

Chapter 11

Trade, International Balance of Payments, and International Cooperation



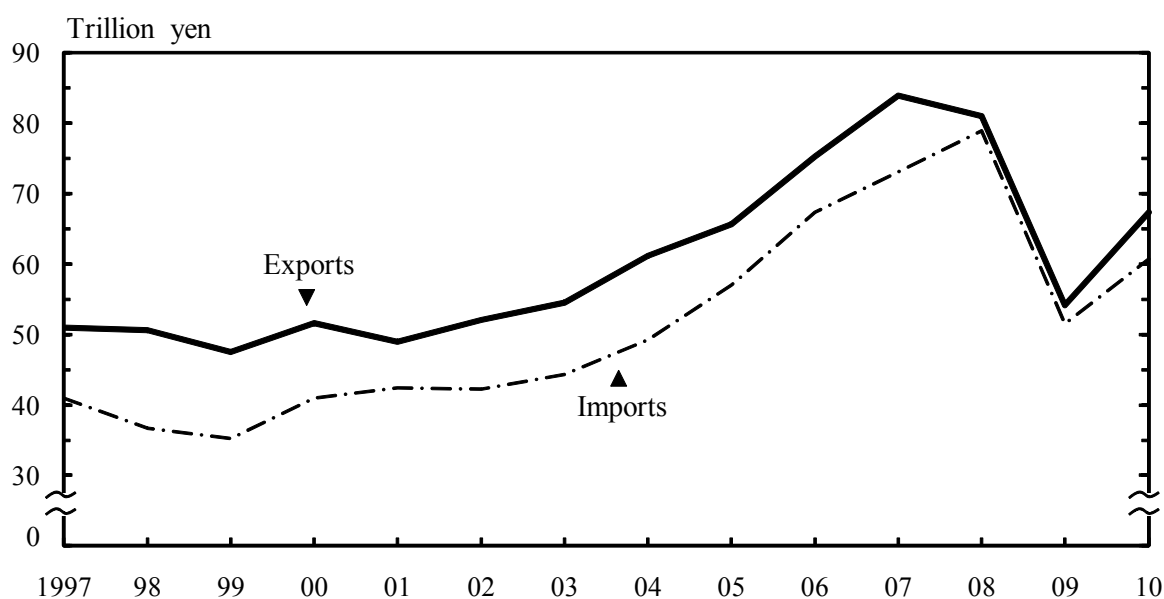
In 2011, the port of Tokyo celebrated the 70th anniversary of its opening as an international trading port. It now handles more international arriving and departing container shipments than any other port in the country and plays an important role as a massive logistics hub.

1. Trade

(1) Overview of Trade

Japan has continued to produce a trade surplus since 1981. In terms of Japan's international trade on a customs clearance basis in 2010, exports (in FOB value) showed an annual increase of 24.4 percent to 67.4 trillion yen, the first increase in three years. Imports (in CIF value) grew by 18.0 percent to 60.8 trillion yen, the first increase in two years. As a result, Japan's trade surplus increased for the second consecutive year, growing by 148.4 percent from the previous year to 6.6 trillion yen.

Figure 11.1
Foreign Trade



Source: Ministry of Finance.

Table 11.1
Trends in Foreign Trade and Indices of Trade

Year	Value (billion yen)			Indices of trade (2005=100)					
	(Customs clearance basis)			Exports			Imports		
	Exports (FOB)	Imports (CIF)	Balance	Value index	Quantum index ¹⁾	Unit value index	Value index	Quantum index ¹⁾	Unit value index
2001	48,979	42,416	6,564	74.6	79.2	94.2	74.5	83.2	89.6
2002	52,109	42,228	9,881	79.4	85.4	92.9	74.1	84.8	87.4
2003	54,548	44,362	10,186	83.1	89.6	92.7	77.9	90.8	85.8
2004	61,170	49,217	11,953	93.2	99.2	93.9	86.4	97.2	88.9
2005	65,657	56,949	8,707	100.0	100.0	100.0	100.0	100.0	100.0
2006	75,246	67,344	7,902	114.6	107.7	106.4	118.3	103.8	113.9
2007	83,931	73,136	10,796	127.8	112.9	113.2	128.4	103.7	123.9
2008	81,018	78,955	2,063	123.4	111.2	111.0	138.6	103.0	134.6
2009	54,171	51,499	2,671	82.5	81.6	101.1	90.4	88.2	102.5
2010	67,400	60,765	6,635	102.7	101.4	101.3	106.7	100.5	106.2

1) Quantum index = Value index / Unit value index × 100

Source: Ministry of Finance.

Japan's 2010 exports increased by 0.2 percent from the previous year in terms of unit value index (the first increase in three years), and increased by 24.3 percent from the previous year in terms of quantum index (the first increase in three years).

Japan's 2010 imports increased by 3.6 percent from the previous year in terms of unit value index (the first increase in two years), and increased by 13.9 percent from the previous year in terms of quantum index (the first increase in four years).

(2) Trade by Commodity

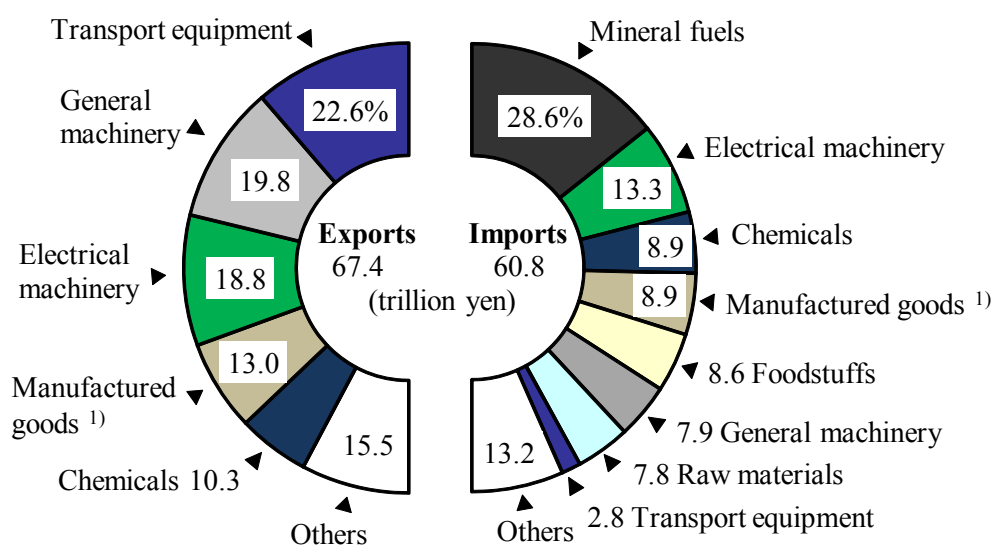
In 2010, prices of both imports and exports marked a double-digit increase, representing a recovery reaction to the sharp fall in the previous year, which had been caused by the worldwide recession.

The leading export item category was transport equipment, which accounted for 22.6 percent of the total value exported, followed by general machinery and electrical machinery, making up 19.8 percent and 18.8 percent, respectively. Motor vehicles, which are in the transport equipment category, constituted 13.6 percent of the total export value, up 31.5 percent

in quantity and 37.1 percent in value from the previous year. One characteristic of Japan's exports is an increasing proportion of high value-added products manufactured with advanced technology, such as motor vehicles, steel and integrated circuits.

The leading import item category was mineral fuels, which represented 28.6 percent of the total value imported, followed by electrical machinery and chemicals, with 13.3 percent and 8.9 percent, respectively. Crude petroleum and partially refined petroleum, both in the mineral fuels category, constituted 15.5 percent of the total import value, up 0.8 percent in quantity and 24.4 percent in value from the previous year. Japan's chief imports used to be energy resources and raw materials, though the proportion of product imports is gradually on the rise due to the further industrialization of the Asian region and overseas production relocations by Japanese companies.

Figure 11.2
Component Ratios of Foreign Trade by Commodity (2010)



1) Consisting of iron and steel products, non-ferrous metals, textile yarn and fabrics, etc.
Source: Ministry of Finance.

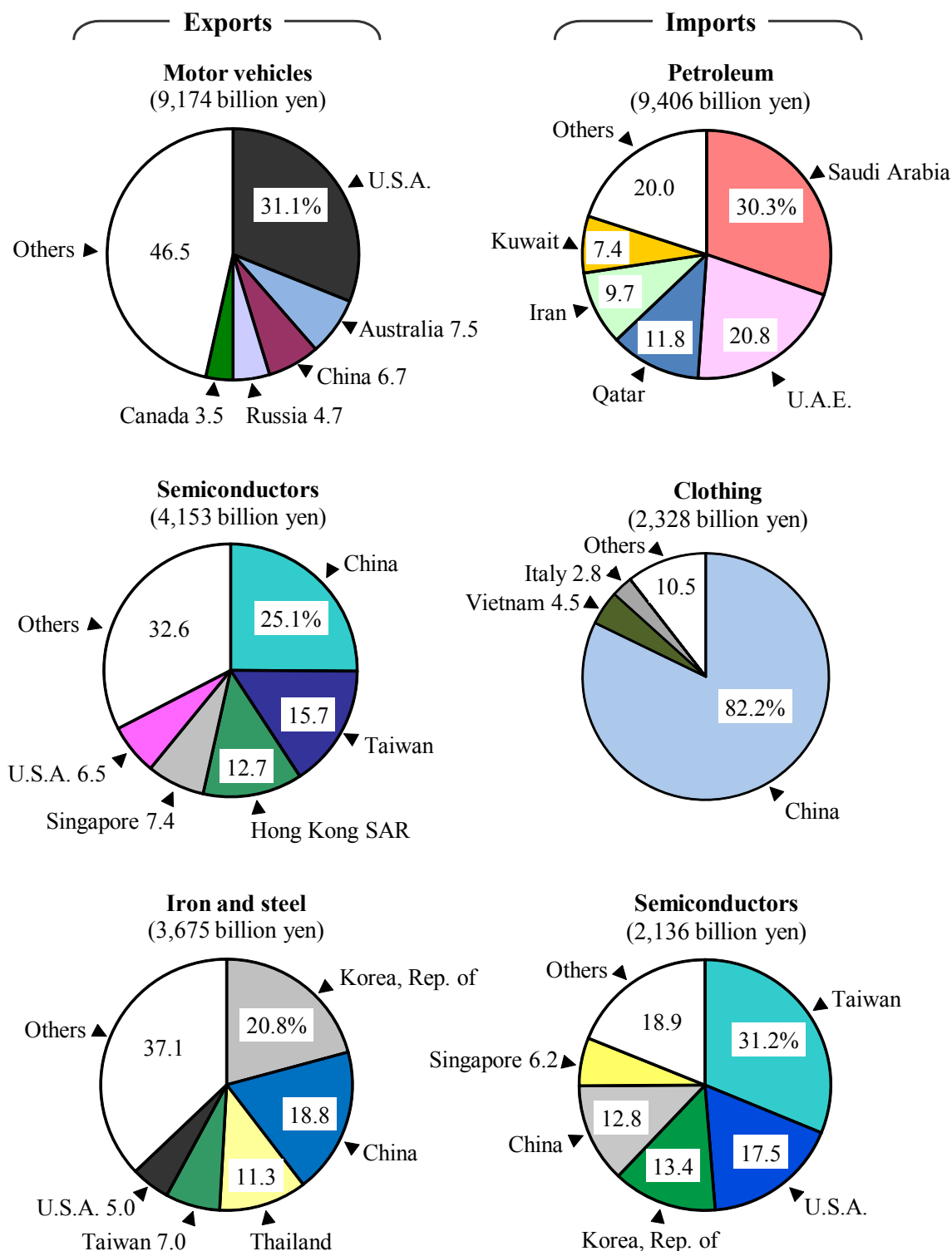
TRADE, INTERNATIONAL BALANCE OF PAYMENTS, AND
INTERNATIONAL COOPERATION

Table 11.2
Value of Exports and Imports, by Principal Commodity

Item	2007	2008	2009	2010	(Billion yen)
					Annual growth (%)
Exports, total	83,931	81,018	54,171	67,400	24.4
Foodstuffs	417	403	366	406	11.1
Raw materials	1,046	1,054	826	946	14.5
Mineral fuels	1,026	1,869	948	1,105	16.5
Chemicals	7,745	7,269	5,780	6,925	19.8
Plastics	2,339	2,232	1,844	2,336	26.7
Manufactured goods ¹⁾	9,876	10,177	7,017	8,785	25.2
Iron and steel products	4,042	4,574	2,906	3,675	26.5
General machinery	16,631	15,928	9,669	13,317	37.7
Power generating machinery	2,593	2,509	1,839	2,327	26.5
Electrical machinery	16,950	15,368	10,771	12,650	17.4
Semiconductors and other electronic parts	5,243	4,625	3,419	4,153	21.5
Transport equipment	20,839	20,068	11,850	15,258	28.8
Motor vehicles	14,317	13,736	6,693	9,174	37.1
Others	9,400	8,883	6,944	8,007	15.3
Scientific and optical instruments	2,090	2,024	1,578	2,014	27.6
Imports, total	73,136	78,955	51,499	60,765	18.0
Foodstuffs	6,041	6,212	4,999	5,199	4.0
Fish and fish preparation	1,501	1,453	1,208	1,260	4.3
Raw materials	5,670	5,538	3,395	4,766	40.4
Mineral fuels	20,206	27,658	14,202	17,398	22.5
Petroleum, crude and partly refined	12,279	16,262	7,564	9,406	24.4
Chemicals	5,471	5,737	4,583	5,379	17.4
Medical and pharmaceutical products ..	1,078	1,142	1,329	1,523	14.6
Manufactured goods ¹⁾	7,409	7,336	4,345	5,379	23.8
Non-ferrous metals	2,619	2,531	1,013	1,606	58.6
General machinery	6,515	6,074	4,225	4,826	14.2
Electrical machinery	9,310	8,628	6,509	8,101	24.5
Semiconductors and other electronic parts	2,852	2,479	1,758	2,136	21.5
Transport equipment	2,534	2,316	1,501	1,681	12.0
Others	9,980	9,454	7,742	8,036	3.8
Clothing and clothing accessories	2,796	2,643	2,358	2,328	-1.3

1) Consisting of iron and steel products, non-ferrous metals, textile yarn and fabrics, etc.
Source: Ministry of Finance.

Figure 11.3
Japan's Major Export and Import Commodities (2010)



Source: Ministry of Finance.

(3) Trade by Country/Region

Japan has maintained a trade surplus with Asia, the U.S.A. and the EU, while has been in a continuous deficit with the Middle East and Oceania.

Table 11.3

Trends in Exports and Imports by Country/Region

(Billion yen)

Year	Total	Asia	China	Korea, Rep. of	Taiwan	U.S.A.	EU 27 ¹⁾	Middle East	Oceania
Exports from Japan									
2006	75,246	35,776	10,794	5,849	5,131	16,934	10,912	2,233	1,801
2007	83,931	40,400	12,839	6,384	5,274	16,896	# 12,398	3,078	2,104
2008	81,018	39,966	12,950	6,168	4,782	14,214	11,430	3,508	2,200
2009	54,171	29,338	10,236	4,410	3,399	8,733	6,749	2,013	1,409
2010	67,400	37,827	13,086	5,460	4,594	10,374	7,616	2,216	1,796
Imports to Japan									
2006	67,344	29,360	13,784	3,178	2,365	7,911	6,955	12,692	3,691
2007	73,136	31,564	15,035	3,210	2,334	8,349	# 7,663	13,370	4,189
2008	78,955	32,034	14,830	3,052	2,258	8,040	7,292	17,351	5,378
2009	51,499	22,989	11,436	2,051	1,711	5,512	5,518	8,640	3,542
2010	60,765	27,511	13,413	2,504	2,025	5,911	5,821	10,387	4,327

1) EU member countries were: 25, before Jan. 2007; 27, from Jan. 2007 onward.

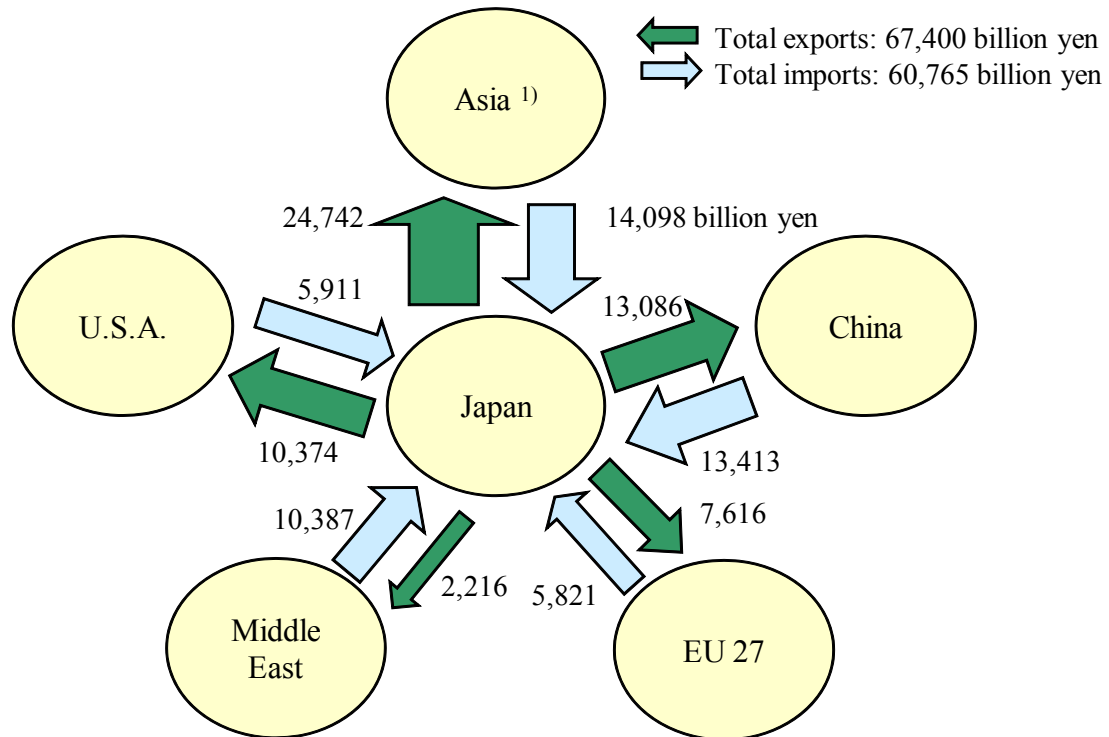
Source: Ministry of Finance.

(A) Trade with Asia

Japan's 2010 trade balance with Asia resulted in 10.3 trillion yen in surplus, the first increase in three years (up 62.5 percent). Exports (in FOB value) totaled 37.8 trillion yen (up 28.9 percent), marking the first increase in three years; this was mainly due to the contributions for the increase in general machinery and electrical machinery. Imports (in CIF value) amounted to 27.5 trillion yen (up 19.7 percent), the first increase in two years; this was mainly attributed to the increase in electrical machinery and mineral fuels.

In recent years, mainland China has taken an increasingly greater share in imports and exports. In 2002, China outperformed the U.S.A. to become the largest source of imports to Japan. Further still, in 2009, China overtook the U.S.A. in exports as well to become the largest export destination from Japan. In 2010, Japan's trade with China amounted to 13.1 trillion yen in exports and 13.4 trillion yen in imports.

Figure 11.4
Japan's Foreign Trade by Country/Region (2010)



1) Excluding China.
Source: Ministry of Finance.

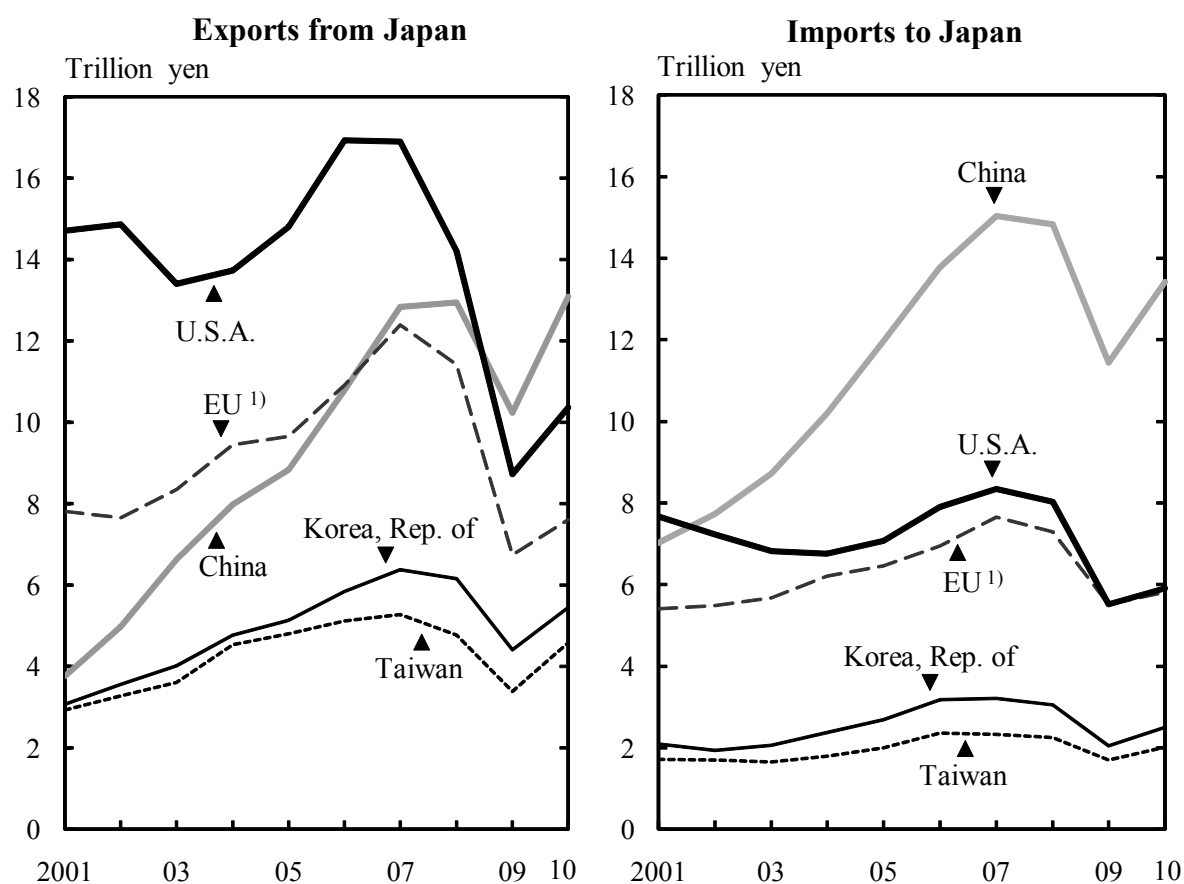
(B) Trade with U.S.A.

Japan's 2010 trade balance with the U.S.A. was 4.5 trillion yen in surplus, bigger than the previous year (up 38.5 percent from the previous year). Exports (in FOB value) amounted to 10.4 trillion yen (up 18.8 percent), the first increase in four years; major contribution for the increase was in transport equipment and general machinery. Imports (in CIF value) totaled 5.9 trillion yen (up 7.2 percent), the first increase in three years; the increase was due mainly to the contributions in chemicals and electrical machinery.

(C) Trade with EU

Japan's 2010 trade balance with the 27 member countries of the EU registered a surplus of 1.8 trillion yen (up 45.7 percent). Exports (in FOB value) totaled 7.6 trillion yen (up 12.8 percent), due mainly to the contributions for the increase in general machinery and transport equipment. Imports (in CIF value) totaled 5.8 trillion yen (up 5.5 percent), because of contributions for the increase in transport equipment and electrical machinery, etc.

Figure 11.5
Trends in Japan's Trade by Country/Region



1) EU member countries were: 15 countries, before May 2004; 25, from May 2004 to Dec. 2006; 27, from Jan. 2007 onward.
Source: Ministry of Finance.

2. International Balance of Payments

Japan's current account has consistently recorded a surplus in recent years. In 2010, the surplus enlarged for the first increase in three years to 17.2 trillion yen, up 29.2 percent from the previous year. A breakdown of Japan's current account showed that its trade balance was 8.0 trillion yen in surplus, marking a twofold increase thanks to export growth against the backdrop of the recuperating world economy. Also shown is that the services balance was 1.4 trillion yen in deficit, a reduction in the deficit for the third consecutive year. The income balance decreased by 5.1 percent over the previous year to 11.7 trillion yen, marking a decline in the surplus for the third consecutive year.

On the other hand, the balance of the capital and financial account registered the sixth consecutive year of deficit (excess outflow), being 12.0 trillion yen in the red.

Table 11.4
International Balance of Payments

Item	(Billion yen)			
	2007	2008	2009	2010
Current account	24,793.8	16,379.8	13,286.7	17,170.6
Goods and services	9,825.3	1,889.9	2,124.9	6,564.6
Trade balance	12,322.3	4,027.8	4,038.1	7,978.9
Exports	79,725.3	77,334.9	50,857.2	63,921.8
Imports	67,403.0	73,307.1	46,819.1	55,942.9
Services	-2,497.1	-2,137.9	-1,913.2	-1,414.3
Income	16,326.7	15,841.5	12,325.4	11,697.7
Current transfers	-1,358.1	-1,351.5	-1,163.5	-1,091.7
Capital and financial account ¹⁾	-22,538.3	-18,389.5	-12,644.7	-11,997.7
Financial account	-22,065.3	-17,831.2	-12,179.4	-11,563.6
Direct investment	-6,005.4	-10,707.4	-5,872.5	-5,048.7
Portfolio investment	8,251.5	-29,188.9	-20,505.3	-13,249.3
Financial derivatives	324.9	2,456.2	948.7	1,026.2
Other investment	-24,636.2	19,608.9	13,249.7	5,708.3
Capital account	-473.1	-558.3	-465.3	-434.1
Changes in reserve assets ¹⁾	-4,297.4	-3,200.1	-2,526.5	-3,792.5
Errors and omissions	2,041.9	5,209.8	1,884.4	-1,380.5

1) Negative figures (-) show outflow of capital (an increase in assets or a decrease in liabilities).

Source: Ministry of Finance.

Japan's foreign assets (the balance of overseas assets held by residents in Japan) as of the end of 2010 amounted to 563.5 trillion yen, while its foreign liabilities (assets held in Japan by nonresidents) were 312.0 trillion yen. As a result, Japan's net foreign assets (foreign assets minus foreign liabilities) were 251.5 trillion yen.

Table 11.5
Trends in Japan's Foreign Assets and Liabilities ¹⁾

(Billion yen)					
Item	2006	2007	2008	2009	2010
Assets	558,106	610,492	519,179	554,826	563,526
Liabilities	343,024	360,271	293,671	288,603	312,031
Net assets	215,081	250,221	225,508	266,223	251,495

1) End of year.

Source: Ministry of Finance.

Japan's foreign reserve assets remained at around \$220 billion during the period from 1996 to 1998. However, they started to increase from 1999, reaching \$1,096.2 billion at the end of 2010. This represented an increase of \$46.8 billion (4.5 percent) from the end of the previous year.

Table 11.6
Reserve Assets

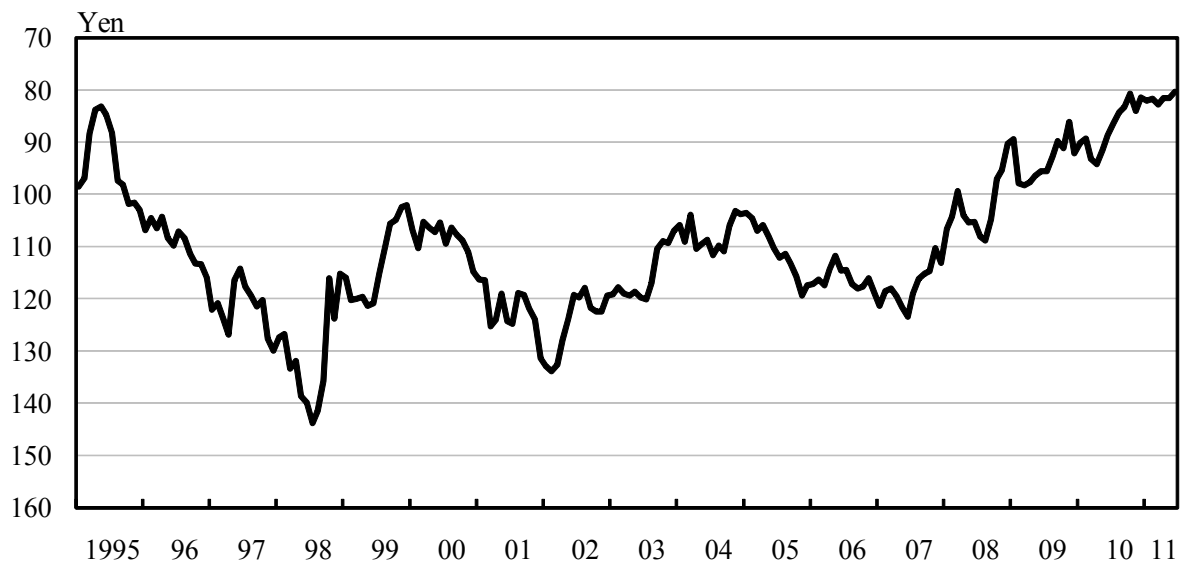
(Million U.S. dollars)						
End of year	Total	Foreign currency ¹⁾	Reserve position in IMF	SDRs	Gold ²⁾	Other reserve assets ³⁾
2006	895,320	874,596	1,933	2,812	15,639	340
2007	973,365	947,987	1,395	3,034	20,580	369
2008	1,030,647	1,003,300	2,659	3,033	21,281	374
2009	1,049,397	996,552	4,313	20,968	27,161	403
2010	1,096,185	1,035,817	4,608	20,626	34,695	439

1) Including securities in market value. 2) Market value. 3) Including Asian Bond Fund.

Source: Ministry of Finance.

The yen became super-strong against the U.S. dollar in Spring 1995, hitting a high of nearly 80 yen. The trend subsequently shifted to a progressively weaker yen, which eventually reached 143.79 yen in July 1998. After hovering between the 100 and 130 yen ranges for the most part since 1999, the yen began appreciating sharply in late 2008. As of the end of June 2011, the rate was 80.42 yen.

Figure 11.6
Yen Exchange Rate against the U.S. Dollar



Source: Bank of Japan.

3. International Cooperation

International cooperation donors are becoming increasingly diverse: official development assistance (ODA) by the government, direct investments and export credits by private corporations, donations by nonprofit organizations, aid activities by NGOs and volunteer citizen groups, etc. In addition, there are various forms of assistance, including bilateral assistance and assistance through multilateral institutions.

Table 11.7
Net Flow of Development Cooperation¹⁾

	(Million U.S. dollars)				
Item	1995	2000	2005	2008	2009
Total value	42,295	11,423	23,259	31,805	45,456
Official flows	20,033	8,467	10,726	7,615	17,706
Official development assistance (ODA)	14,489	13,508	13,147	9,601	9,469
Bilateral official development assistance	10,419	9,768	10,406	6,823	6,001
Grants	6,298	5,678	9,195	7,764	5,327
Grants-in-aid	2,876	2,100	6,524	4,777	2,209
Technical cooperation	3,422	3,578	2,671	2,987	3,118
Loans, etc.	4,120	4,090	1,212	-940	674
Contributions to multilateral institutions, etc.	4,071	3,740	2,740	2,777	3,467
Other official flows (OOF)	5,544	-5,041	-2,421	-1,986	8,237
Official export credits (over one year)	981	-1,239	-1,202	-629	-786
Direct investment finance, etc.	3,541	-3,709	-222	-1,952	7,498
Concessional lending to multilateral institutions, etc.	1,021	-93	-997	594	1,525
Private flows at market terms (PF)	22,046	2,725	12,278	23,738	27,217
Private export credits (over one year)	3,054	-799	-3,433	-4,878	-1,220
Direct investments	9,398	2,874	14,472	25,710	19,440
Bilateral investment in securities, etc.	9,543	702	1,158	3,952	7,010
Concessional lending to multilateral institutions, etc.	50	-52	81	-1,046	1,987
Grants by private voluntary agencies	216	231	255	452	533
ODA as percentage of GNI (%)	a) 0.28	0.28	0.28	0.19	* 0.18
ODA as percentage of GNI (DAC average) (%)	a) 0.27	0.22	0.32	0.30	* 0.31

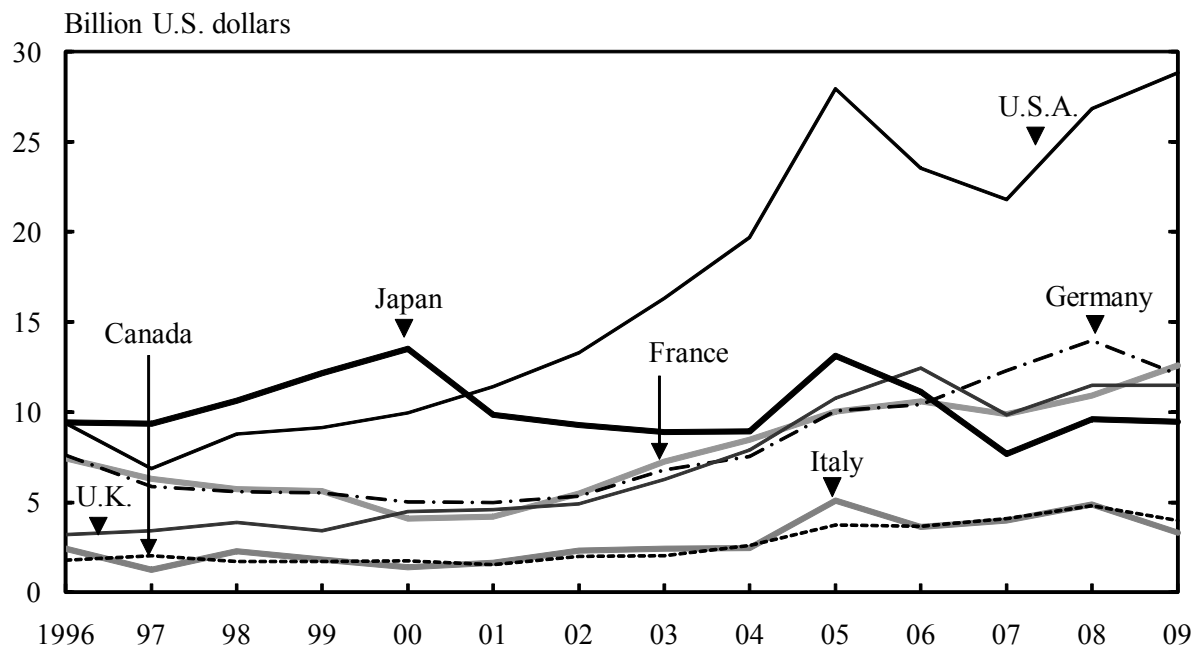
1) Net disbursement at current prices. Negative figures (-) show outflow of capital (an increase in assets or a decrease in liabilities). a) ODA as percentage of GNP (%).

Source: Ministry of Foreign Affairs; Ministry of Finance; OECD.

In the ODA framework, Japan has contributed to the growth of developing countries as the world's number-one ODA donor for ten consecutive years up until 2000. Recently, Japan's ODA budget has been declining because of the country's severe economic and financial situation. Its 2009 ODA spending (on the basis of net disbursement at current prices) was \$9.5 billion, down 1.4 percent from the previous year, decreasing for the first time in two years.

In 2009, the 23 member countries of the Development Assistance Committee (DAC) of the OECD provided \$120.0 billion in ODA. Of this total, Japan's ODA contribution accounted for approximately 8 percent, making Japan the fifth-largest contributor behind the U.S.A., France, Germany and the U.K. The ratio of Japan's ODA to Gross National Income (GNI) was 0.18 percent, or a decrease of 0.01 percentage point compared with that of the previous year.

Figure 11.7
Trends in ODA by Country ¹⁾



1) Net disbursement at current prices.

Source: Ministry of Foreign Affairs; OECD.

Of the \$9.5 billion in ODA provided by Japan in 2009, \$6.0 billion or 63.4 percent was bilateral ODA (down 12.0 percent year-on-year), and \$3.5 billion or 36.6 percent was ODA contributed through multilateral institutions (up 24.8 percent).

Bilateral ODA provided in 2009 consisted of \$2.2 billion in grants-in-aid, \$3.1 billion in technical cooperation, and \$0.7 billion in loans, etc.

By region, bilateral ODA (including aid to Eastern European countries and graduated countries) was distributed as follows: Asia, 36.5 percent; Africa, 23.1 percent; Middle East, 8.2 percent; Europe, 2.6 percent; Latin America, 2.3 percent; and Oceania, 1.8 percent.

Table 11.8
Regional Distribution of Bilateral ODA ¹⁾

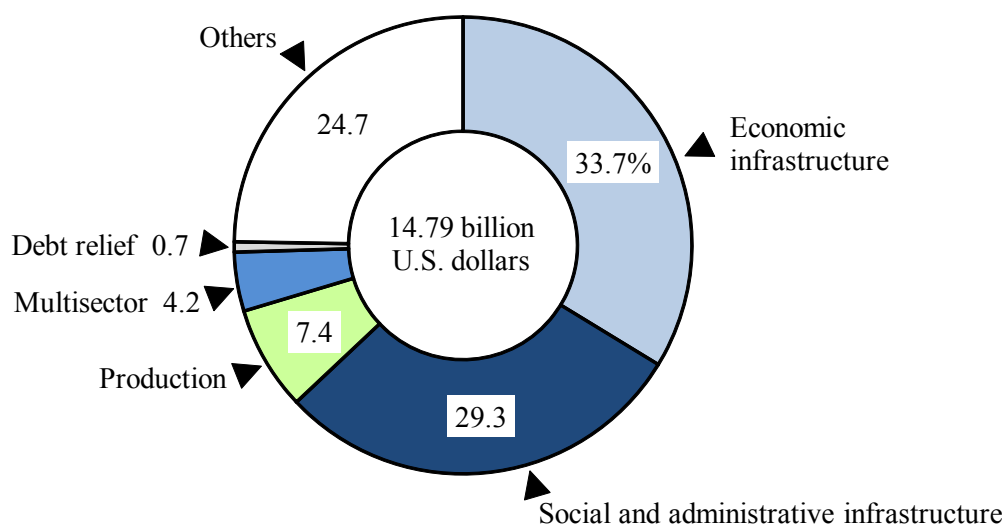
Region	(Million U.S. dollars)				
	1995	2000	2005	2008	2009
Total	10,557	9,640	10,464	6,939	6,081
Asia	5,745	5,284	3,841	1,074	2,218
ASEAN	2,229	3,126	1,968	-356	882
Middle East	721	727	3,477	2,372	501
Africa	1,333	970	1,139	1,396	1,403
Latin America	1,142	800	409	269	143
Oceania	160	151	94	73	112
Europe	153	118	309	150	156
Multiple regions, etc.	a) 1,303	1,592	1,194	1,605	1,548

1) Net disbursement at current prices. Including aid to Eastern European countries and graduated countries. a) ODA not classifiable by region.

Source: Ministry of Foreign Affairs.

Bilateral ODA in 2009 (including aid to Eastern European countries and graduated countries) was broken down by purpose (on a commitment basis) as follows: 33.7 percent for improving the economic infrastructure (including transport and energy), followed in descending order by social and administrative infrastructure, and then the production sector.

Figure 11.8
Distribution of Bilateral ODA by Purpose (2009) ¹⁾



1) Commitment basis. Including aid to Eastern European countries and graduated countries.
Source: Ministry of Foreign Affairs.

In addition to the financial assistance described above, Japan has also been active in the areas of human resources development and technology transfer, both vital to the growth of a developing country, through its ODA activities. This not only contributes to sustainable economic growth, poverty reduction and improved living standards in developing countries, but also plays an important role in deepening mutual understanding between Japan and developing countries, and it has also led to efforts to address global issues, including the economy, the environment and climate change.

Table 11.9
Number of Persons Involved in Technical Cooperation
by Type and Program ¹⁾

Type of cooperation	FY2000	FY2005	FY2007	FY2008	FY2009
Total	31,968	37,291	34,216	47,397	44,652
Trainees received	17,513	24,504	21,280	36,319	29,982
Dispatched					
Experts	3,381	3,488	4,940	4,597	6,659
Research team	9,428	6,862	6,104	4,624	5,788
Japan Overseas					
Cooperation Volunteers	1,370	1,804	1,482	1,365	1,708
Other volunteers	276	633	410	492	515

1) Numbers of persons newly received/dispatched in the aforementioned fiscal year.
Source: Japan International Cooperation Agency.