



JETRO Global Trade and Investment Report 2018

Global Economy Connected via Digitalization

Key Points

◆ **Global trade**

The world trade value of 2017 has increased for the first time in three years

◆ **Foreign direct investment (FDI)**

Chinese outward FDI shows strong presence in the world

◆ **World trade policies**

Multilateral trading system facing serious challenges

◆ **Topics: Global economy connected via digitalization**

Digital trade in which the data is growing more than goods and services

Japan External Trade Organization
(JETRO)

Overseas Research Department

JETRO Global Trade and Investment Report 2018

Summary

◆ Global trade

■ In 2017, world trade (trade in goods, nominal export value) increased by 10.5% to \$17.3 trillion (JETRO estimate) compared with the previous year and saw positive growth for the first time in three years. In particular, growth in commodity-related products, reflecting an increase in prices, and growth in semiconductor-related products resulted in remarkable increases. The trade volume (export basis) also increased by 4.5%. Both the value and volume of world trade showed its highest growth since 2011.

■ In the first quarter of 2018, the trade value of goods (from 34 major economies) increased by double digits, at 13.3% for exports and 14.6% for imports over the same period the previous year. A chain of restrictive measures on trade, however, has raised concerns of a downside risk.

■ In 2017, Japan's export amounted to \$697.2 billion, up 8.2%, while imports also increased by 10.5% to \$671.0 billion from the previous year. This remarkable growth trend resulted in increasing the trade surplus (\$26.3 billion) for the second consecutive year. Exports of general machinery such as semiconductor manufacturing equipment were especially strong, with the recovery of global investment.

◆ Foreign direct investment (FDI)

■ Japan's outward FDI in 2017 decreased by 3.0% from the previous year to \$168.6 billion (on a balance of payment basis, net, flow). This shows a slight decrease from its peak in 2016, but it still remains the second highest level on record. There are signs of re-expansion of previously stagnant business by Japanese firms in China.

■ Looking at the share of world outward FDI stock by country/region, it is observed that the presence of emerging and developing economies, especially China, as investment sources is increasing year by year. There is rising concern regarding corporate acquisitions in Europe and North America by Chinese enterprises, while the Chinese government is also strengthening control over outward investment. Asian companies, such as those of China, are expanding their presence in investment in Japan, such as capital participation or the sharing business.

◆ World trade policies

■ While the pace of FTAs going into force around the world has declined, two major FTAs that will have a significant economic impact, the EU-Japan EPA and TPP 11, are coming into effect. As Japan pays tariffs of about \$2.6 billion per year in exports to the EU (JETRO estimate), there are expectations for the reduction of tariff costs.

■ The total number of anti-dumping investigations initiated by all World Trade Organization (WTO) members remains at a high level. In addition to the extensive application of the conventional trade remedies such as anti-dumping measures, the trade policy implemented by the US includes unilateral measures based on domestic law. The existence of the multilateral trade system which shares a common foundation with the rules of WTO has been shaken.

◆ Topics: Global economy connected via digitalization

■ Within global digital trade, cross-border e-commerce and data flows grew more remarkably than goods and services. “Digital-related trade in goods” (export basis, JETRO estimate) accounted for 17.0% (\$2.95 trillion, 2017) of the world’s total trade, and in recent years, old digital-related goods are giving way to the new. While the overall presence of Japan in the export of digital-related goods worldwide is declining, Japan has maintained the world’s largest share of exports of semiconductor manufacturing equipment and industrial robots since 2007.

■ Global cross-border greenfield investment and cross-border M&A transactions by digital-related companies are increasing. While the US occupies the largest share (based on the number of projects/deals) in both cases, the share of emerging and developing countries which are proactively developing business outside of their borders, such as China, is expanding.

■ The United States, which is home to the world's major digital companies, has promoted the liberalization of digital trade through FTAs. Meanwhile, the EU is proactively promoting the formation of digital-related rules even in non-trade fields such as competition policy and tax reform. And China is imposing stringent domestic restrictions on foreign capital investment. These facts demonstrate how digital trade policy differs in each country. Under these circumstances, exploratory work toward starting discussions on e-commerce by like-minded countries has been launched in the WTO and is drawing attention as an indication of the significance of multilateral rule formation for trade.

Global trade 1: Global trade in 2017 shows upward trend for first time in three years

In 2017, world trade (merchandise trade, nominal export value) increased by 10.5% to \$17.3 trillion (JETRO estimate) compared with the previous year, seeing positive growth for the first time in three years. This is due to acceleration of global economic growth and increased commodity prices (especially those of fuel and metal). The trade volume (export basis) also increased by 4.5% from the previous year. Both the value and volume of world trade showed its highest growth since 2011.

At the same time, the world's import volume growth amounted to 1.3 times that of the world economic growth rate, implying a departure from the "slow trade" of the previous five years.

World trade related indicators

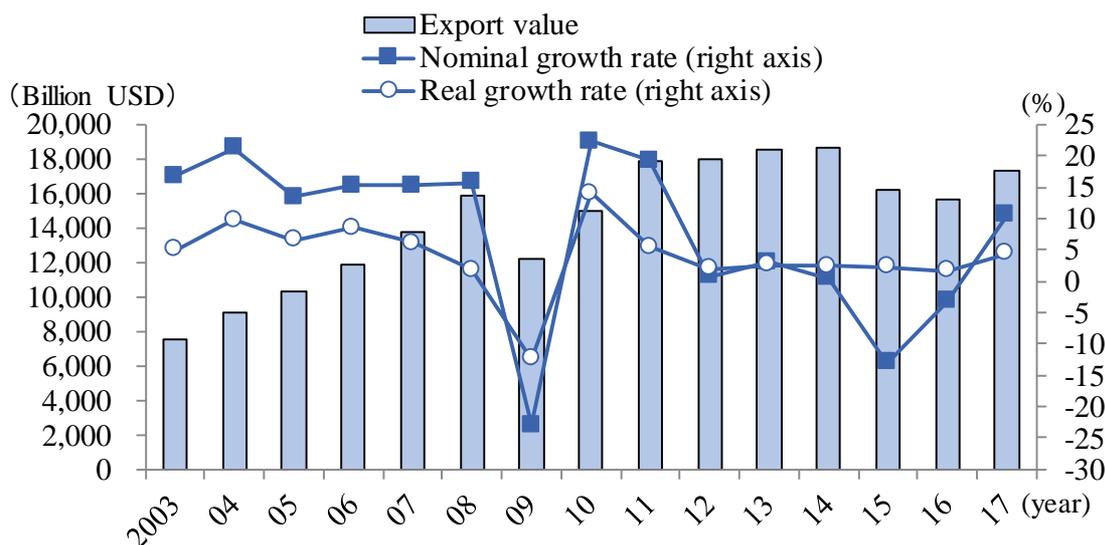
(All figures are percentages, unless indicated at the end of column)

	2013	2014	2015	2016	2017
World trade (export) (100 mil USD)	185,434	186,160	161,820	156,685	173,162
Nominal growth rate	3.1	0.4	-13.1	-3.2	10.5
Real growth rate	2.6	2.4	2.3	1.6	4.5
Price growth rate	0.5	-2.0	-15.0	-4.7	5.8
World trade (import) (100 mil USD)	188,830	189,638	164,879	160,132	177,458
Nominal growth rate	1.7	0.4	-13.1	-2.9	10.8
Real growth rate	2.2	2.9	2.7	2.0	4.8
Price growth rate	-0.5	-2.4	-15.3	-4.8	5.7
Industrial production index growth rate (developed countries)	0.5	2.1	0.3	0.3	2.5
Fuel price index growth rate	-1.6	-7.4	-44.8	-16.5	23.4
Crude oil price growth rate	-0.9	-7.5	-47.2	-15.7	23.3
Natural gas price growth rate	-3.7	-3.0	-33.2	-34.5	16.4
Metal price index growth rate	-4.3	-10.1	-23.0	-5.4	22.2
Iron ore price growth rate	5.3	-28.1	-42.4	4.3	21.4
Food and beverage price index growth rate	-0.7	-2.1	-15.9	1.8	1.0
Growth of nominal effective dollar exchange rate	2.2	2.5	15.3	0.2	-1.0

Note: 1) Both trade values and nominal growth rates are estimated by JETRO. See Appendix Annotation II regarding the method of estimation. 2) The real growth rate is from the WTO. 3) The price growth rate was calculated by dividing the nominal value by volume index. 4) All commodity prices are indicated in the growth rate of the annual average. Crude oil prices are the average of Dubai, Brent and WTI. Natural gas prices are from the Europe/Japan/US index. Iron ore prices are the import prices at China's CFR Tianjin port.

Source: Trade statistics of respective economies, "IFS (June 4, 2018)" (IMF), "WEO, April 2018" (IMF), and WTO data

Trends in world trade (export basis)



Source: JETRO's estimates based on the trade statistics of respective countries, and WTO data

Global trade 2: Chain of trade restrictive measures becomes risk in 2018

The increase of world trade in 2017 was mainly driven by growth in commodity-related products such as fuel and metal (a contribution ratio of 45%), electrical equipment (especially integrated circuits and communication equipment), chemical products, and general machinery (especially computers and peripheral equipment, semiconductor manufacturing equipment and turbines). In particular, growth in commodity-related products on the back of increased prices and that in semiconductor-related products stood out. By country/region, in addition to China and the US, both of which saw exports and imports increase for the first time in three years, Germany, and commodity-exporting countries have led the increase in trade.

In the first quarter of 2018, the trade value of goods (from 34 major economies where the data by product is available) saw double-digit growth, increasing by 13.3% for exports and 14.6% for imports over the same period the previous year. A chain of restrictive measures on trade, however, does raise concerns of a downside risk. Globally, the pace of expansion of new export orders (*) in the first half of 2018 are slowing down every month, and it is presumed that concerns about trade friction have been negatively affecting trade.

(*) Measured by the Global Manufacturing PMI new export orders, released by J.P.Morgan and IHS Markit.

World trade by product (export basis, 2017)

(100 million USD, %)

	Value	Share	Growth rate	Contribution
Total exports	173,162	100.0	10.5	10.5
Machinery and equipment	71,642	41.4	8.4	3.5
General machinery	20,739	12.0	10.2	1.2
Turbines	1,211	0.7	12.4	0.1
Computer and peripheral equipment	5,522	3.2	12.1	0.4
Semiconductor manufacturing equipment	760	0.4	36.6	0.1
Industrial robots	60	0.03	29.9	0.0
Electrical equipment	25,356	14.6	10.0	1.5
Communication equipment	5,784	3.3	7.1	0.2
Integrated circuits	6,252	3.6	18.7	0.6
Lithium-Ion Storage Batteries	224	0.1	25.4	0.0
Transport equipment	19,289	11.1	5.0	0.6
Automobiles	8,975	5.2	7.1	0.4
Automobile parts (excluding engines)	3,943	2.3	7.0	0.2
Precision equipment	6,257	3.6	6.7	0.3
Chemicals	23,562	13.6	8.9	1.2
Pharmaceuticals and medical supplies	5,369	3.1	5.5	0.2
Commodity-related products (total)	47,473	27.4	18.5	4.7
Fuel (mineral fuels etc.)	19,050	11.0	30.0	2.8
Non-fuel (metal, food and beverages)	28,423	16.4	11.8	1.9
Metal	13,682	7.9	17.4	1.3
Mineral ore	1,984	1.1	27.6	0.3
Base metal and its products	11,698	6.8	15.8	1.0
Food and beverages	14,741	8.5	7.1	0.6

Note: 1) JETRO estimates. See Appendix Annotation II regarding the method of estimation. 2) See Appendix Annotation I regarding the product classification.

World trade by country and region (2017)

(100 million USD, %)

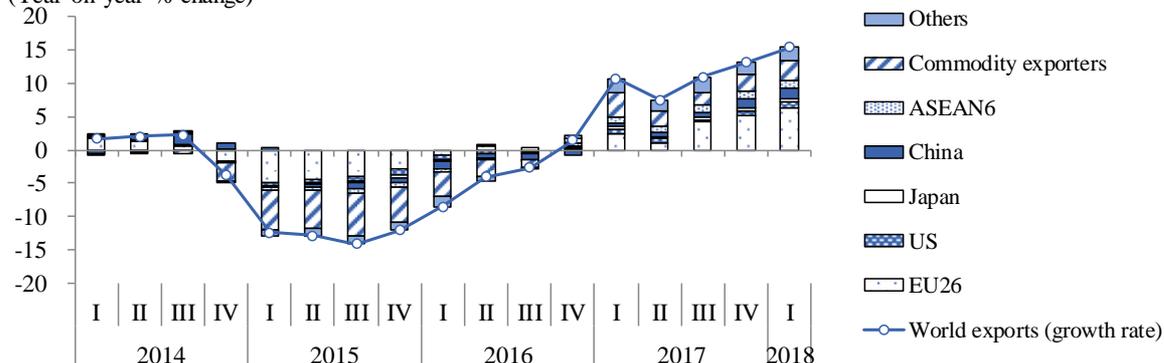
	Export				Import			
	Value	Share	Growth rate	Contribution	Value	Share	Growth rate	Contribution
US	15,467	8.9	6.6	0.6	23,429	13.2	7.1	1.0
EU	58,892	34.0	9.5	3.3	58,385	32.9	9.7	3.2
Germany	14,487	8.4	8.6	0.7	11,672	6.6	10.6	0.7
Netherlands	6,524	3.8	14.3	0.5	5,747	3.2	13.9	0.4
France	5,352	3.1	6.7	0.2	6,242	3.5	9.1	0.3
UK	4,496	2.6	6.4	0.2	6,240	3.5	-2.1	-0.1
Japan	6,972	4.0	8.2	0.3	6,710	3.8	10.5	0.4
East Asia	44,020	25.4	11.1	2.8	37,375	21.1	16.9	3.4
China	22,631	13.1	7.8	1.0	17,896	10.1	17.5	1.7
South Korea	5,737	3.3	15.8	0.5	4,785	2.7	17.8	0.5
ASEAN6	12,732	7.4	14.6	1.0	12,104	6.8	16.5	1.1
Vietnam	2,151	1.2	21.8	0.2	2,130	1.2	21.9	0.2
India	2,968	1.7	12.2	0.2	4,450	2.5	23.0	0.5
Brazil	2,177	1.3	17.5	0.2	1,507	0.8	9.6	0.1
Russia	3,578	2.1	25.2	0.5	2,275	1.3	24.7	0.3
World	173,162	100.0	10.5	10.5	177,458	100.0	10.8	10.8
Advanced economies	106,037	61.2	9.1	5.6	111,018	62.6	9.2	5.8
Emerging/developing economies	67,125	38.8	12.9	4.9	66,440	37.4	13.7	5.0
Commodity exporters	25,813	14.9	18.3	2.5	22,860	12.9	9.0	1.2

Note: 1) Figures of "World," "EU," "Advanced economies," "Emerging/developing economies" and "Commodity exporters" were estimated by JETRO. 2) Figures of "EU" include those of intraregional trade. 3) Member countries of ASEAN 6 are Singapore, Thailand, Malaysia, Vietnam, Indonesia and the Philippines. 4) See footnote in the main text regarding the definition of "Commodity exporters" (39 emerging/developing economies and 7 advanced economies). Figures of small countries which were unavailable or unable to be estimated were excluded. 5) Advanced economies include 37 economies based on the definition of DOTS (IMF). Figures for "emerging/developing economies" are calculated by subtracting "advanced economies" from the "world."

Source: Trade statistics of respective economies

Contribution of exports by economies, on a quarterly basis

(Year-on-year % change)



Note: 1) World exports cover 210 economies. 2) See footnote in the main text regarding the definition of "commodity exporters." EU26 includes all EU member economies excluding two commodity exporters (Greece and Cyprus). Source: "DOTS (June 22, 2018)" (IMF)

FDI 1: Japan's outward FDI marks second highest level on record

■ Japan's outward FDI in 2017 decreased by 3.0% from the previous year to \$168.6 billion (on a balance of payment basis, net, flow). Although it decreased slightly from the previous year's peak, it still ranks the second highest level on record. By country/region, investment in Asian countries showed recovery while that in the EU fell by 17.8%. Investment in the US remained flat, but the country has remained the largest investment destination for eight consecutive years.

■ Although Japan's direct investment to China saw sluggish growth, changes have been observed in future business development plans of Japanese firms in China. Motivation of Japanese-affiliated companies in China to expand business within the country has increased, a sign that Japanese business in China, which has been stagnant, might pick up again.

Japan's outward FDI by country/region

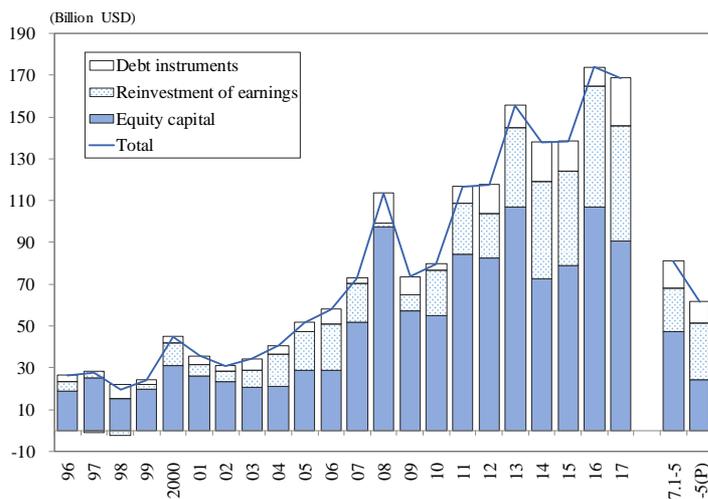
	2015	2016	2017			Jan-May, 2018 (P)		
				Share	Percent change		Share	Percent change
Asia	35,057	13,745	38,266	22.7	178.4	19,830	32.1	59.9
China	10,011	9,453	9,679	5.7	2.4	3,914	6.3	14.4
South Korea	1,593	1,626	1,700	1.0	4.5	1,061	1.7	153.7
ASEAN	20,920	-5,340	22,011	13.1	-	12,214	19.8	88.9
Singapore	7,010	-18,581	9,677	5.7	-	7,326	11.9	305.2
Thailand	4,057	4,632	4,724	2.8	2.0	2,724	4.4	18.7
Indonesia	3,213	2,957	3,388	2.0	14.6	1,136	1.8	5.9
Malaysia	2,918	1,394	935	0.6	-32.9	△ 347	-	-
Philippines	1,531	2,319	1,006	0.6	-56.6	257	0.4	-54.9
Vietnam	1,446	1,672	2,001	1.2	19.7	888	1.4	8.2
India	-1,041	4,105	1,060	0.6	-74.2	1,579	2.6	72.5
North America	51,451	53,327	52,879	31.4	-0.8	302	0.5	-98.6
US	50,218	52,584	51,981	30.8	-1.1	△ 1,330	-	-
Latin America	6,973	27,965	10,950	6.5	-60.8	15,156	24.6	56.7
Mexico	1,229	1,872	1,201	0.7	-35.9	677	1.1	-
Brasil	-193	898	-3,593	-	-	923	1.5	-
Oceania	6,669	6,344	3,185	1.9	-49.8	3,030	4.9	1055.3
Australia	5,676	4,696	2,213	1.3	-52.9	2,568	4.2	-
Europe	36,081	72,157	59,536	35.3	-17.5	22,564	36.6	-38.1
EU	35,785	69,122	56,845	33.7	-17.8	20,328	33.0	-43.5
UK	13,979	49,983	21,628	12.8	-56.7	12,246	19.9	-2.6
World	138,428	173,855	168,587	100.0	-3.0	61,692	100.0	-24.0

Note: 1) The yen-based value is converted to dollars by quarter, using the average quarterly Bank of Japan interbank rate.

2) For after 2014, figures reflect the annual revision. 3) The cumulative total for 2018 is a preliminary figure.

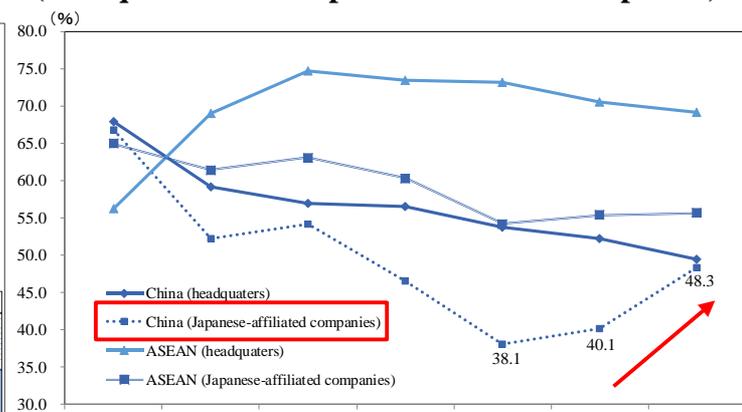
Source: "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan).

Trends in Japan's outward FDI by type



Note: 1) The yen-based value is converted to dollars by quarter, using the average quarterly Bank of Japan interbank rate. 2) Figures are based on BPM6. 3) The cumulative total for 2018 is a preliminary figure. Source: "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan).

Ratio of Japanese companies planning to expand business in China and ASEAN in the future (headquarters and Japanese-affiliated companies)



Note: 1) Figures for headquarters are the ratio of companies choosing China or ASEAN as the country/region in which they plan to expand business (over the next three years or so) to the total of respondents (headquarters in Japan) that answered "to expand new business and further expand business overseas" in the survey in 2011-2012, and "to further expand business overseas in the future" in the years after 2013.

2) Figures for Japanese-affiliated companies are the ratio of companies choosing "expansion" regarding future business plans (in the next one or two years) to the total of respondent affiliates operating in the respective countries/regions (i.e. China or ASEAN). Consequently, the absolute values of headquarters' and affiliates' ratios are not comparable. Source: Survey on the International Operations of Japanese Firms, and Survey on Business Conditions of Japanese Companies in Asia and Oceania (JETRO)

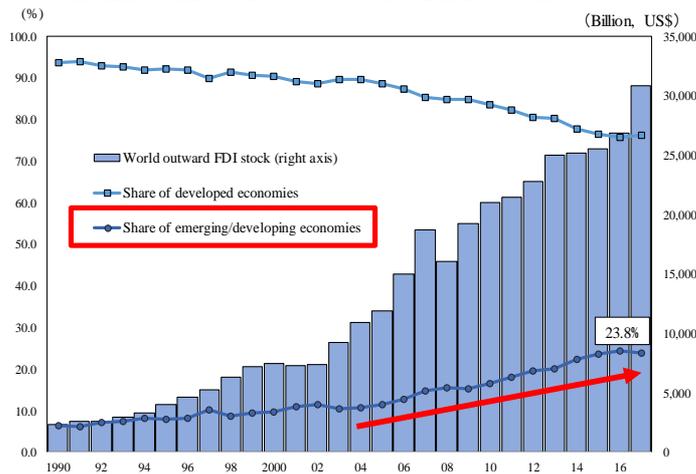
FDI 2: China and East Asia increasing their presence

as sources of direct investment

The share of emerging and developing countries in world outward FDI stock expanded to 23.8% by the end of 2017. Looking at the outward FDI stock by emerging and developing countries, the share of East Asia (China, Korea, Taiwan, Hong Kong, ASEAN) accounted for 70.4% at the end of the same year. In East Asia, China (including Hong Kong) has an overwhelmingly large share, accounting for 44.8%.

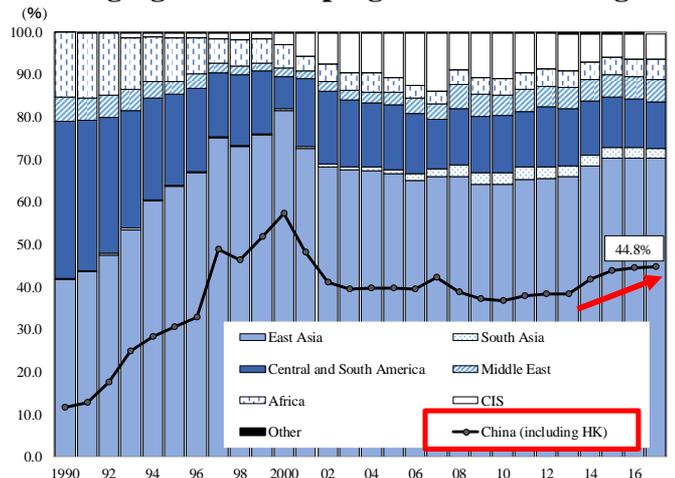
The presence of East Asian companies, such as of China, as direct investment sources also expanded in inward FDI in Japan. East Asia's share of cross-border M&A acquisitions of Japanese companies reached 44.4% between 2015 to 2018, of which the share of China (including Hong Kong) accounts for 20.5%. Asian enterprises' entry into the Japanese market has expanded, such as capital participation or the sharing business.

Share of developed and emerging/developing economies in world outward FDI stock



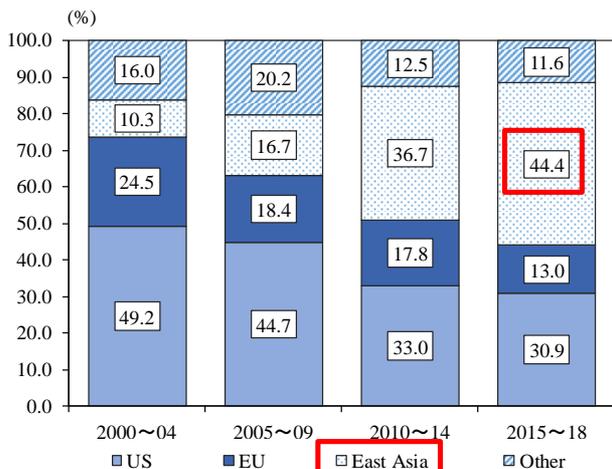
Note: 1) Graph includes a total of 38 countries/regions defined as developed economies by UNCTAD. 2) Figures for emerging and developing economies are obtained by subtracting the figures for developed economies from the total. Source: UNCTAD

Breakdown of share in outward FDI stock by emerging and developing countries and region



Note: 1) East Asia represent the figures for China, South Korea, Taiwan, Hong Kong, and ASEAN. 2) The figure for Central and South America exclude the financial centers in the Caribbean region. Source: UNCTAD

Cross-border M&A share within Japan by country/region on a deal basis



Note: 1) East Asia includes China, South Korea, Taiwan, Hong Kong and ASEAN. 2) The data is until the end of June 2018. Source: Thomson Reuters

Entry to Japanese market by Asian companies

Sector	Company	Overview
Electronic parts	Powertech Technology Inc. (Taiwan)	Powertech Technology Inc., the world's leading provider for IC backend services, acquired a majority of shares of Tera Probe, the provider of wafer testing services. (May 2017)
Electric machinery	Lenovo (China)	PC maker Lenovo bought a controlling stake of Fujitsu Client Computing Limited which produces PCs and tablet devices. (March 2018)
Electric machinery	Hisense Group (China)	Hisense Group, a major electronics company, acquired 95% of the shares of Toshiba Visual Solutions, which is responsible for Toshiba's visual products business. (February 2018)
Auto parts	Ningbo Joyson Electronic Corporation (China)	Ningbo Joyson Electronics, a major auto parts supplier, completed the acquisition of Takata, an automobile parts maker, through a US subsidiary. (April 2018)
Insurance	FWD Group (Hong Kong)	Insurance company FWD Group acquired AIG Fuji Life Insurance. (April 2017)
Drug	Ping An Insurance Group (China)	Ping An Insurance Group of China made a capital and business alliance with Tsumura. (October 2017)
Service	Mobike (China)	Mobike, the world's leading bicycle sharing service company, started its service from Sapporo. (July 2017)
Service	Tujia (China)	Tujia, a major Chinese vacation rental company, announced a business tie-up with Rakuten involving a private lodging introduction service. (August 2017)
Service	Didi Chuxing (China)	Didi, a major ride-sharing company, announced a partnership with SoftBank to provide platform services for the taxi industry. (February 2018)

Source: Thomson Reuters, various reports, etc.

World trade policies 1: Japan-EU EPA to reduce EU tariffs by \$2.6 billion annually

The EU is a major trading partner that accounts for 11.3% of Japan's trade. More than 60% of Japan's exports to the EU are taxable, with tariffs of around \$2.6 billion paid per year (JETRO estimate), meaning there are great expectations for reduced tariffs once the Japan-EU EPA goes into force.

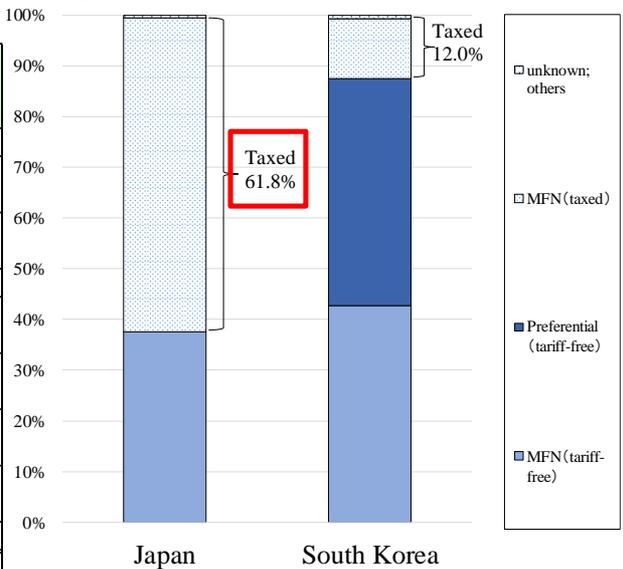
TPP 11 is expected to come into force in early 2019. Once it does, an economic sphere will be created that for many members will account for a double-digit percentage of total exports.

EU tariffs imposed on imports from Japan (for items with an estimated value of over 30 million USD in 2017, JETRO estimate)

HS code	Item	Tariffs paid (estimated)	Average Applied Tariff rate	Import Value	Import ratio
8703	Passanger vehicles and other automobiles	1,074,504	10.0	10,746,534	13.9
8708	Parts & accessories for motor vehicles (Head 8701-8705)	181,755	3.9	4,718,911	6.1
8711	Motorcycles and cycles fitted with an auxiliary motor	68,873	6.1	1,127,823	1.5
8482	Ball or roller bearings and parts	53,409	8.0	667,929	0.9
8411	Turbojets, turbopropellers & other gas turbines, parts	42,297	2.9	1,472,549	1.9
8528	TV receivers, including video monitors & projectors	40,438	6.8	594,125	0.8
9002	Optical elements, mounted; parts & accessories	33,697	6.5	519,055	0.7
8511	Electric ignition equipment; generators; parts	30,879	3.2	964,977	1.3
4011	New pneumatic tires, of rubber	30,578	4.4	693,193	0.9
Total		2,582,393	3.4	77,053,673	100.0

Note: The amount of estimated paid tariffs was calculated by multiplying the import value of items at the six-digit HS code level by the MFN tariff rates and adding up the values of items sharing the same four-digit level code, based on the data as of April 2018.
Source: Eurostat and WTO

Tariffs applied to EU imports from Japan and South Korea



Note: Based on data of 2017. MFN stands for Most Favored Nation tariff rate.
Source: Eurostat

Ratio of export to TPP11 member countries (2017)

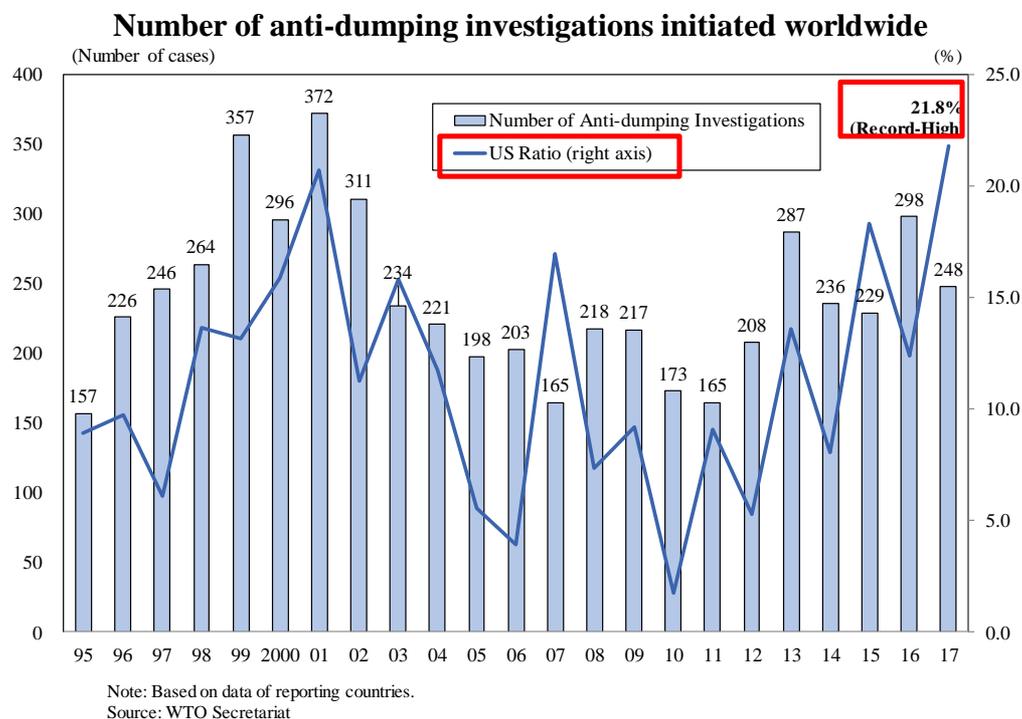
Exporting Country	Ratio of export to TPP11 member countries (export amount to partner country/total export amount)												Amount of export to TPP 11	Amount of export to new FTA countries	Total export amount (100 million USD)
	Canada	Mexico	Peru	Chile	Australia	New Zealand	Singapore	Malaysia	Vietnam	Brunei	Japan				
Canada		1.4	0.1	0.2	0.4	0.1	0.2	0.1	0.2	0.0	2.2	4.9	3.2	4,212	
Mexico	2.8		0.4	0.4	0.3	0.0	0.2	0.2	0.1	0.0	1.0	5.4	0.8	4,095	
Peru	2.7	0.9		2.4	0.6	0.1	0.1	0.3	0.3	0.0	4.2	11.5	1.2	433	
Chile	2.0	1.8	2.5		0.3	0.1	0.1	0.3	0.4	0.0	8.8	16.3	0.0	659	
Australia	0.5	0.1	0.0	0.1		3.0	2.2	1.9	1.5	0.0	14.6	24.0	0.6	2,311	
New Zealand	1.3	0.7	0.2	0.3	16.4		2.1	1.9	1.3	0.0	6.0	30.3	8.1	381	
Singapore	0.2	0.3	0.0	0.0	2.7	0.5		10.6	3.3	0.2	4.6	22.4	0.5	3,734	
Malaysia	0.4	1.0	0.1	0.1	3.5	0.5	14.5		3.0	0.2	8.0	31.2	1.5	2,179	
Vietnam	1.3	0.9	0.1	0.5	1.6	0.2	1.3	2.2		0.0	7.9	16.0	2.4	2,122	
Brunei	0.0	0.0	0.0	0.0	2.8	0.0	7.6	11.2	0.8		29.3	51.8	0.0	56	
Japan	1.4	1.6	0.1	0.3	2.3	0.4	3.2	1.8	2.2	0.0		13.2	1.7	6,983	

Note: The thin shaded cells indicate the values between countries or regions where FTAs have already been in effect. The dark shaded cells indicate the values between countries entering an FTA partnership for the first time through the effectuation of the TPP. The Agreement on the Global System of Trade Preferences Among Developing Countries (GSTP) and the Protocol Relating to Trade Negotiations Among Developing Countries Agreement (PTN) are not classified as FTAs.
Source: Trade statistics of each country and "DOTS" by IMF Data updated in June 2018

World trade policies 2: US shifts to utilization of unilateral measures

The total number of anti-dumping investigations conducted by all World Trade Organization (WTO) members in 2017 came to 248 cases, maintaining a high level. The US initiated 54 of these cases, which was the largest number among WTO members, accounting for 21.8% of the total and marking a record high.

The trade policy taken by the Trump administration includes not only aggressive use of trade remedies, but also unilateral measures based on American domestic law. The existence of the multilateral trade system which shares a common foundation with the rules of WTO has been shaken.



Major trade-related decisions taken by the Trump administration

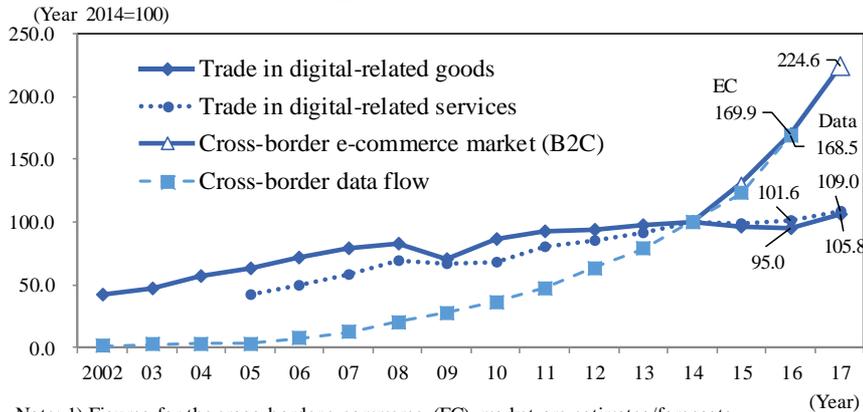
Date	Outline of measures
23-Jan-17	Withdrawal of the United States from the TPP
31-Mar-17	President orders to analyze factors of trade deficit and to enhance enforcement of trade remedies and violations of trade laws
18-Apr-17	Assessing the extent of enforcement of the Buy American Law and impact of trade agreements
18-Apr-17	Launch the Japan-US Economic Dialogue
20-Apr-17	Initiation of investigation on the effects on national security of steel imports based on Section 232 of the Trade Expansion Act of 1962
27-Apr-17	Initiation of investigation on the effects on national security of aluminum imports based on the Trade Expansion Act of 1962
29-Apr-17	Establishment of Office of Trade and Manufacturing Policy
18-May-17	Notification to the Congress on renegotiation of the NAFTA
14-Aug-17	Investigating the effects of violation of IP rights and compulsory technical transfer requirements by China, based on Section 301 of the Trade Act of 1974
16-Aug-17	First round of the NAFTA renegotiation
22-Aug-17	Launch the Special Session of the US-Korea FTA Joint Committee
28-Nov-17	The US Department of Commerce self-initiated antidumping and countervailing duty investigations of imports of certain aluminum sheets from China
23-Jan-18	President Trump approves global safeguard measures on large residential washers and crystalline silicon photovoltaic cells and modules
8-Mar-18	Determination of additional import tariffs on steel and aluminum based on the investigation conducted under Section 232 of the Trade Expansion Act of 1962
22-Mar-18	Determination of additional import tariffs on imports from China and strengthened investment restriction on Chinese investment in the US, based on the investigation conducted under Section 301 of the Trade Act of 1974
27-Mar-18	Agreement in principle of the Special Session of the US-Korea FTA Joint Committee announced
23-May-18	Initiation of investigation under Section 232 of the Trade Expansion Act of 1962 regarding the effects of imported vehicles and automotive parts on national security
6-Jul-18	Initiates imposition of additional import tariffs on certain products from China based on the investigation conducted under Section 301 of the Trade Act of 1974

Digital 1: E-commerce and data flows grew more than goods and services within global digital trade

Analyzing the world's "digital trade" from the four indicators of (1) trade in digital-related goods, (2) trade in digital-related services, (3) cross-border e-commerce (EC), and (4) cross-border data flows (see definition below), the growth of cross-border EC and cross-border data flows have been especially remarkable in recent years compared with digital trade in goods and services.

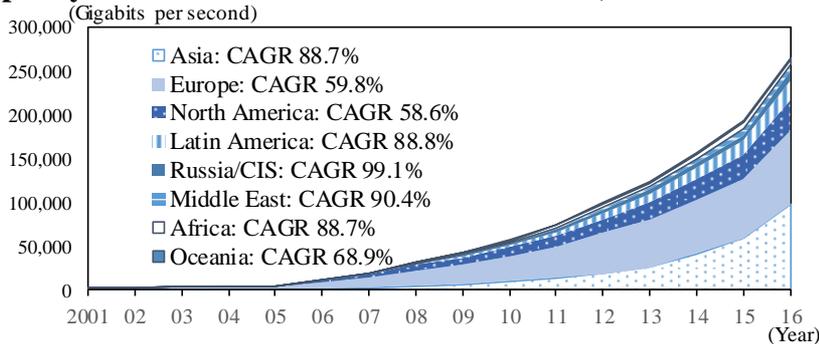
Global cross-border data flows in 2016 (used capacity of international Internet bandwidth in the world) increased to 264,968 gigabits per second (Gbit/s), which marked 165-fold compared with the data flows in 2001. Asia and Europe respectively account for 36.8% and 31.4% of these global cross-border data flows. In terms of the compound annual growth rate (2001-2016), the growth in emerging and developing countries such as Asia, Latin America, Russia CIS, Middle East and Africa have been notable.

Trends in world digital trade indicators (year 2014=100)



Note: 1) Figures for the cross-border e-commerce (EC) market are estimates/forecasts. 2) Trade and cross-border EC market are based on monetary export values, while cross-border data flows are measured by the used international Internet bandwidth (bit size per second). Source: Trade in goods: JETRO's estimates based on the trade statistics of respective economies; trade in services: WTO data; EC market: AliResearch data; data flows: "ITU World Telecommunication/ICT Indicators Database 2017" (ITU).

Trends in used capacity of international Internet bandwidth (cross-border data flows) in the world



Note: 1) Values were calculated by adding up the amount of "gigabits per second" of each year and each country or region where the data is available. (As for the number of countries and regions, the smallest one is 174 in 2006 and the largest is 208 in 2012). 2) The category of regions is the same as that of "world trade of products" in Appendix 3. "North America" includes the US and Canada. 3) CAGR, the Compound Annual Growth Rate, was calculated by data from 2001 to 2016. Source: "ITU World Telecommunication/ICT Indicators Database 2017" (ITU)

Definitions of four indicators measuring "digital trade"

Digital trade was measured from the following four indicators, based on definitions by OECD and the Information Economy Report 2017 of UNCTAD .

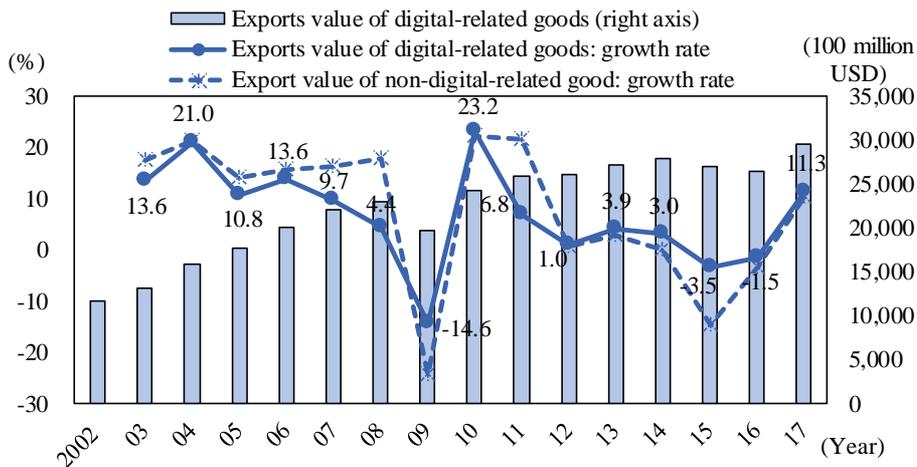
- 1) Trade in digital-related goods:** This generally covers "ICT goods" defined by OECD, "IT related products" defined by JETRO, and electronics exports released by the Japan Electronics and Information Technology Industries Association (JEITA). Additionally, industrial robots, 3D printers and optical fibers/cables are included as digital-related goods.
- 2) Trade in digital-related services:** Referring to the UNCTAD 's definition of ICT service trade, it is defined by trade in "telecommunications, computer and information services" from which data can be picked up from WTO service trade statistics.
- 3) Cross-border e-commerce (EC) market:** Cross-border EC trade value. This covers only business-to-consumer (B2C) transactions.
- 4) Cross-border data flows:** Defined by the international Internet bandwidth.

Digital 2: Old digital-related goods give way to the new

■ In 2017, world “trade in digital-related goods” (JETRO estimate, export basis) amounted to \$2.95 trillion, 2.5 times the amount in 2002. However, its share of total world trade slightly declined from 18.0% (2002) to 17.0% (2017).

■ Items driving modern digitalization (IoT, the increase of data volume and progress in automation through AI/robotics, etc.) such as communication equipment, semiconductors and electronic components, measuring and testing equipment, medical electronic equipment, semiconductor manufacturing equipment, industrial robots and 3D printers etc., showed high growth (compound annual growth rate [CAGR]: 5.4%, 2007-2017), while items that had traditionally driven digitalization such as computers and peripheral equipment, office equipment, other electronic components, video equipment, audio equipment, etc., showed low growth (0.3%), indicating the old is continuing to give way to the new.

World trade in digital-related goods (export basis)



Note: 1) JETRO's estimates. See Appendix Annotation I and II regarding the method of estimation and product classification. 2) The export value of non-digital-related goods was calculated by subtracting the export value of digital-related goods from the total of world exports.

3) Due to the revision of the HS code in 2007, data until 2006 and after 2007 are not precisely comparable.

Source: Trade statistics of respective economies

World trade in digital-related goods by product (export basis, 2017)

	(Million USD, %)				
	2017			CAGR	2007
	Value	Share	Growth rate	2007-17	Share
Computer and peripheral equipment, etc.	552,236	18.7	12.1	0.4	24.2
Computer and peripheral equipment	344,832	11.7	13.1	2.2	12.6
Computer parts	124,482	4.2	15.3	-2.0	6.9
Office equipment	10,782	0.4	5.6	-1.8	0.6
Communication equipment	578,442	19.6	7.1	6.4	14.1
Cellular phones	257,212	8.7	8.0	8.6	5.1
Semiconductors and electronic components	736,187	25.0	15.6	5.1	20.4
Electronic tubes and semiconductors	110,948	3.8	0.6	3.5	3.6
Integrated circuits	625,239	21.2	18.7	5.4	16.8
Other electronic components	448,336	15.2	9.3	1.3	17.9
Video equipment	159,669	5.4	7.9	-1.9	8.8
Audio equipment	17,731	0.6	1.1	-4.7	1.3
Measuring and testing equipment	248,459	8.4	10.6	4.2	7.5
Medical electronic equipment	109,760	3.7	4.3	3.7	3.5
Semiconductor manufacturing equipment	75,996	2.6	36.6	8.8	1.5
Industrial robots	5,955	0.2	29.9	8.0	0.1
3D printers, etc.	6,339	0.2	14.1	3.6	0.2
Digital-related goods: parts	1,577,141	53.5	12.0	2.8	54.2
Digital-related goods: final goods	1,373,355	46.5	10.5	3.2	45.8
Digital-related goods total	2,950,495	100.0	11.3	3.0	100.0
Digital-related goods in high growth (total)	1,761,138	59.7	12.0	5.4	47.3
Digital-related goods in low growth (total)	1,189,357	40.3	10.2	0.3	52.7

Note: 1) JETRO's estimates. See Appendix Annotation I and II regarding the method of estimation and product classification. 2) Shaded cells indicate that they were recorded as higher growth rates than the compound annual growth rate (CAGR) of the total of digital related goods. Digital-related goods in high growth represent the total value of those products.

Source: Trade statistics of respective economies

Digital 3: Presence of Japan as exporter of digital-related goods declining

■ Among the top ten exporters of digital-related goods, only Japan showed a negative CAGR from 2007 to 2017 and dropped in ranking. Japan ranked at 23rd place in global digital-related service exports in 2017, and its world share remains mostly unchanged from 2005.

■ The decrease in Japan's exports in digital-related goods was driven by the fall in exports of major items such as semiconductors and electronic components (integrated circuits, in particular), other electronic components, computer and peripheral equipment, and video equipment. However, Japan's export of semiconductor manufacturing equipment (29.9% of the world's share in 2017) and industrial robots (37.1% of the world's share in 2017) grew. In these two items, Japan has held first place since 2007.

Top 10 digital-related good exporters

(Million USD, %)						
Rank	Economies	2017 value	2017 share	2007 share	2007 rank	2007-17 CAGR
	World	2,950,495	100.0			3.0
1	China	706,212	23.9	18.2	1	5.9
2	US	251,658	8.5	9.9	2	1.5
3	South Korea	166,316	5.6	4.7	6	4.8
4	Germany	166,271	5.6	7.3	4	0.4
5	Netherlands	148,611	5.0	5.3	5	2.4
6	Japan	140,407	4.8	7.5	3	-1.5
7	Taiwan	138,711	4.7	3.7	7	5.4
8	Vietnam	88,899	3.0	0.1	39	40.5
9	Mexico	87,959	3.0	3.1	9	2.5
10	Malaysia	83,425	2.8	3.5	8	0.9

Note: 1) The values of the world and Vietnam were estimated by JETRO. Vietnam's actual value in 2016 was ranked 10th at 58.2 billion USD, while its CAGR between 2007 and 2016 was 39.2%. 2) Values in the shaded cell indicate that they are higher than the world CAGR. 3) Hong Kong, which mostly re-exports, is excluded from this table. The export amount of Singapore was ranked with values excluding re-exports.

Source: Trade statistics of respective economies

Top 10 digital-related service exporters

(Million USD, %)						
Rank	Economies	2017 value	2017 share	2005 share	2005 rank	2005-17 CAGR
	World	527,339	100.0	100.0		8.3
1	Ireland	85,159	16.1	n.a.	n.a.	10.1
2	India	54,863	10.4	8.3	1	10.3
3	US	38,936	7.4	7.7	2	8.0
4	Germany	36,782	7.0	5.5	4	10.5
5	China	27,767	5.3	1.1	11	23.0
6	UK	25,589	4.9	7.1	3	4.9
7	Netherlands	25,065	4.8	n.a.	n.a.	n.a.
8	France	18,311	3.5	n.a.	n.a.	1.5
9	Sweden	14,305	2.7	1.9	9	11.3
10	Switzerland	13,193	2.5	2.8	6	7.3
23	Japan	4,703	0.9	0.8	13	9.9

Note: 1) The CAGRs of Ireland and France were calculated by data from 2008 to 2017, as data in 2005 is not available. 2) Values in the shaded cell indicate that they are higher than the world CAGR. 3) Ranking was created only with countries and regions where data are available.

Source: WTO data

Japan's trade in digital-related goods by product (2017)

	Export			CAGR	Import			CAGR
	Value	Share	Growth rate	2007-17	Value	Share	Growth rate	2007-17
Computer and peripheral equipment, etc.	12,992	9.3	4.8	-5.6	21,556	17.9	9.5	-0.2
Computer and peripheral equipment	1,897	1.4	12.1	-7.6	14,858	12.4	12.6	1.5
Computer parts	1,789	1.3	11.2	-6.9	2,973	2.5	14.2	-5.6
Office equipment	208	0.1	0.5	-11.0	467	0.4	4.3	-1.2
Communication equipment	6,265	4.5	12.3	-3.0	27,664	23.0	10.1	11.4
Cellular phones	102	0.1	601.9	-13.0	16,858	14.0	10.0	26.3
Semiconductors and electronic components	35,778	25.5	7.8	-2.2	24,819	20.6	8.0	0.3
Electronic tubes and semiconductors	9,094	6.5	0.0	-2.0	5,354	4.5	-10.9	6.8
Integrated circuits	26,685	19.0	10.8	-2.2	19,465	16.2	14.6	-0.9
Other electronic components	26,152	18.6	7.5	-2.9	14,996	12.5	4.1	-1.0
Video equipment	6,347	4.5	13.0	-8.6	7,606	6.3	24.9	4.0
Audio equipment	171	0.1	-24.0	-10.4	822	0.7	3.2	-7.1
Measuring and testing equipment	22,114	15.7	11.0	2.3	11,897	9.9	9.5	2.1
Medical electronic equipment	4,961	3.5	4.5	1.0	5,645	4.7	0.5	5.2
Semiconductor manufacturing equipment	22,738	16.2	27.2	5.8	4,595	3.8	62.0	4.6
Industrial robots	2,210	1.6	35.8	11.9	48	0.0	15.4	8.6
3D printers, etc.	407	0.3	31.8	6.3	63	0.1	-1.3	2.2
Digital-related goods: parts	89,966	64.1	9.2	-1.9	53,104	44.2	6.9	-0.4
Digital-related goods: final goods	50,441	35.9	15.5	-0.9	67,094	55.8	13.2	5.2
Digital-related goods total	140,407	100.0	11.4	-1.5	120,197	100.0	10.3	2.3

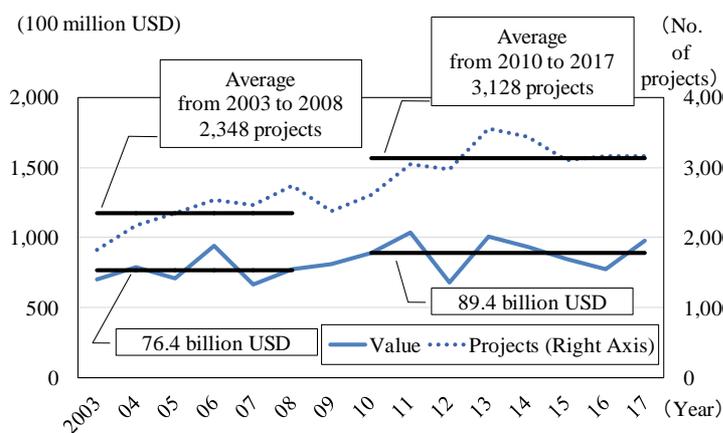
Source: "Trade Statistics" (Ministry of Finance)

Digital 4: Global FDI by digital-related companies increasing

Both the number of projects and value of global greenfield investment by digital-related companies (see the definition below) increased between the two periods of 2003-2008 and 2010-2017 (2009 is excluded to remove the impact of the global financial crisis). While the number of global cross-border M&A deals by digital-related companies decreased between the same two periods, the overall M&A value increased due to the increase in mega-deals.

The US accounted for the largest share of both greenfield investment and M&A transactions as an investor. The share of emerging and developing countries, in particular China, is also expanding.

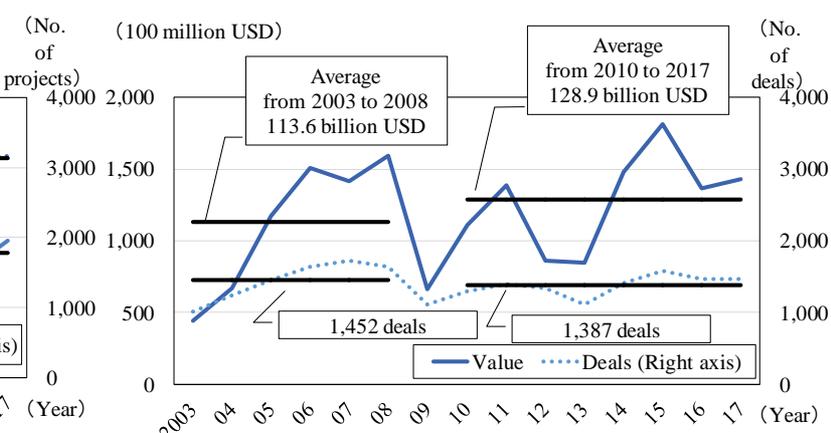
Global cross-border greenfield investment by digital-related companies



Note: 1) Data is constructed on the basis of various news reports. Projects that are not completed within the year data is registered or estimated by FT are included.

2) Total of 23 digital-related industries (sectors).
Source: fDi Markets (Financial Times)

Global cross-border M&As by digital-related companies



Note: Deals in which the acquiror ultimate parent is classified as being in a digital-related industry are counted.

Source: Thomson Reuters

Global cross-border greenfield investment by digital-related companies (Source country)

(No. of projects, %)

	2003-2008		2010-2017	
	Average	Share	Average	Share
World	2,348	100.0	3,128	100.0
US	1,005	42.8	1,049	33.5
UK	158	6.7	283	9.0
Japan	157	6.7	161	5.1
South Korea	40	1.7	30	1.0
China	37	1.6	103	3.3
Others	951	40.5	1,503	48.1
Developed economies	2,029	86.4	2,625	83.9
Emerging and developing economies	319	13.6	504	16.1

Note: Table includes a total of 39 economies defined as developed economies by UNCTAD. Figures for emerging and developing economies are obtained by subtracting the figures for developed economies from the world total.

Source: fDi Markets (Financial Times)

Global cross-border M&As by digital-related companies (Acquiror ultimate parent nation)

(No. of deals, %)

	2003-2008		2010-2017	
	Average	Share	Average	Share
World	1,452	100.0	1,387	100.0
US	419	28.9	378	27.3
Japan	71	4.9	139	10.0
UK	128	8.8	95	6.8
Germany	84	5.8	70	5.0
China	16	1.1	49	3.5
Others	734	50.5	657	47.3
Developed economies	1,217	83.8	1,130	81.5
Emerging and developing economies	235	16.2	257	18.5

Note: Table includes a total of 36 economies defined as developed economies by UNCTAD. Figures for emerging and developing economies are obtained by subtracting the figures for developed economies from the world total.

Source: Thomson Reuters

Definition of digital-related industry in foreign direct investment

Digital-related industries in cross-border greenfield investment and cross-border M&A correspond with (1) the ICT industries defined by OECD and (2) digital-related goods in Section I-4 of this report. Cross-border greenfield investment, however, covers 23 industries (sectors) defined in fDi Markets in reference to industries mentioned above.

Digital 5: Digital companies in emerging and developing countries

promoting overseas business

■ Comparing major American and Chinese digital companies, American companies are making sales in various regions around the world whereas Chinese companies are highly dependent on their domestic market. The latter, however, have been active in investing abroad, particularly in Southeast Asia, in the last few years.

■ Other emerging digital companies are also active in developing business abroad. Collaboration with these emerging digital companies that provide such services as ride sharing, electronic payment and e-commerce will increase new business opportunities for Japanese companies.

Business overview of major digital companies in the world

Company name (Year Established, Nationality)	Sales by geographical segments	Example of recent investments
Amazon (1994, US)	US: 67.7% Germany: 9.5% Japan: 6.7% UK: 6.4% Rest of world: 9.6%	<ul style="list-style-type: none"> ● Amazon acquired Whole Foods at \$13.7 billion in July 2017. There are reports that the locations might be used as bases for offline stores. In Asia, in addition to its enthusiasm to expand its business in India, Amazon started official services in Singapore in July 2017. It also acquired the most popular e-commerce company in the Middle East, Souq.com, in March 2017. ● Among new projects, it has expanded its offline retail business, including Amazon Go, and announced in January 2018 that it would start health insurance-related operations for its employees. In logistics, it has filed a patent for distribution services with drones.
Alphabet (1998, US)	US: 47.3% EMEA: 32.5% Asia-Pacific: 14.6% Other Americas: 5.5%	<ul style="list-style-type: none"> ● Google announced it is going to increase its efforts for AI development, in order to improve overall products/services. AI centers (research laboratories) in various locations, such as New York, London, Tokyo, and Tel Aviv have been engaged in the development. It also announced the establishment of new AI centers in Beijing, Paris and Accra (Ghana). ● Although the company used to be active in acquiring IT companies, the number of acquisitions has decreased since 2015.
Alibaba (1999, China)	(Among Core Commerce) China: 85.8% Rest of world: 9.7% Others incl. logistics: 4.4%	<ul style="list-style-type: none"> ● In "New Retail," it is estimated Alibaba has invested about \$8 billion in its proprietary grocery retail, Hema. ● Overseas, the company has been actively investing in e-commerce-related companies in Southeast Asia and India. In the Middle East, it constructed its first data center in Dubai for cloud computing services in 2016 and already plans to start the operation of a second data center in 2018. It also has announced the establishment of a research center in Israel.
Tencent (1998, China)	China: 96.6% Rest of world: 3.4%	<ul style="list-style-type: none"> ● Compared to its rival, Alibaba, Tencent has more investments overseas. The biggest investment so far was the acquisition of major Finnish game maker, Supercell. ● In Asia, Tencent is the major stakeholder of Chinese E-commerce giant, JD.com, and has invested in an Indonesian ride-hailing company, GO-JEK.

Note: 1) Overall sales and sales by segment are taken from each company's financial statements. Sales figures are those of 2017 for companies other than Alibaba and of the one-year period lasting until March 2018 for Alibaba. 2) "Nationality" indicates each company's major operational bases and is not necessarily the same as where the company is incorporated. 3) EMEA represents Europe, the Middle East, and Africa. Other Americas represents Canada and Latin America.

Source: annual financial reports, EIKON (Thomson Reuters), reports from JETRO overseas branches, related media reports

Examples of emerging digital companies

Region	Company (nationality)	Company profile	Major trends after 2017
Southeast Asia	GO-JEK (Indonesia)	In addition to a motorcycle ride-hailing phone service, GO-JEK provides a wide range of other on-demand services such as for food delivery.	<ul style="list-style-type: none"> • May-2018: GO-JEK announced its international expansion to Vietnam, Thailand, Singapore and the Philippines. • June-2018: GO-JEK announced the opening of units in Vietnam and Thailand.
	Ascend Money (Thailand)	Ascend Money operates TrueMoney, a payment platform, and Ascend Nano, an online financing platform, utilizes cloud data and digital technologies. Ascend Money operates business in Southeast Asia.	<ul style="list-style-type: none"> • August-2017: TrueMoney and KREDIT Microfinance Institution, one of the largest microfinance institutions in Cambodia, announced a partnership agreement on Bill Payment Service. • April-2018: TrueMoney has received an intermediary payment services license from the State Bank of Vietnam.
	FPT (Vietnam)	FPT is Vietnam's leading technology group. FPT Software, a subsidiary of FPT, has six locations in Japan.	<ul style="list-style-type: none"> • August-2017: FPT officially opened an office in Denver, US. • September-2017: FPT Japan officially opened the Okinawa Research and Development Centre, which serves as an Asian IT hub.
Southwest Asia	One97 Communications (India)	One97 Communications runs operations such as Paytm, a payment service.	<ul style="list-style-type: none"> • March-2017: One97 communications entered the Canadian market with the launch of the Paytm Canada app, through which electricity bills, etc. are able to be paid.
	ANI Technologies (India)	ANI Technologies owns and runs operations such as an online cab-hailing service, Ola.	<ul style="list-style-type: none"> • February-2018: ANI Technologies launched Ola in Perth, Australia.
Latin America	MercadoLibre (Argentina)	MercadoLibre provides e-commerce services in Central and South America, such as Argentina and Brazil. It accounts for the largest shares of Argentina's and Brazil's e-commerce markets, at 38.9% and 19.3% respectively. It commands the second highest share in Mexico, at 8.5%.	<ul style="list-style-type: none"> • April-2018: MercadoLibre announced its partnership with Plaza Logística, a logistics facility developer, for the construction of a distribution center. • April-2018: MercadoLibre will invest \$275 million this year in Mexico to establish distribution centers and more.
Middle East, Africa	Safaricom (Kenya)	Safaricom is a telecommunications company that provides integrated telecommunication services, including fixed voice and data-transfer services as well as M-PESA, a mobile money transfer services.	<ul style="list-style-type: none"> • May-2018: Kenyan taxi-hailing firm, Little, which has a partnership with Safaricom, started operations in Uganda. • June-2018: An Indian fintech company purchases a part of Little's shares.

Source: Reports from JETRO's overseas offices, press releases from the respective companies, "Passport" (Euromonitor International), EIKON (Thomson Reuters), various press reports, etc.

Digital 6: Diverse digital trade policies among major countries

■ Having globally competitive companies in the country, the US has been working to liberalize digital trade since the early 2000s through FTAs, gradually expanding the spectrum of rules to cover over time. In its communications to the WTO, the country has emphasized the importance of discussing high-standard rules, such as liberalizing cross-border data transfers.

■ The EU, concerned with the relative decline in competitiveness of enterprises in the region, is actively involved in the formation of digital-related rules not only in trade but also in non-trade fields such as competition policy and tax reform, and these measures have led to discussions internationally.

Provisions of e-commerce chapters of US FTAs in force and US communications to WTO

Provisions	FTAs in Force													WTO	
	Chile Jan. 2004	Singapore Jan. 2004	Australia Jan. 2005	Morocco Jan. 2006	CAFTA Mar. 2006	Bahrain Aug. 2006	Oman Jan. 2009	Peru Feb. 2009	South Korea Mar. 2012	Colombia May. 2012	Panama Oct. 2012	TPP (Reference) With- drawn	Jul. 2016	Apr. 2018	
Definitions	○	○	○	○	○	○	○	○	○	○	○	○			
Scope and general provisions	○	○	○	○	○	○	○	○	○	○	○	○			
Custom duties on electronic transmissions	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
Non-Discriminatory treatment of digital products	○	○	○	○	○	○	○	○	○	○	○	○	○	○	
Domestic electronic transaction framework												○			
Electronic authentication and electronic signatures			○					○	○	○		○	○		
Online consumer protection			○				○	○	○	○		○			
Personal information protection												○			
Paperless trading			○					○	○	○		○			
Principles on access to and use of the internet for electronic commerce									○			○	○	○	
Cross-border transfer of information by electronic means									○			○	○	○	
Internet interconnection charge sharing												○			
Prohibition on requiring to locally locate computing facilities												○	○	○	
Measures regarding unsolicited commercial electronic messages												○			
Cooperation	○				○						○	○			
Cooperation on cybersecurity matters												○		○	
Prohibition on Requiring transfer of or access to source code												○	○	○	
Dispute settlement												○			
Transparency (publication of regulations)					○			○		○	○				

Note: Month and year indicates when the FTA came into force or when the communication to WTO was submitted.

Source: US FTAs in force and its communications to the WTO (JOB/GC/178, JOB/GC/94)

EU strategy for rule-making in digital field

European Commission; Digital Single Market strategy (Published in May 2015, and the Mid-Term Review in May 2017)		
Three Pillars	Major actions	Outlines of examples
① Better access for consumers and businesses to digital goods and services across Europe	Strengthening the application of the EU competition law to the digital field by Directorate-General for Competition	- Google was charged a fine of 4.34 billion euros in July 2018. - For monopolistic supply to Apple, QUALCOMM was imposed a fine of EUR 1 billion in January 2018.
② Creating the right conditions for digital networks and services to flourish	Proposal of digital taxation system	- EU member countries imposed corporate tax on digital companies. - Tentatively, a 3% online sales tax was introduced.
	Proposal of Regulation for online platforms	- The improvement of transparency in dealing information obtained by business institutes - The preparation of efficient solutions in case of conflicts
③ Maximising the growth potential of the Digital Economy	Modernization of EU standardization policy including strengthening standardization in the ICT field	- Strengthening international standardization including for IoT and big data - Collaboration in standardization with major countries such as Japan (e.g.: In the TBT Chapter of the EU-Japan EPA, collaboration between standardization organizations is recommended.)

Note: Cases indicated above are exemplified by distinctive contents from the perspective of rule formation.

Source: Materials of European Commission

Digital 7: Exploratory work towards starting e-commerce discussion launched

■ Co-chaired by Japan and others, the launch of “exploratory work on electronic commerce” was declared with 71 signatory countries and regions, including the US, at WTO MC11 in December 2017. China has participated in the work from 2018.

■ In the field of digital trade policy, various countries and regions are currently imposing regulations on their own terms. The fact that both the US and China are participating in the exploratory work, however, reiterates the importance of multilateral rule formation for trade.

Outline of new WTO frameworks among like-minded countries

Field	Number of countries and regions (note)	Outline
Electronic commerce	71	Examining aspects related to international trade in electronic commerce. Deepening the discussion for future multilateral negotiations.
Investment facilitation for development	70	With the aim of economic development, considering multilateral frameworks to facilitate direct investment from the perspectives of improvement of transparency of investment regulations and predictability.
Services Domestic Regulation	58	Deepening discussions on improvement of the transparency of regulations on the service field, and on regulations not being more restrictive than necessary.
Work program for MSMEs	85	Setting up a working group to strengthen MSMEs' involvement in trade and strengthening existing WTO initiatives.

Signatory countries/regions for exploratory work on e-commerce

Region	Country/region
Asia	Australia, Brunei Darussalam, Cambodia, Hong Kong, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, Singapore, Taiwan
Americas	Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Mexico, Panama, Paraguay, Peru, United States , Uruguay
Europe, Russia, CIS	Albania, EU, Iceland, Kazakhstan, Leichtenstein, Macedonia, Moldova, Montenegro, Norway, Russia, Switzerland, Ukraine
Middle East, Africa	Bahrain, Israel, Kuwait, Nigeria, Qatar, Turkey

Note: EU includes all of its 28 members as signatory countries.

Source: WTO Joint Statement (WT/MN(17)/60)

Note: Number at the time of adoption of the joint statement at the WTO Ministerial Conference in Buenos Aires
Source: Materials of WTO Secretariat and various news reports

Overview of digital trade policies of major countries/regions

Country/region	Characteristics
US	<ul style="list-style-type: none"> In order to support its highly competitive companies to expand their business abroad, <u>the government has promoted liberalization of digital trade by improving market access.</u> The US leads other countries in standardizing rules through FTAs. In addition, it urges WTO members to discuss high-standard rules, such as liberalizing cross-border data transfers. A data transfer framework called Privacy Shield was concluded and is currently operational with the EU.
EU	<ul style="list-style-type: none"> Concerned with the decrease of local companies' competitiveness in the digital economy, <u>the EU has been implementing its Digital Single Market strategy to unify its market by removing trade barriers.</u> The EU has relatively many FTAs with e-commerce provisions, but it is not very ambitious in further liberalizing digital trade.
China	<ul style="list-style-type: none"> <u>China has imposed many domestic regulations to limit business opportunities for foreign countries, which has been referred to as digital protectionism.</u> Although China has concluded FTAs with e-commerce chapters with South Korea and Australia, the country has not been enthusiastic about improving market access or liberalizing digital trade.
African Countries	<ul style="list-style-type: none"> African countries claim they need industrial policies for growth of local digital companies and domestic digital economies. Some of the countries oppose high-standard liberalization due to the concern that <u>liberalization might narrow policy space for implementation of industrial policies.</u>
Japan	<ul style="list-style-type: none"> After joining TPP negotiations, <u>Japan has been enthusiastic about promoting liberalization of digital trade.</u> Similar provisions to the TPP are observed in its FTAs with Mongolia and the EU. In its communications to the WTO, Japan emphasizes the importance of discussion on some of the provisions in the TPP, such as free flow of information across borders.

Source: Various materials

JETRO Global Trade and Investment Report 2018

Contents

Chapter 1: World trade and Japan's trade

- Section 1: Current state of the world economy
- Section 2: World trade
- Section 3: Japan's trade
- Section 4: Digital technology and the world economy and trade

Chapter 2: Global FDI and Japan's FDI

- Section 1: Global FDI
- Section 2: Japan's outward FDI
- Section 3: Japan's inward FDI
- Section 4: FDI in the digital field

Chapter 3: Trends in global trade rule formation

- Section 1: Current status of FTAs in the world and Japan
- Section 2: Global trade policy trends
- Section 3: Current status and issues of multilateral trade system
- Section 4: Rule formation in the digital field

What is JETRO Global Trade and Investment Report?

■ History

In 1956, JETRO launched “Current Situation of Overseas Markets.” Since then, it has been issued as “JETRO White paper on International Trade,” “JETRO White paper on Foreign Direct Investment” (2 volumes), “JETRO White paper on International Trade and Investment.” Since 2010, “JETRO Global Trade and Investment Report,” has been available free on our website below.

■ Key features

This is an annual report analyzing the trends of the worldwide economy, trade, FDI and trade rules utilizing various data as well as reports from our overseas offices. JETRO Global Trade and Investment Report is a report in which annual trade, investment and trends in trade rules can be understood at a glance.

■ The full text of the report (in Japanese) can be downloaded from the URL below.

<https://www.jetro.go.jp/world/gtir/>

JETRO Global Trade and Investment Report 2018: Global Economy Connected via Digitalization

Key Points

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Note: Figures may not sum up to the total because some are less than one unit.

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