



KCCI - Country Wrap: Japan (MAR. '19)



Japan – a brief overview

Over the past 70 years, government-industry cooperation, a strong work ethic, mastery of high technology, and a comparatively small defense allocation (slightly less than 1% of GDP) have helped Japan develop an advanced economy. Japan in 2017 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which edged out Japan in 2012.

The government currently faces the quandary of balancing its efforts to stimulate growth and institute economic reforms with the need to address its sizable public debt, which stands at 235% of GDP. To help raise government revenue, Japan adopted legislation in 2012 to gradually raise the consumption tax rate. However, the first such increase, in April 2014, led to a sharp contraction. Scarce in critical natural resources, Japan has long been dependent on imported energy and raw materials.

Japan became the first country to ratify the TPP in December 2016, but the United States signaled its withdrawal from the agreement in January 2017. In November 2017 the remaining 11 countries agreed on the core elements of a modified agreement, which they renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Japan also reached agreement with the European Union on an Economic Partnership Agreement in July 2017

Key Industries of Japan

Japan is among the world's largest and most technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles and processed foods.

Japan's major trading commodities and partners

Japan's major export partners are US (19.4%), China (19%), South Korea (7.6%), Hong Kong (5.1%) and Thailand (4.2%). The country major import partners are: China (24.5%), US (11%), Australia (5.8%), South Korea (4.2%) and Saudi Arabia (4.1%).

Economic Relations between Pakistan and Japan

Pakistan and Japan have been enjoying healthy bilateral economic relations since 1952. It is reflected through the fact that at present, over 76 Japanese companies are operating in Pakistan. According to a survey of Japan External Trade Organization (JETRO), Pakistan has been ranked second most profitable destination for Japanese companies where 74.1% of them were profitable in 2013.

Bilateral Trade Relations between Pakistan and Japan

During 2017, goods exported by Pakistan to Japan experienced 17.9% decline to \$ 354.26Mn from \$ 431.96Mn in 2016. Similarly, goods imported by Pakistan from Japan were worth \$ 2.1Bn recording a 9.6% decline from \$ 2.3Bn in 2016.

Japan's Assistance to Pakistan

Japan has been providing development assistance to Pakistan through various bilateral and multilateral arrangements. Under Official Development Assistance (ODA) programme, Japan started providing technical training to Pakistan in 1954 while extended its first loan to Pakistan in 1961. Japan International Cooperation Agency (JICA) has been providing assistance in three focus areas: 1) ensuring human security and human development, 2) improving the economic base, and 3) stable, balanced development such as in Pakistan -Afghanistan border areas. JICA is also providing assistance for building power transmission and road networks primarily through ODA loans, and strengthening domestic industries through technical cooperation.

Pakistan has granted exemption to JICA from all levies and taxes for the loan extended by the Government of Japan/JICA on concessionary terms, amounting to JPY 2.665 billion (equivalent to \$26 million approximately), for the Islamabad – Burhan Transmission Line Reinforcement Project. The main objective of the project is to improve the reliability of the national grid and to meet the growing demand for electricity transmission through reinforcement of transmission lines necessary for power supply to Islamabad Capital Territory and surrounding areas.

PJBF & JPBBCC: joint efforts for enhancing bilateral ties

Pakistan Japan Business Forum (PJBF) was established as a joint venture in Pakistan during 2001 for promoting trade and investment activities of both the countries. Pakistan's Board of Investment, Japanese Consulate and Embassy are the main stakeholders of this forum. Its counterpart Japan-Pakistan Business Cooperation Committee (JPBCC) in Japan alternatively arranges "Joint Dialogue" between the government and business officials of Pakistan and Japan for enhancing bilateral economic relations.

Potential for enhancing bilateral trade relations between Japan and Pakistan

- Japan fulfills its large share of grain, textile and surgical goods demand through imports. Pakistan can tap these segments by exporting its products to Japan which would further boost the bilateral trade volume between the two countries.

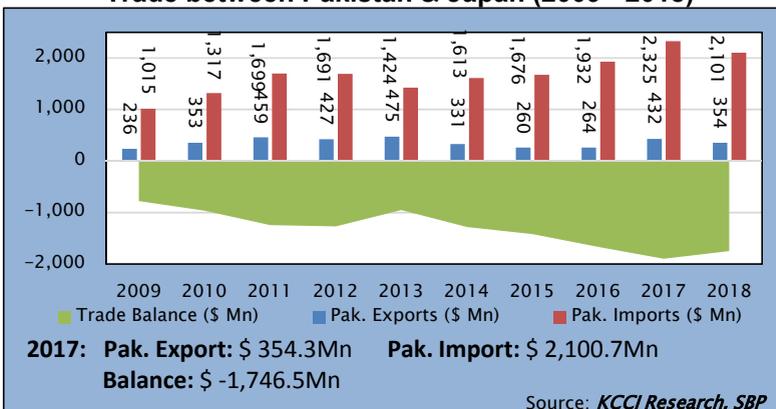
- Pakistan should go for joint ventures with Japan to provide training assistance for its automobiles sector.

Economic Indicators

Indicators	Unit	2016	2017	Chang
GDP (PPP)	\$ Bn	5,350	5,443	1.74%
GDP per Capita	\$	42,100	42,900	1.90%
GDP growth	%	1.0	1.7	0.70%
Forex Reserves	\$ Bn	N/A	1,264	N/A
External Debt	\$ Bn	3,240.0	N/A	N/A
Exports of Goods	\$ Bn	634.9	688.9	8.51%
Imports of Goods	\$ Bn	584.7	644.7	10.26%
Trade Balance	\$ Bn	50.2	44.2	-11.95%
Current Account	\$ Bn	194.9	196.1	0.62%
FDI - at Home	\$ Bn	238.4	252.9	6.08%
FDI - at Abroad	\$ Tn	1,363	1,547	13.50%
CPI	%	-0.1	0.5	0.60%
Prime Lending Rate	%	1.48	1.48	0.00%
Population	Mn	126.7	126.17	-0.53%
Unemployment	%	3.1	2.9	-0.20%
Litarcy Rate	%	99	N/A	N/A

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Japan (2009 - 2018)



Japan's Top 10 Trade Items (2017)

Top 10 Exports Items (\$ Bn)	Top 10 Imports Items (\$ Bn)		
Vehicles other than railway	146.2	Mineral fuels & oils	141.2
Machinery, mechanical appl.	138.4	Electrical machinery & equip.	97.7
Electrical machinery & equip.	105.6	Machinery & appl.	65.3
Commodities NES	44.1	Optical, photo or surgical	25.5
Optical, photo or surgical	39.8	Pharmaceutical products	22.5
Iron & steel	28.0	Vehicles, not railway	22.4
Plastics & articles	25.1	Ores, slag and ash	20.9
Organic chemicals	17.9	Organic chemicals	15.8
Natural or cultured	15.2	Plastics & articles	15.1
Ships, boats & structures	12.3	Apparel & clothing, not knitted	13.6

Sources: KCCI Research, Trademap

Pakistan - Japan Top 10 Trade Items (2017)

Pakistan Export Items (\$ Mn)	Pakistan Imports Items (\$ Mn)		
Beverages, spirits & vinegar	152.38	Vehicles, not railway	1191.69
Mineral fuels & oils	67.05	Machinery & appl.	383.50
Cotton	57.92	Iron & steel	284.75
Copper & articles	24.20	Electrical machinery, equip.	91.84
Articles of apparel, not knitted	22.74	Optical, medical/surgical	80.86
Articles of apparel, knitted	20.71	Commodities NES	54.27
Articles of leather	11.89	Articles of iron or steel	49.17
Fish & crustaceans	11.63	Rubber & articles	28.64
Other made-up textile articles	9.54	Plastics & articles	25.20
Optical, photo or surgical	6.85	Paper & paperboard	20.84

Sources: KCCI Research, Trademap