out new export products.

■ 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.

■ In response to a new strategy to strengthen exports of agricultural, forestry and fishery products formulated by the Japanese government in May 2016, JETRO established the Taskforce for Agriculture, Forestry, Fishery and Food Export Strategy in the following month to further enhance its export support system.

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)

Top 20 categories of agricultural, forestry, fishery and food products (value basis)

(Unit: Million yen, %)

	Category	2014	2015	Growth rate
		Value	Value	
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		611,706	745,100	21.8
A/B (%)		33.7	35.5	

Source: "Overview of Foreign Trade of Agricultural, Forestry and Fishery Products"

Schedule of TPP tariff elimination of Japan's priority agricultural and food product exports

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

"One Prefecture, One Product Initiative" future activities

Region/category	Region/category	Region/category	Region/category		
Hokkaido	Beef (dairy bulls, 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	Yamaguchi	Fishery products, process fishery products
Aomori	Apples	Ishikawa	Rice, processed rice products (including types)	Tokushima	Citrus fruit (yuzu, hassaku oranges), processed citrus
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	Agricultural and 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	Fukui	Plums from Wakasa	Saga	Tea (such as Ureshino tea)
Niigata	Ornamental plants	Hyogo	Tamba black beans	Nagasaki	Dried shiitake
Gunma	Konjac goods	Shiga	Beef (Oumi beef)	Oita	Dried shiitake, processed
Tochigi	Fruit (strawberries, Japanese pears, pears)	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, black tea,
Tokyo	Toyosu (wholesale) fishery products, processed fishery	Wakayama/ Nara	Fruit such as persimmon	Okinawa	Mozuku seaweed
Chiba	Japanese pears, sweet potatoes, etc.	Tottori	Japanese pears, watermelons, Fuyu	Source: JETRO	
Saitama	Bonsai	Shimane	Shimane peony		

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