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Shaping the Future Toward a Prosperous World

JFTC News


Contents



# Shosha Personnel Discuss Business in Africa

Personnel involved with business in Africa from ITOCHU, Sojitz, Toyota Tsusho, and Marubeni came together for a multi-angled discussion on the characteristics, appeal, and challenges of doing business in Africa, along with efforts geared toward the Tokyo International Conference on African Development (TICAD) and more. What did their conversation reveal about the nature of business in Africa?

(The positions of the attendees and their quoted statements were based on information as of May 9 (Thu) when the discussion was held)

(Moderator) **Naoki Ito**
Group Leader, Public Relations and CSR Group, JFTC

**Jumpei Kakinuma**
General Manager, Overseas Coordination Dept., Research & Public Relations Div. ITOCHU Corporation

**Kazuo Tsunoda**
Group Leader, Global Desk Group, Global Business Support & Promotion Dept., Sojitz Corporation

**Takahiro Shiozaki**
Project General Manager, Africa Planning Department, Africa Division, Toyota Tsusho Corporation

**Shigeru Yamaguchi**
General Manager, Plant Projects Dept., Marubeni Corporation


### Relationship with Business in Africa

**Moderator**: First off, I would like to ask each of you in turn to describe your relationship with business in Africa.

**Kakinuma**: Working in the ITOCHU Overseas Coordination Department, I conduct market research and support business development by being a contact point for foreign government and its agencies, business associations, and bilateral economic committees. For strategic market of the future such as Africa, my duties particularly include providing information to business departments and working with these departments to accommodate VIPs visiting Japan, as well as supporting our executives when they travel to Africa.

**Tsunoda**: Similar to Mr. Kakinuma, in the Global Business Support & Promotion Department at Sojitz, I support executives protocol activities and coordinates with internal and external parties to help develop new business deals.

I also handle regions other than Africa, but I have also been participating in the TICAD7 public-private round table discussion since 2018 as a working group member, and the proportion of my work related to Africa is growing.

**Shiozaki**: Toyota Tsusho stationed me in Durban, South Africa for five and a half years, and I returned to Japan just before the Golden Week holiday started. While I was stationed there I belonged to the administrative organization, but since returning to Japan I now work in the Africa Division.

The Africa Division is a regional profit center gathering all related businesses that is the first division at Toyota Tsusho dedicated to a single region. Having been established only three years ago, it is also a young organization. I am in charge of planning. While I was stationed in Africa I visited a total of 23 countries there, and my work will continue to be focused on business in Africa.

**Yamaguchi**: I am General Manager of the Plant Projects Department at Marubeni.

While I am not entirely devoted to business in Africa now, my work immediately after joining the company was related to energy and chemical plants in Nigeria. Starting in my seventh year on the job I was stationed in Nigeria, where I spent four years.

From 2012 until the spring of 2018 I was stationed at the Sub-Saharan Desk that was established in Johannesburg as a new business development organization, so I have been fully immersed in Africa-related business ever since joining the company.

**Shiozaki**: The Sub-Saharan desk at Marubeni had quite a large staff, didn't it?

**Yamaguchi**: At our peak we had 14 staff members on hand. We were the business development organization for the entire company, so those six years were spent literally traveling all over Sub-Saharan Africa.

**Moderator**: Your positions and roles may have been different, but it seems you were all heavily involved in Africa-related business. The Africa Division of Toyota Tsusho in particular seems to be an extremely unique initiative in the Shosha industry which is said to be predominantly a vertical product-oriented organization.

**Shiozaki**: Indeed. And on top of that, the CEO of the Africa Division is from France. Our headquarters is located in Paris, and our official language is English. The current i/o former president of CFAO, the largest trading company in France which we acquired in 2012, is now the supreme commander of our Africa business as he is currently the division CEO while concurrently the Africa Region CEO.

In January 2019, all sales operations for Toyota Motor Corporation in the Africa market was transferred to Africa Division in Toyota Tsusho. Quite a few Toyota Motor employees accompanied the business transition.

Underlying this change is the awareness that Africa is a market with great potential. We are dedicating more effort there as an organization than we ever have before.

## The Appeal and Challenges of the Africa Market, and Each Company's Initiatives

**Moderator**: You have commented on the African market having tremendous potential. Please tell us more about where exactly that potential lies, what types of business are you focusing on, and as the final frontier what challenges does Africa present to the successful execution of business strategies?

**Kakinuma**: I would say the appealing thing about the African market is that it really has everything. In addition to a variety of natural resources there is also a large population. Since the population is going to keep growing, Africa has potential as a sales market of consumer goods as well.

Even historically speaking, business has started in many places with foreign companies purchasing African resources, but the continent is gradually gaining purchasing power and consumer goods are starting to sell. Investments in infrastructure for transportation and daily life will also become necessary as the market gains depth one layer at a time.

I believe the market has potential to allow for even more diverse business development in the future. ITOCHU is also investing in natural resources, while working in the field of agriculture, a source of foreign exchange earnings for Africa, to export cacao, coffee, and sesame to developed countries while also establishing a new brand of pineapple.

**Tsunoda**: Sojitz had also traditionally done business in metal and mineral resources and energy-related resources such as crude oil, but due to the increasing number of applications in electric vehicles we are now supplying metal and mineral resources not only to the Japanese market as we traditionally had been, but also increasingly to countries such as China and India. We are also developing new business catered to the changing times, such as LNG trading business for which increased demand is expected in markets such as Asia.

In terms of agriculture-related business which were mentioned earlier, there is likely good potential for materials needed to raise production such as highly-safe agrochemicals and fertilizers. As for consumer goods and daily merchandise geared toward improved living standards, food products, plastics, chemicals, and other such products are likely to have strong potential.

**Moderator**: The large population really does seem to be a big plus. According to UN data, Africa currently has a total population of around 1.3 billion people. That puts it in the same league as China and India but with its growth rate Africa is expected to pass these countries and reach a total population of 2.5 billion people in 2050. Its GDP also still has room to grow.

At the same time, trade and investment by Japanese companies is severely lagging behind not only the US and Europe, but also China and South Korea. While there may be potential, is there also a certain level of difficulty at the same time?

**Shiozaki**: That's right. While it may be a fulfilling challenge, there is no doubt that it is a difficult market. The population is large overall, but there are more than 50 different countries. The public systems also differ, and many countries are politically unstable. The economic rules also frequently change when a new government administration takes office.

You may want to avoid these risks as much as possible, but you cannot do business there without taking any risks, so I think the key is to strike a good balance while moving forward.

At Toyota Tsusho we also assign priorities for our focus countries and regions and concentrate only on strategic business areas—mainly infrastructure, healthcare, and automotive. Particularly in automotive, we are really struggling with ways to expand our value chain and do so as quickly as possible, with business transferred from Toyota Motor forming the core.

**Yamaguchi**: At Marubeni our business is also focused on natural resources and energy, with large investments including LNG in Equatorial Guinea and FPSO (floating production storage and offloading) in Ghana. The fact that each individual country in Africa is generally not very large in terms of economic scale, as you pointed out, puts constraints on large-scale projects such as plant exports in particular.

Naturally, our clients are national governments and related institutions, but their financial capacity is still limited, so there is some financial challenge involved.

**Kakinuma**: I also handled plants before. When making large-scale investments such as those required for plants, the key is whether or not they are bankable (able to raise external funding).

In terms of scale, many things cannot be done with funding from sponsors alone. Financing has to either be provided by private banks on a non-resourse basis, or you have to get support from public financing institutions such as JBIC (Japan Bank for International Cooperation).

**Moderator**: But is that requirement the same for US and European companies that have already made significant inroads in Africa?

**Tsunoda**: Europe in particular as former colonizing nation has great influence. With their histories in Africa, they have solidified their natural resource interests. They are also geographically closer, so just as Japanese companies have established production bases in China and other parts of Asia and US companies have done the same in Central and South America, European companies also have the advantage of already having set up production bases in Africa long ago.

**Shiozaki**: Most European automakers have production bases in South Africa, from which they also export cars to other regions. For consumer goods as well, companies such as Unilever that have been in the market since long ago are in a position of strength, having already established brand image.

### Efforts and Expectations for TICAD7

**Moderator**: The Japanese government also saw the importance of the African Market early on and proposed holding TICAD.

They hosted the first rendition of the conference in 1993 together with the UN, World Bank, and United Nations Development Programme (UNDP), and have support TICAD as the host country every time it has been held since then. TICAD7 will be held in Yokohama at the end of August in 2019, so please tell us what efforts you are making toward the conference, as well as what expectations you have and what challenges you foresee.

Since you are a participant in the round table discussion Mr. Tsunoda, please start us off by sharing what the key points are for TICAD this year.

**Tsunoda**: TICAD is fundamentally an intergovernmental conference between top-level personnel of African countries and of the organizers, including the Japanese government, UNDP, and the African Union Commission (AUC). However, at TICAD7 the focus of discussion will shift significantly from economic assistance by governments to private investment and business expansion. It is now at the point where we should be seeing tangible results.

For that reason, the round table discussion also talked about getting participation from the private sector, particularly from African private sector companies in addition to those from Japan, and about creating more speaking opportunities, and we recommended the establishment of a new public-private business council to Prime Minister Abe, among other recommendations. Personally, I also believe that we would be better served to have TICAD in a different format than it has been up to now. In Africa, the spread of mobile phones and the digital revolution are causing rapid social change, and startup companies are starting to build momentum all over the continent.

Japanese companies have fallen behind in this area, and we need to start paying more attention. Being in charge of the region, I also hope that the Business Innovation Office which our company established in 2018 will turn its sights to Africa and make some venture capital investments there.

**Shiozaki**: Toyota Tsusho is preparing very hard targeting on TICAD, and we have secured the one of largest space among exhibitor companies. We have established a new company-wide Project Management

Office.

Of course, TICAD itself is an intergovernmental conference, but the degree to which we can make good use of it and appeal to those in attendance is critically important to us. Therefore, we are also actively taking opportunities to speak at the pre-event. This will be the first TICAD to take place since our Africa Division was established, so we see it as an ideal opportunity to show our presence.

**Yamaguchi**: I have taken part in TICAD several times in the past. The conference is really a rare opportunity to draw the attention of senior management to Africa.
Governments from African countries are in attendance with high hopes and expectations, while organizations such as JBIC and NEXI (Nippon Export and Investment Insurance) are also expected to perform their functions at the event. We would like to utilize this momentum to get some projects into the works.

In terms of startups as Mr. Tsunoda pointed out, in fall of 2018 Marubeni acquired a stake in the community-based power business company called Wassha, which was launched in Tanzania by a Japanese entrepreneur. The company rents out solar-lanterns from kiosks in off-grid areas and utilizes ICT to collect charges by mobile phone.

**Kakinuma**: I am also involved in TICAD, and I feel that there is a bit of an "Africa Drive" sort of feeling within ITOCHU thanks to TICAD.

Business departments tend to fully occupied with the projects immediately in front of them and fall behind at premature business opportunities, but thanks to the influence of TICAD they get an opportunity to direct their attention to Africa. This also leads to increased numbers of expat staff assignments to Africa offices. There is also an extra impetus in project negotiations to do whatever is necessary to come to agreements in the lead up to TICAD.

### Key Points to Doing Business in Africa

**Moderator**: Last, I would like to ask what Japanese companies can do to expand their business in Africa going forward, and what challenges they face.

**Shiozaki**: There are cases where it would be better to collaborate with companies from other countries when there are chances to cooperate, rather than simply competing against them. For example, African people are not always looking for products that are as high-performance as what Japan makes. What they want are things that work well enough, at low prices. Even if it breaks they will fix it themselves, that's the mentality.
As for cars, they will drive them as long as they can, until they no longer run. In this type of environment, how well will Japan's signature high quality be able to sell? On the other hand, this expectation level is perfectly suited for products from India. The key is how well Japanese companies can also provide products from all over the world that cater to these specific needs in Africa. To that end, products from India may be one possibility worth considering.

**Tsunoda**: Sojitz would like to promote infrastructure projects such as transportation-related project and airport project by utilizing ODA scheme. However, when we are not competitive with Japanese companies alone, business requires that we partner up with companies from countries such as India and Turkey.

However, depending on how the partnerships are arranged, we are sometimes unable to use Japanese ODA. Relaxing the conditions for providing ODA loan is one of the major issues being discussed in the round table meeting.

We also cannot waste any more time in strengthening collaborations with startups, as discussed before. In February 2019 JETRO compiled the Africa Startup 100 list, so anyone who is interested can use that information to go ahead and contact these companies. Startups are popping up one after another in Kenya, Nigeria, and South Africa in particular.

**Kakinuma**: It is important to make efforts that target the SDGs, so I definitely want to think about what we can do to that extent. In the platinum and palladium mine development operations included in the "feature projects" of this publication , ITOCHU is targeting the principle of "sanpo-yoshi" (good in three directions) meaning good for the seller, good for the buyer, and good for the society.

We are creating local jobs, and our products are essential for the environment since they are a necessary catalyst to reduce harmful gas emissions from cars. Taking local residents and the environment into consideration, we changed the operation from strip mining to underground mining. Mining deeper has also led us to the discovery of superior ore deposits. These types of considerations can also boost enterprise value.

**Yamaguchi**: Projects in Africa take such a long time that others openly wonder when they will ever end. People there generally have a different sense of time to begin with, and government administrations change while projects are in progress, delaying permits and approvals even more. Projects often disappear while all this is going on.

It would be great if comprehensive assistance measures could be implemented to stabilize governments, modernize systems, and train local human resources, in order to improve the business climate there in any way possible.

## The FY 2019 Tax Reform Proposal and Results
## - Reforming CFC Tax Rules -

**First Policy Proposal Group**

### 1. Introduction

Every year in the Accounting Committee and its subordinate Tax Committee, the JFTC discusses how the tax systems should be appropriately organized in Japan based on a wide range of business circumstances among Shosha and the trade industry domestically and internationally, and submits tax reform proposals to the government, the ruling political party, and other related organizations and officials.

On September 28, 2018 the JFTC submitted the FY 2019 Tax Reform Proposal, containing 21 priority items and 80 general requests. Afterward, we provided an explanation of our proposal to the ruling political party.

Amongst the contents of the FY 2019 Tax Reform Proposal, the amendment of CFC (Controlled Foreign Company) tax rules was expected to have a major impact on Shosha business. Because of this, we appealed to National Diet members about the necessity of our proposal on an individual basis, and held talks with the Ministry of Economy, Trade and Industry (METI) that speaks to the Ministry of Finance (MOF) for the JFTC.

Here we will share a brief explanation of how the proposal to amend CFC tax rules came about, and what was achieved.

### 2. US tax reforms and the resulting impact on Shosha business

In our October 2018 issue we shared the key points of our tax reform proposal in a feature titled “About the FY 2019 Tax Reform Proposal,” but the item of greatest concern was amending CFC tax rules.

The intention of CFC tax rules is to prevent tax evasion using foreign subsidiaries (CFCs) established in low-tax countries (countries with low corporate tax rates). These rules underwent a major revision in FY 2017. As we shared in the October 2018 issue, these tax rules target subsidiaries established in low-tax countries for tax evasion purposes, and they were not envisioned for subsidiaries like those in the US that otherwise conduct steady, sound business operations.

Incidentally, the tax reform in the US that went into effect in January 2018 significantly reduced their federal taxes. This meant that subsidiaries located in the US became subject to CFC tax rules just like subsidiaries in other low-tax countries, elevating concerns that they would be subject to unitary taxation.

In the US, it is often the case that holding companies operate with several “paper company” subsidiaries established under them in order to manage various business risks. They separate each asset out to a different company, nimbly moving them about on a regular basis. Shosha have also emulated this business practice in the US, and they are operating paper companies in their businesses as well. It is also typical in the US for the holding company to handle tax payments according to the income of their entire group of companies.

The major concern that Shosha now have about CFC tax rules is that their US subsidiaries that are conducting actual business could become subject to unitary taxation, in which case they would have double taxation imposed in Japan even if they are properly paying their taxes where they operate. Additionally, Shosha were also concerned that this would generate cumbersome administrative procedures which the US does not require, such as figuring out income for each separate company in the corporate group. This would ultimately weaken the competitive strength of Japanese companies internationally.

### 3. Tax system reform proposal efforts

Every year, tax reform proposals are submitted by groups from each industry in September, and discussion with METI on the content of the proposals starts in spring.

The revision to CFC tax rules in the FY 2019 Tax Reform Proposal also had to wait for developments in matters such as the automotive-related tax rules and the consumption tax hike, so there were concerns that revisions related to international taxation could end up buried. For that reason, the Accounting Committee and the Tax Committee prepared materials on business status and factual information starting around spring, then submitted these to METI and delivered convincing arguments in negotiations with the Ministry of Finance. Then as early as July, they delivered an explanation to the National Diet about the importance of amending CFC tax rules. Some members of the National Diet even commented that “it’s quite early to be discussing this,” but in the end it seemed that starting the discussion at an early stage helped the subsequent full-scale petition efforts to proceed more smoothly that fall.

The Accounting Committee and Tax Committee prepared visual explanatory materials (shown on the previous page) so that even those who are not experts in international tax could understand the importance of amending the current CFC tax rules. The leader and sub-leader of the 2018 Accounting Committee also attended the petitions to the National Diet and interviews with the ruling political party and helped explain what has happening with the business of shosha, particularly the state of business affairs in the US.

From July until November, at least 30 ruling party Diet members received explanations and proposals for the key points that the JFTC was concerned about.

Considering annual trends up to that point it seemed unlikely that CFC tax rule amendments advocated by the JFTC would be able to capture attention, but in the ruling party interviews in November, all four members of the Liberal Democratic Party (LDP) who spoke commented that, “These amendments are necessary, and we should improve tax rules that weaken the competitiveness of Japanese companies. In the Komeito party, reactions included “I want to appeal for decisions to be made based on the actual circumstances.”

### 4. Achievements and future challenges

On the whole, the FY 2019 Tax Reforms announced on December 14, 2018 incorporated amendments to CFC tax rules, and the scope of paper companies was made more appropriate. Many US subsidiaries doing actual business were spared from unitary taxation. The challenges going forward will be to continue following up with clarifications in cabinet and ministerial ordinances, and in notifications and operations.

In closing, we would like to take this opportunity to again thank everyone who had a part in the FY 2019 Tax Reform Proposal. The achievements of the proposal were all thanks to the efforts of the people in charge of taxation at Shosha companies, all those at METI who took time to negotiate while pushing forward with major reforms such as the consumption tax increase, R&D tax rules, automobile taxes, and dealing with BEPS. We are also grateful to those at the Ministry of Finance who took the time to listen, and for the understanding and support of the National Diet members we spoke with.

## Addressing the tax challenges of the digital economy

**- Submitting a Written Opinion to the Organisation for Economic Co-operation and Development (OECD) -**
**First Policy Proposal Group**

As the four IT giants collectively known as GAFA (Google, Apple, Facebook, and Amazon) continue to grow and garner attention, the digitization of the economy presents challenges in international taxation that cannot be addressed through traditional taxation principles or methods. Countries now face an increasing need to address this and consider possible changes.

Traditionally, it is assumed that corporate taxes are imposed on companies in the places where they are physically located. However, companies that do business globally in cyberspace through digital technologies such as e-commerce and data exchange do not necessarily need to have a physical establishment.

As mandated by the G20 Finance Ministers Meeting in Germany in March 2017, the OECD sorted out and compiled the tax challenges that accompany the digitization of the economy and submitted these in its "Interim Report on the Tax Challenges of the Digitalisation of the Economy" at the G20 Finance Ministers' Meeting in March 2018 (in Buenos Aires, Argentina). Long-term solutions will be sought by 2020, based on international consensus.

The OECD also gave this interim report at the G20 held in Japan in 2019. The two main challenges they cited pertaining to the digitization of the economy were the increasing difficulty of taxing IT companies that do business without any physical establishment, and the ability of companies to avoid taxation by basing themselves in countries with low taxation rates.

Amidst its efforts to address these challenges, the OECD then published its Public Consultation Document Addressing the Tax Challenges of the Digitalisation of the Economy on February 13, 2019, which widely requested comments on the matter.

Addressing the two aforementioned challenges, the public consultation document has two main points. It offers revised nexus (connection between taxation and its basis) and profit allocation rules for international taxation and presents an anti-base erosion proposal.

Three proposals for revisions to international taxation rules were received. One was a proposal from the UK and Europe that taxation of IT companies should be based on their user numbers and usage volume in each particular country. The US proposed that taxation across a broad spectrum of industries including but not limited to IT companies should be based on intangible assets such as customer base and brand power in each country where they operate. India and other emerging and developing countries proposed making companies subject to taxation in countries where they regularly generate revenue, even if they have no physical presence there.

Concerned about the impact on the Shosha industry, the JFTC had its Accounting & Tax Committee and its subordinate Tax Committee lead efforts to gather opinions from member companies on the public consultation document. This led to a written opinion that was delivered to the OECD on March 5.

In the general statement of this written opinion, the JFTC stated sentiments such as, "We feel apprehensive about effects we cannot overlook such as disputes resulting from increases in double taxation on a wider range of business activities not limited only to highly digitalized business," and "Definitions for the ideas being proposed will have to be clarified so differences in interpretation do not arise between tax authorities in different countries if the revisions are implemented."

Debates on "digital taxation" will continue in multinational discussion settings such as the OECD and G20. The JFTC Accounting & Tax Committee and its subordinate Tax Committee will be actively communicating opinions in order to establish fair, appropriate international taxation rules based on the actual state of business, while also staying up-to-date on international trends.

## Declaration of Support for the TCFD Recommendations

**Public Relations & CSR Group**

Scene from the consortium inauguration

The JFTC supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), a global initiative on climate change-related disclosures, and participated in the TCFD Consortium launch Event that was held on May 27. With 62 new additions, Japan now has a total of 162 companies and organizations overall supporting the TCFD, which is the most among all countries in the world (the total number of supporting companies and organizations at the same point in time worldwide rose to 744).

The TCFD is a private-sector task force established by the Financial Stability Board (FSB) on the instructions of the G20 Finance Ministers and Central

Bank Governors Meeting. This task force is chaired by former mayor of the City of New York Michael Bloomberg and has 32 members. Masaaki Nagamura of Tokio Marine Holdings and Takehiro Fujimura of Mitsubishi Corporation are the two members from Japan.

The main concerns of TCFD are (1) climate-related disclosures by companies under the current frameworks are inadequate, (2) there is inadequate linkage of climate-related risks and opportunities to corporate strategies and finances, and these risks and opportunities are inadequately incorporated into decisions on investments and loans and the underwriting of insurance, and (3) large, abrupt changes in asset value can pose risks to financial stability.

With these circumstances in mind, it was concluded that a framework for voluntary disclosures by companies was needed so that investors and the financial sector could properly evaluate the climate-related risks and opportunities of companies. The specifics of this conclusion were compiled as recommendations in the final report which was published in June 2017, which urged companies to produce climate change-related disclosures.

In Japan a TCFD Study Group on green finance and corporate disclosures was established, headed by the Ministry of Economy, Trade and Industry (METI). This study group reviewed the direction of actions to prevent declining valuations of Japanese companies in global markets due to insufficient or untimely climate change-related disclosures and compiled its findings in its TCFD Guidance for five major industries in December 2018.

The JFTC held an METI briefing session on the TCFD Guidance and recommendations on Feb 7 hosted by the CSR Study Committee and the Global Environment Committee, and subsequently decided to declare support for these recommendations after deliberations and approvals at meetings for both committees held this past March. Upon subsequent agreement on the declaration of support reached at the 166th meeting of the board of executive directors (on May 15), the JFTC became a member of the TCFD consortium.

The JFTC plans to participate in working groups established within the consortium, and to provide the member companies with the information acquired. Doing so, the JFTC hopes to bolster action against climate change throughout industry as a whole.

## Chairman's Comment

### Chairman's Comments as the new era of Reiwa begins in Japan

May 1, 2019

We would like to extend celebratory wishes to everyone upon the accession of the new emperor and the beginning of a new era. We also wish to express our gratitude to Their Majesties the Emperor Emeritus and Empress Emerita for their service to the nation and people of Japan.

The era of Reiwa has begun

As we confront the problems set out in the UN's Sustainable Development Goals (SDGs), we recognize how essential it will be to engage and deploy advanced technologies such as AI and IoT in order to solve these problems. Japan must be at the vanguard in taking on these challenges.

The first 10 years of the Reiwa era also coincide with the period of time set out for achieving the 17 SDGs. All of these goals are connected to the diverse business realms represented by the JFTC's member companies and groups. Therefore, we will set forth with renewed determination to contribute to the achievement of a sustainable society.

### Chairman's Comments on the decision on the effective date for the China - Japan Social Security Agreement

May 16, 2019

With the exchange of notes taking place today, it was decided that the China-Japan Social Security Agreement will enter into force on September 1. We would like to express our heartfelt gratitude to the Japanese government and related officials for their efforts toward having the agreement quickly enter into force.

The JFTC has been working together with other groups to appeal for efforts to conclude social security agreements with major countries. There are more Japanese expats stationed in China than any country in the world. When this agreement enters into force, it is expected to eliminate tens of billions of yen annually in double payments of social insurance premiums by expat employees of Japanese companies, thereby adding momentum to the business activities of Japanese companies in China.

I have high hopes that this will lead to more active trade and investment between Japan and China.

## Chairman's Comments on the G20 summit in Osaka June 29,2019

The G20 summit in Osaka has come to a successful conclusion. This was the first time Japan has ever hosted the G20 summit, and we would like to pay our respect to all of those who worked so hard to make the event a success, including Japanese government officials who compiled the Leaders' Declaration, and everyone in charge of safety and security.

The issue of trade friction was our biggest point of concern, and I believe that the stipulation in the Leaders' Declaration that "We strive to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open" is an important achievement that will keep trade friction from intensifying and facilitate negotiations geared toward easing friction between member countries. The US-China top-level trade talks on the sidelines of the G20 summit also produced an agreement to resume trade negotiations, and the US announced that it would not raise tariffs for the time being. This is a very welcome development that is along the intentions of the aforementioned Leaders' Declaration.

In addition, the JFTC is focusing its attention on important agreements reached at the G20 Summit in Osaka on the following three points pertaining to trade and investment. We look forward to the ongoing efforts of those involved, and initiative on the part of the Japanese government in particular, to quickly turn these into concrete rules.

### (1) International rules for the cross-border flow of data

Understanding was reached on the necessity and urgency of creating international rules for the cross-border flow of data, and it was declared that the "Osaka Track" framework for multi-lateral discussions would be established. The creation of international rules to ensure the free data flow with trust is of particularly high priority, and is indeed essential to maintain and develop free, fair trade.

### (2) WTO reform

As globalization and digitalization become even more advanced, it is prerequisite that the WTO sufficiently serves its functions to maintain and develop free trade. It is imperative to reform the WTO which is not necessarily fulfilling its function in the dispute settlement system, and with the agreement reached including the US to work toward reforming the WTO, we look forward to these reforms gaining even more momentum.

### (3) Infrastructure investment and debt problems

Infrastructure is a driver of economic growth and prosperity. However, it requires large investments, so the sustainability and transparency of debt are critically important to the sustainable growth of the global economy and developing countries in particular. Quality infrastructure development is also a strategic field for public-private cooperation in Japan to contribute to economic development in the world, so it is highly significant that agreement has been reached on the importance of this point.

## “SHOSHA: Creating Value Globally” Shosha Handbook 2019

JFTC publishes “Shosha Handbook” annually to foster greater understanding of the activities of Shosha.

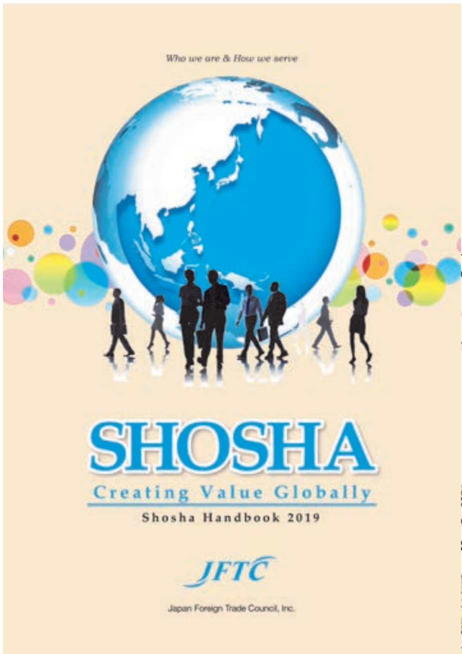
The latest English version of this “Shosha Handbook” was published in July 2019.

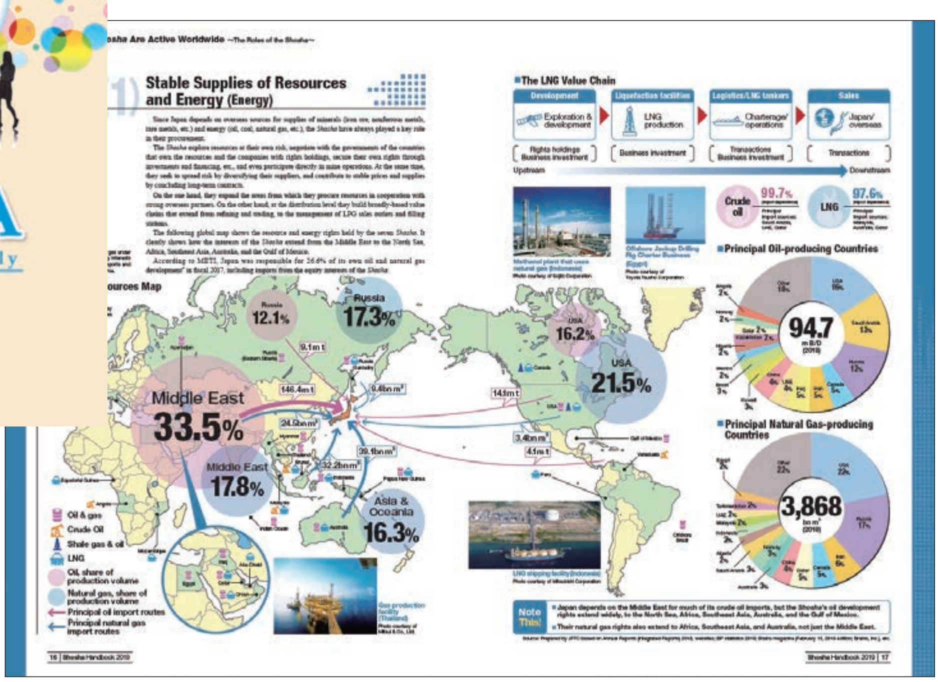
The contents are identical to the Japanese version of “Shosha Handbook 2019”, published in April, abundant with figures and photos. We hope that it serves of widespread use.

A4 format. English. Price: 500 yen (tax excluded). Free of charge for JFTC members.

### Contents



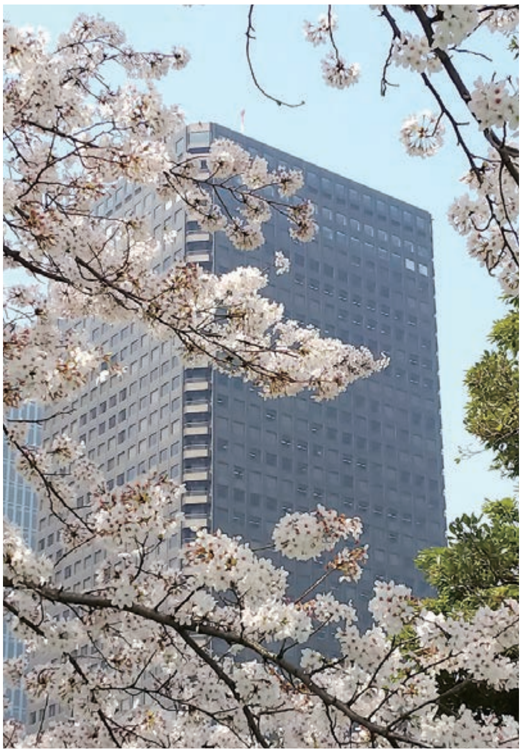



“Shosha Handbook 2019” (¥500 excluding tax) is available for purchase at large book stores and government book centers. Any inquiries concerning this book should be addressed to chosa@jftc.or.jp (Research Group).

## What is JFTC?

### About Japan Foreign Trade Council, Inc. (JFTC)



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

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

While globalization has significantly contributed to economic growth, it is also causing numerous global-scale issues. Various efforts are currently underway to overcome these issues and realize a sustainable society. We feel that Shosha (trading companies), having a global footprint, with their business activity bases in a wide range of industrial sectors, have a major role to play, and their social mission is growing in importance.

JFTC will strive to evolve the Shosha business model under its new banner of “Shaping the future toward a prosperous world” by promoting free trade and open investment, meeting the needs of our changing society, and leveraging innovative technologies. By doing so, we will create a sustainable future of unprecedented comfort.

### Principal Officers of JFTC

**Chairman**

Kuniharu NAKAMURA (Chairman, Sumitomo Corporation)

**Vice Chairmen**

| | |
|---|---|
| Tatsuo YASUNAGA | (President and CEO, MITSUI & CO., LTD.) |
| Takehiko KAKIUCHI | (President and CEO, Mitsubishi Corporation) |
| Masayoshi FUJIMOTO | (President and CEO, Sojitz Corporation) |
| Yoshihisa SUZUKI | (President and COO, ITOCHU Corporation) |
| Ichiro KASHITANI | (President and CEO, Toyota Tsusho Corporation) |
| Masumi KAKINOKI | (President and CEO, Marubeni Corporation) |

(in order of assumption)

**Executive Managing Director**

Tsukasa KAWAZU

**Managing Director**

Hirotoshi IWAKI

**Regular Members of JFTC**

Companies (Total 42)
Associations (Total 20)

**Japan Foreign Trade Council, Inc.**

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Please let us know about “JFTC News No.149”.

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