

## Introduction

Associate Editor *INADA, Yoshihisa*

This short introduction is the lead or the bridge connecting Part I to Part II.

Changes in U.S. tariff policies exert a restraining effect on trade and supply chains, with considerable uncertainty surrounding the scope of their impact. Furthermore, indirect impacts on corporate and household sentiment are also significant. As of July 22, the tariff rates on Japanese exports to the U.S. stand at 50% for iron and steel products, while both automobiles and parts subject to reciprocal tariffs are at 15%. President Trump's deal with Japan has been settled temporarily. However, it is crucial to note that compared to pre-tariff levels, the rate increase exceeds 10%. This will undoubtedly lead to reduced exports and, consequently, lower growth rates.

As an introduction to this FY's white paper, we examine how Japan's exports have changed between Trump 1.0 and 2.0 (2017-2024). By confirming how Japan and the Kansai economy transformed during this period from a trade perspective ([Figure 0-1](#)), we hope to aid understanding of the chapters presented in this book.

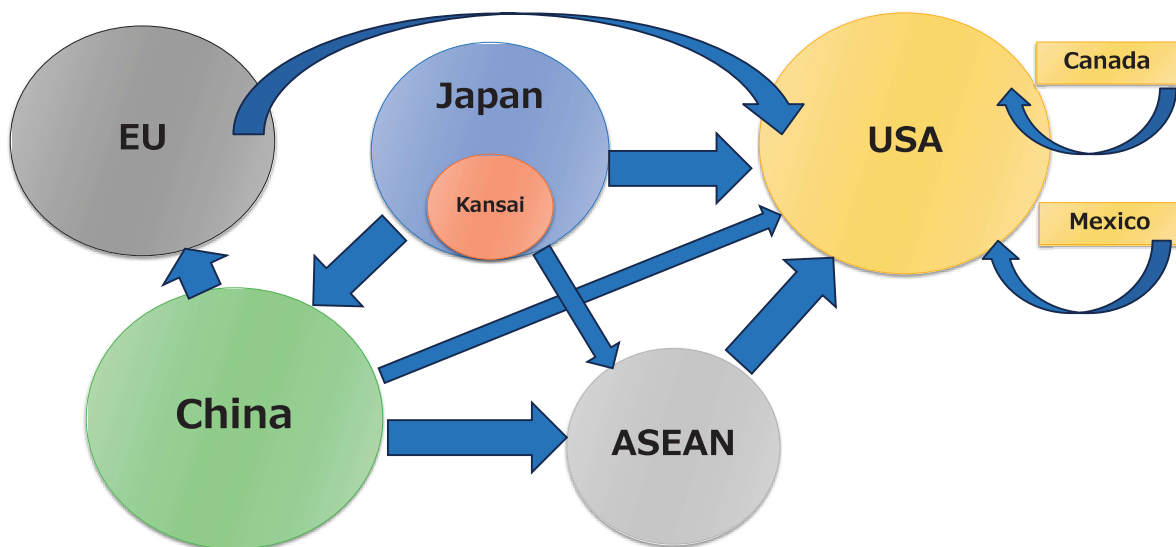


Figure 0-1

Japan and Kansai's Relationship with World Trade

Source: Prepared by the authors

## Changes in Japan's Global Exports

Figure 0-2 shows the changes in Japan's exports to the world and the share of export destinations between 2017 and 2024. During this period, Japan's exports increased by 36.8%, rising from 78.3 trillion yen to 107.1 trillion yen. Examining the share of export destinations, Japan's share of exports to China declined significantly (19.0% → 17.6%) while its share to the U.S. increased (19.3% → 19.9%). The EU's share remained largely unchanged (9.0% → 9.1%). Among other Asian countries, ASEAN's share (15.2% → 14.3%) and South Korea's share (7.6% → 6.6%) declined, while Taiwan's share increased (5.8% → 6.4%), which is noteworthy.

Below, we will characterize changes in the trade structure of Japan and the Kansai economy by examining shifts in the share of exports by product category, focusing specifically on the U.S. and China as major trading partners.

Figure 0-3 shows the share of Japan's exports to the U.S. by product category for 2017 and 2024. During this period, the categories that saw an increase in their share of exports to the U.S. were machinery (22.5% → 23.2%) and chemical products (5.8% → 7.1%). Although not shown in the figure, within machinery, the share of construction and mining machinery (2.3% → 4.2%) and semiconductor machinery, etc. (1.9% → 2.5%) increased significantly.

Conversely, the shares of transport equipment (40.1% → 36.0%) and electrical machinery (13.7% → 13.5%) both declined.

Figure 0-4 shows the share of Japan's exports to China by product category in 2017 and 2024. The shares of general machinery (22.2% → 24.5%) and chemical products (15.4% → 17.8%) increased. Although not shown in the

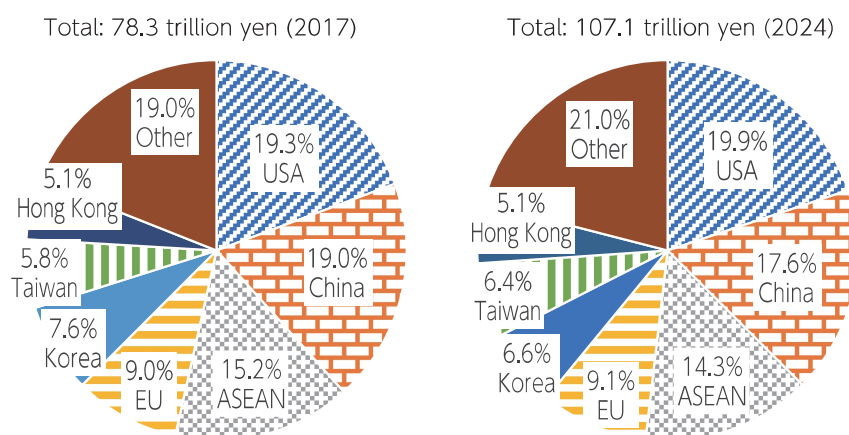


Figure 0-2

Comparison of Japan's Export Destinations (2017, 2024)

Note: The values in the figure may not add up to exactly 100% due to rounding. The same applies to the following figures.

Source: Prepared by the authors based on the Ministry of Finance 'Trade Statistics'

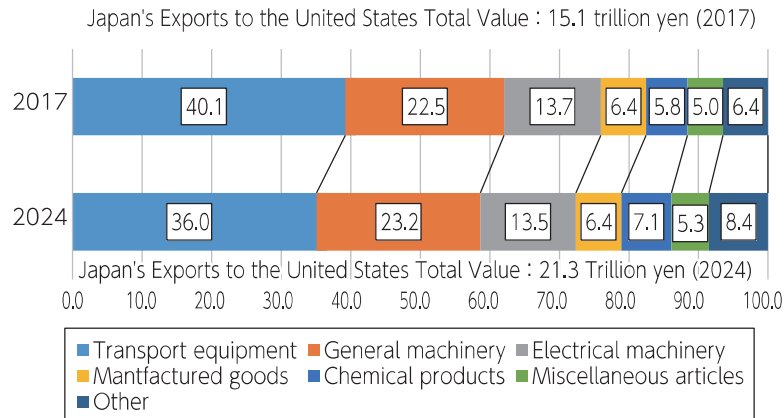


Figure 0-3

## Structure of Japan's Exports to the U.S. (2017, 2024)

Source: Prepared by the authors based on the Ministry of Finance "Trade Statistics"

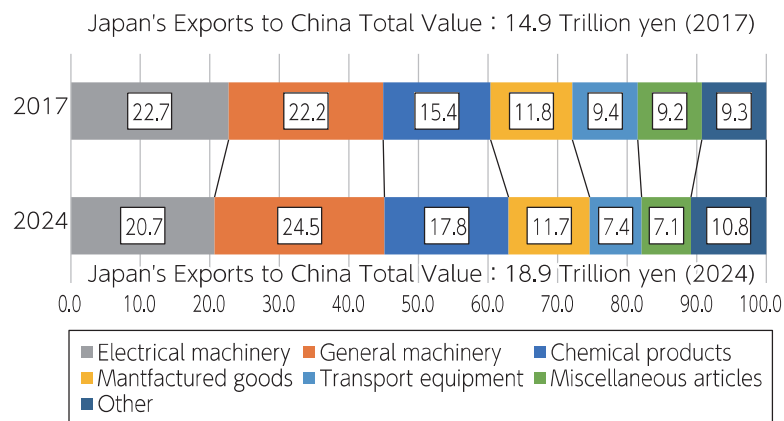


Figure 0-4

## Structure of Japan's Exports to China (2017, 2024)

Source: Prepared by the authors based on the Ministry of Finance "Trade Statistics"

figure, semiconductor manufacturing equipment significantly contributed to the expanded share within machinery.

Conversely, the export category to China experiencing a share decline is electrical machinery (22.7% → 20.7%). While semiconductors, etc. maintained their share, the share of electrical circuits declined. The relative decline in export competitiveness for electrical machinery is notable.

## Changes in Kansai's Global Exports

Figure 0-5 shows the changes in Kansai's global exports and the share of export destinations between 2017 and 2024. During this period, Kansai's exports increased by 29.5%, rising from 16.6 trillion yen to 21.5 trillion yen. Compared to the growth of Japan's total exports, Kansai's growth is somewhat lower. This is due to the impact of China's economic slowdown against the backdrop of the

robust growth of the U.S. economy. Since Kansai’s dependence on trade with China is higher than the national average, the impact of China’s economic slowdown is felt more strongly.

Looking at the share of Kansai export destinations, China’s share declined (25.9% → 23.8%), while the U.S. share increased (13.3% → 16.2%). This trend is common to both Japan and Kansai. While the EU’s share remained unchanged for Japan as a whole, its share for Kansai increased (8.8% → 9.3%). For ASEAN, it is notable that Japan’s share decreased while Kansai’s increased (16.2% → 16.7%). Taiwan’s share also expanded (9.3% → 9.7%).

Figure 0-6 compares the share of Kansai’s exports to the U.S. by product category in 2017 and 2024. While the share of electrical machinery (25.8% → 16.5%) centered on equipment such as batteries and electrical apparatus and electronic components like semiconductors, etc. declined, the share of general machinery (32.5% → 36.1%) increased.

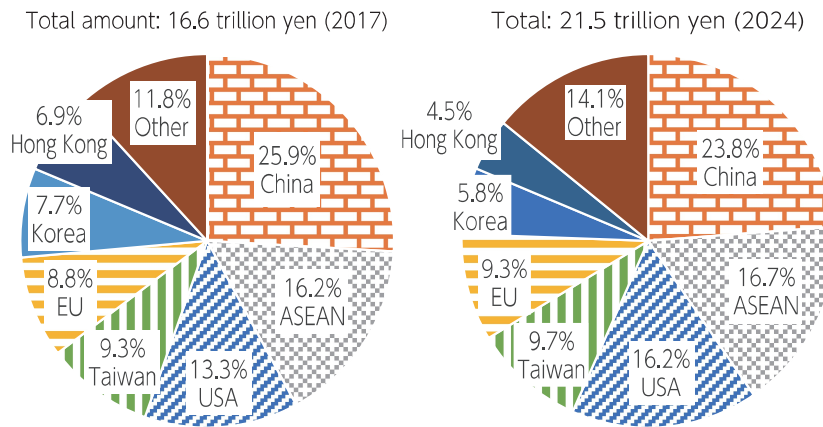


Figure 0-5 Comparison of Kansai Export Destinations (2017, 2024)

Source: Prepared by the authors based on the Ministry of Finance “Trade Statistics”

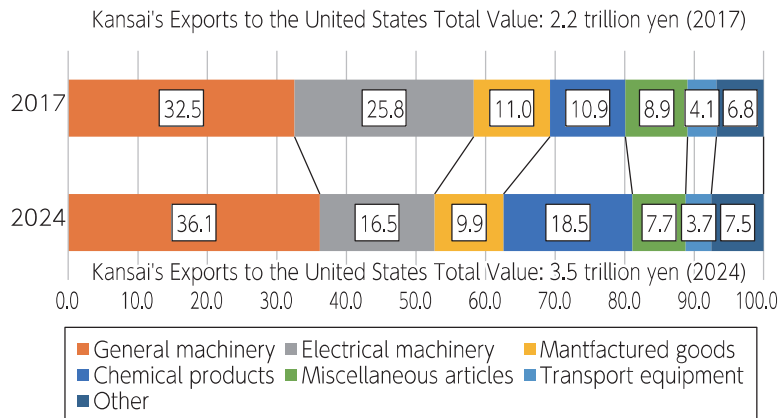
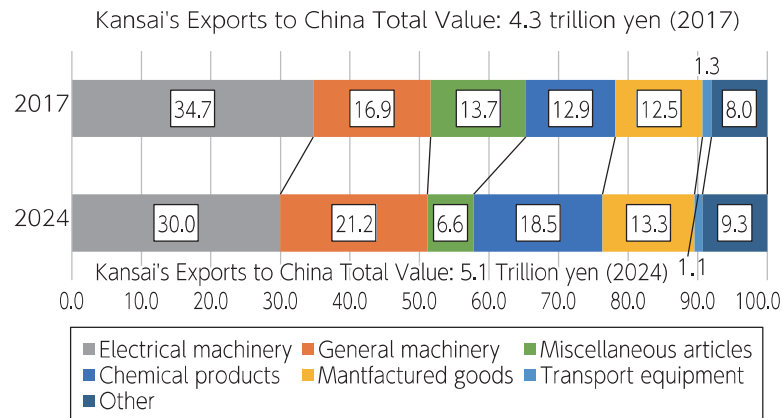


Figure 0-6 Structure of Kansai Exports to the U.S. (2017, 2024)

Source: Prepared by the authors based on the Ministry of Finance “Trade Statistics”



**Figure 0-7** Export Structure of Kansai to China (2017, 2024)

Source: Prepared by the authors based on the Ministry of Finance "Trade Statistics"

Figure 0-7 compares the share of Kansai exports to China by product category in 2017 and 2024. The share of general machinery (16.9% → 21.2%) and chemical products (12.9% → 18.5%) increased. Conversely, the share of electrical machinery (34.7% → 30.0%) declined significantly. This period highlights a noticeable relative decline in Kansai's export competitiveness.

## Book Structure

Building on the trade shifts observed in Japan and the Kansai region between Trump 1.0 and 2.0, Chapter 1 Section 1 discusses the global significance of U.S. tariff policy changes and the consequences of the trade war. Section 2 analyzes the actual state of the U.S. economy and examines the impact of fiscal and tariff policies on the global economy. Section 3 discusses China's consumption expansion measures to mitigate the effects of U.S. tariff policy changes. Chapter 2 Section 2 examines the ASEAN economy, which heavily depends on the U.S. market for exports, and its role from the perspectives of supply chains and trade structures. Furthermore, Chapter 3 Section 1 examines in detail the change in exports from Japan and the Kansai region in relation to the macroeconomic performance of the U.S. and Chinese economies. This also serves as a preliminary consideration for the outlook on the Japanese economy and the Kansai economy in Part II.