



Globalization of Japanese Companies and Inclusive Trade

November 23, 2017

Japan External Trade Organization (JETRO)

Tadayuki Nagashima

Chief Senior Researcher

Globalization of Japanese companies ⇒ FBI

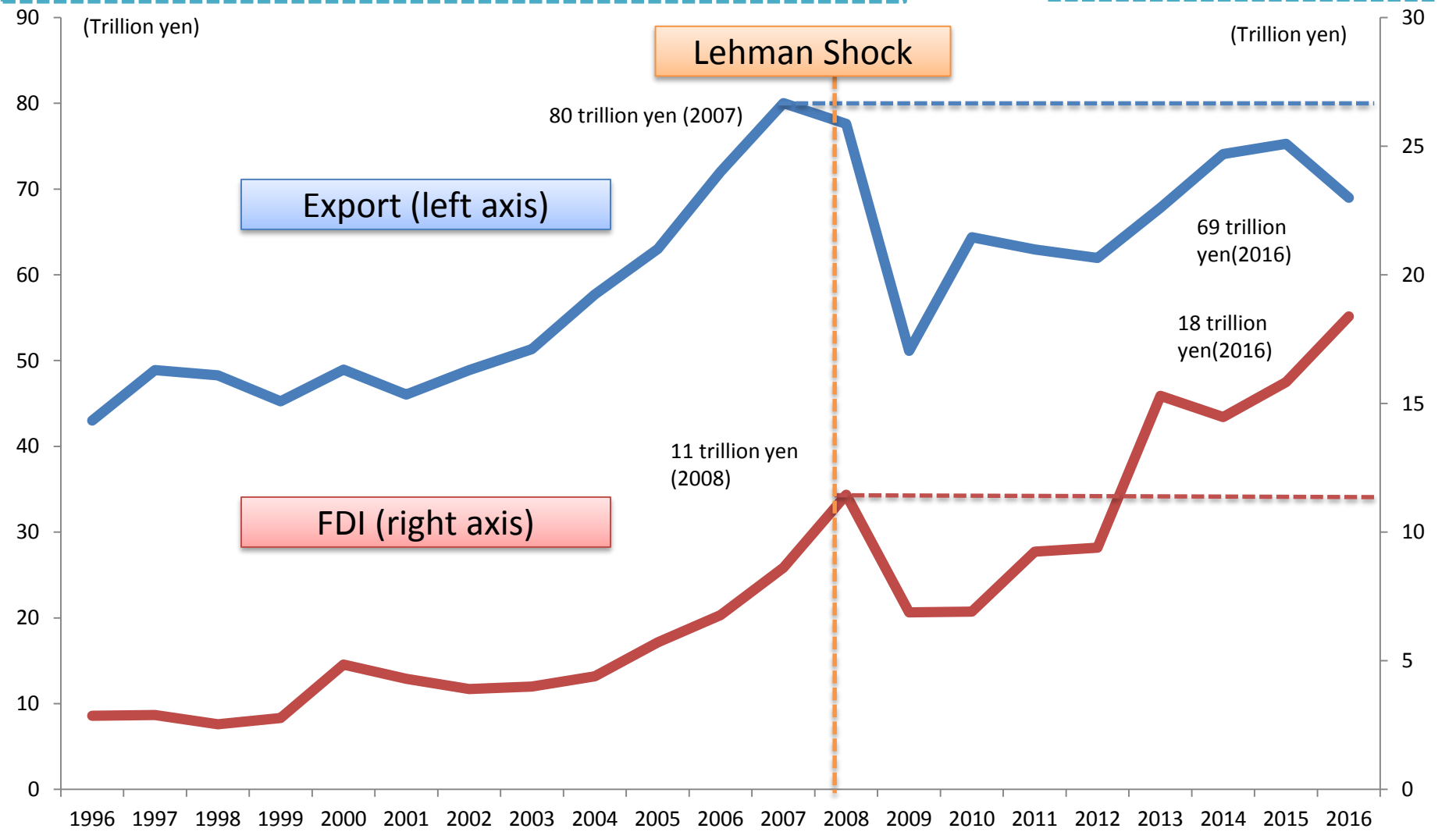
- ◆ **F: Made from Japan**
- ◆ **B: Made by Japan**
- ◆ **I: Made in Japan**

Global expansion of Japanese companies

- Export from Japan has not returned to the level before the financial crisis in 2008.
 - FDI from Japan temporarily declined after the financial crisis in 2008, but has exceeded the level before the crisis since 2013.



FDI becoming more important for Japanese companies to expand globally

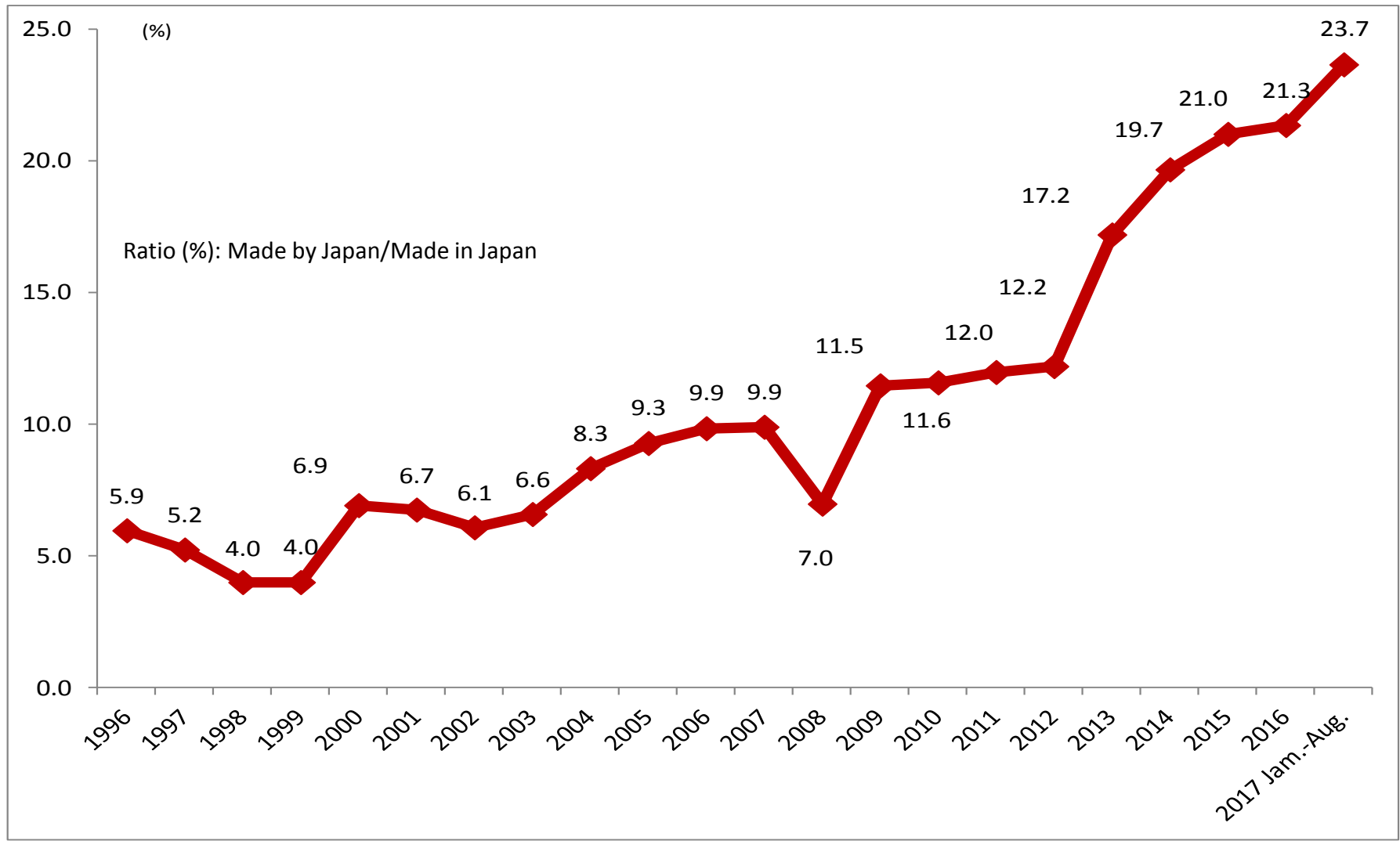


(Trillion yen)

| Year | Made in Japan | Made by Japan | | | |
|----------------|---------------|--------------------------------|--|--------------|------------------|
| | Export (A) | Foreign Direct Investment | | | Ratio (%) A/B |
| | | Direct investment income | Charges for use of intellectual property | Total (B) | |
| 1996 | 43.0 | 1.8 | 0.7 | 2.6 | 5.9 |
| 1997 | 48.9 | 1.7 | 0.9 | 2.6 | 5.2 |
| 1998 | 48.3 | 0.9 | 1.0 | 1.9 | 4.0 |
| 1999 | 45.3 | 0.9 | 0.9 | 1.8 | 4.0 |
| 2000 | 49.0 | 2.3 | 1.1 | 3.4 | 6.9 |
| 2001 | 46.0 | 1.8 | 1.3 | 3.1 | 6.7 |
| 2002 | 48.9 | 1.7 | 1.3 | 3.0 | 6.1 |
| 2003 | 51.3 | 1.9 | 1.4 | 3.4 | 6.6 |
| 2004 | 57.7 | 3.1 | 1.7 | 4.8 | 8.3 |
| 2005 | 63.0 | 3.9 | 1.9 | 5.8 | 9.3 |
| 2006 | 72.0 | 4.8 | 2.3 | 7.1 | 9.9 |
| 2007 | 80.0 | 5.2 | 2.7 | 7.9 | 9.9 |
| 2008 | 77.6 | 2.8 | 2.7 | 5.4 | 7.0 |
| 2009 | 51.1 | 3.8 | 2.0 | 5.9 | 11.5 |
| 2010 | 64.4 | 5.1 | 2.3 | 7.5 | 11.6 |
| 2011 | 63.0 | 5.2 | 2.3 | 7.5 | 12.0 |
| 2012 | 62.0 | 5.0 | 2.5 | 7.5 | 12.2 |
| 2013 | 67.8 | 8.6 | 3.1 | 11.6 | 17.2 |
| 2014 | 74.1 | 10.6 | 4.0 | 14.6 | 19.7 |
| 2015 | 75.3 | 11.4 | 4.4 | 15.8 | 21.0 |
| 2016 | 69.0 | 10.5 | 4.3 | 14.7 | 21.3 |
| Jan – Aug 2017 | 49.9 | 8.6 | 3.2 | 11.8 | 23.7 |

“Made in Japan” vs. “Made by Japan”

- ◆ Made in Japan = Export
- ◆ Made by Japan = Income derived from foreign direct investment (direct investment income + charges for the use of intellectual property)



Source : Bank of Japan

Copyright (C) 2017 JETRO. All rights reserved.

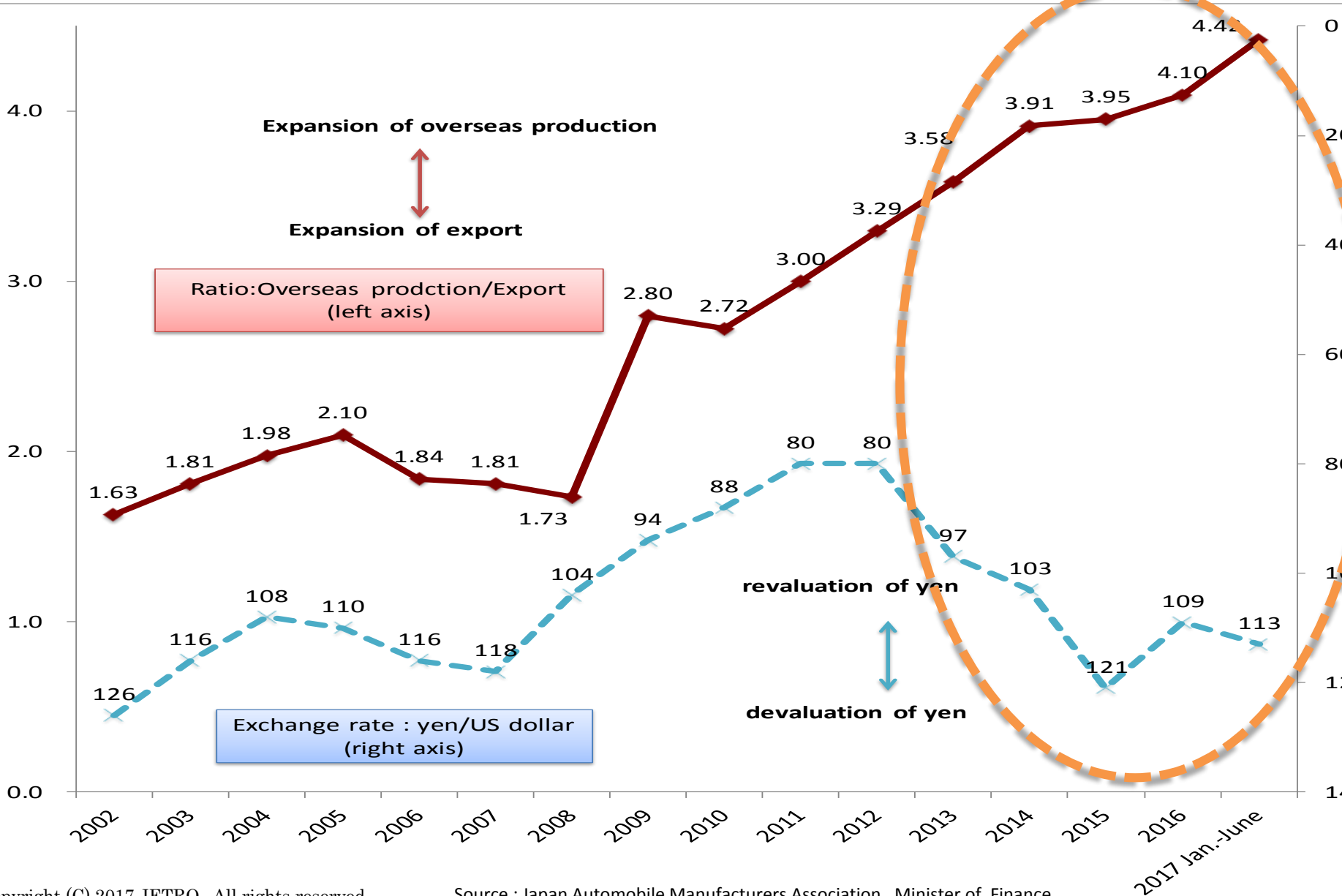
Expansion of Japanese auto manufacturing: Export and overseas production

(Unit)

| Year | Export (A) | Overseas Production (B) | Ratio: B/A |
|-----------------|------------|-------------------------|------------|
| 2000 | 4,454,885 | 6,288,192 | 1.41 |
| 2001 | 4,166,089 | 6,679,593 | 1.60 |
| 2002 | 4,698,728 | 7,652,466 | 1.63 |
| 2003 | 4,756,343 | 8,607,563 | 1.81 |
| 2004 | 4,957,663 | 9,797,551 | 1.98 |
| 2005 | 5,053,061 | 10,606,157 | 2.10 |
| 2006 | 5,966,672 | 10,972,243 | 1.84 |
| 2007 | 6,549,940 | 11,859,761 | 1.81 |
| 2008 | 6,727,091 | 11,651,554 | 1.73 |
| 2009 | 3,616,168 | 10,117,520 | 2.80 |
| 2010 | 4,841,460 | 13,181,554 | 2.72 |
| 2011 | 4,464,413 | 13,383,629 | 3.00 |
| 2012 | 4,803,591 | 15,823,480 | 3.29 |
| 2013 | 4,674,633 | 16,756,754 | 3.58 |
| 2014 | 4,465,624 | 17,476,267 | 3.91 |
| 2015 | 4,578,078 | 18,094,876 | 3.95 |
| 2016 | 4,634,097 | 18,979,448 | 4.10 |
| Jan – June 2017 | 2,228,871 | 9,856,207 | 4.42 |

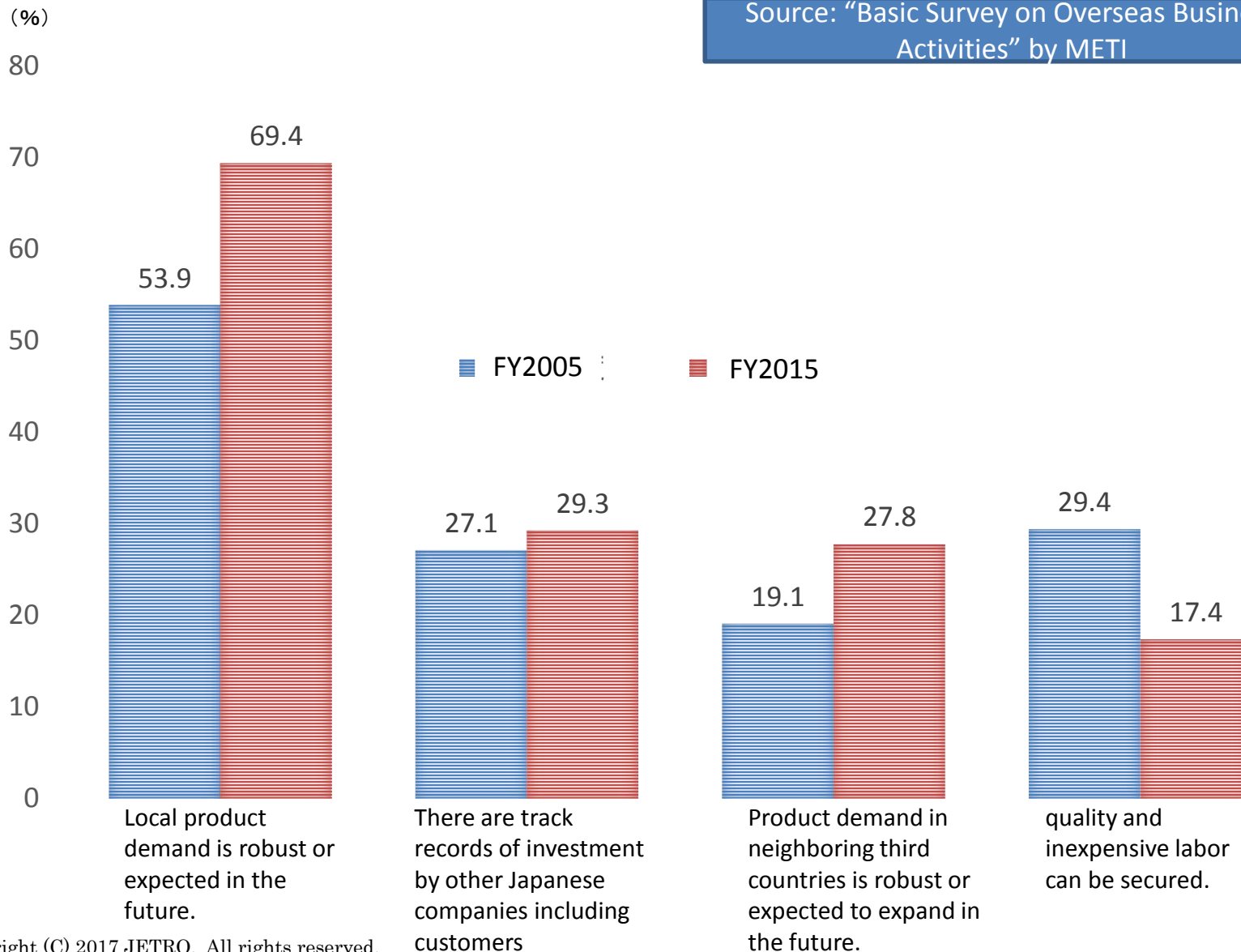
Automobiles: Export and overseas production ratio (2002 – 2015)

Conventionally,
 Weak yen: Expanding export ratio. Strong yen: Expanding overseas production ratio.
 However, since 2013, the overseas production ratio has been expanding despite the weak yen.



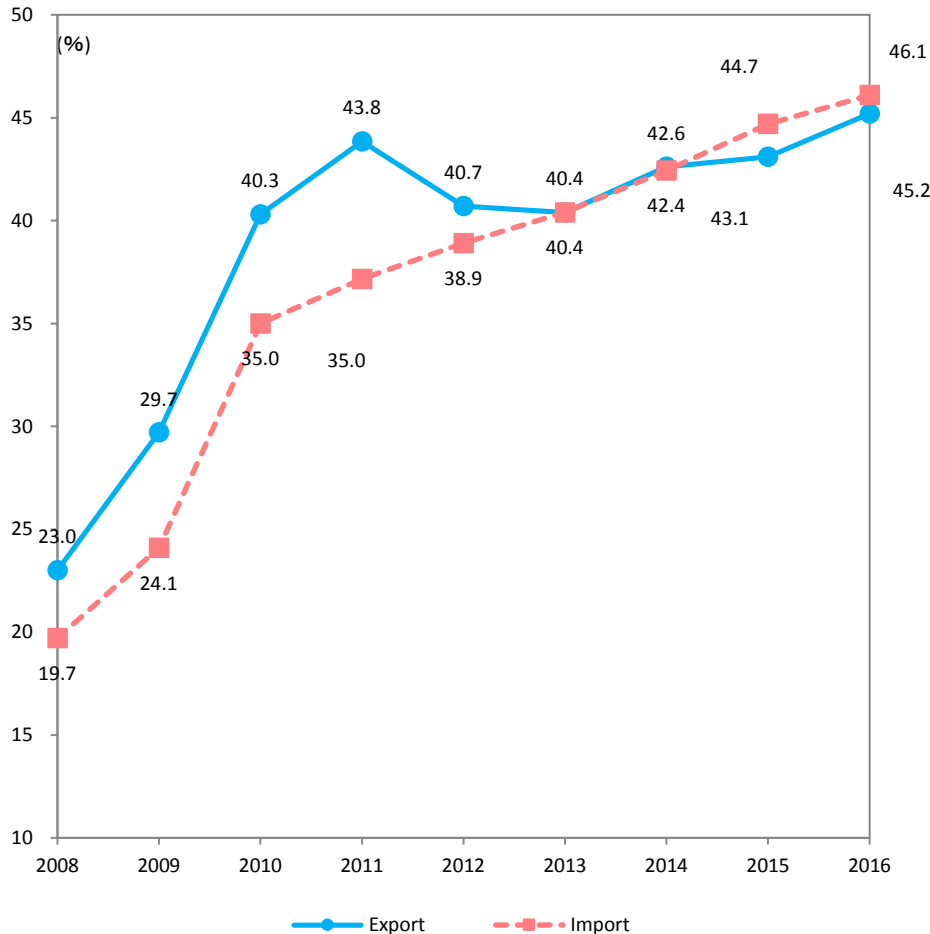
What counts most for Japanese companies to expand business overseas is...

Source: "Basic Survey on Overseas Business Activities" by METI

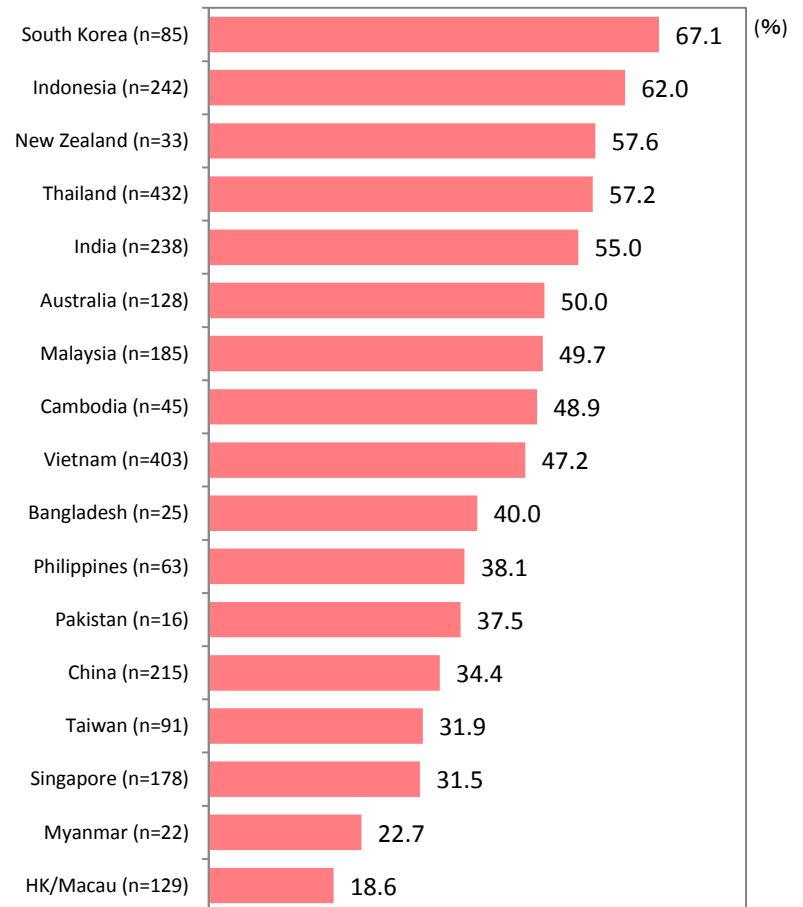


Utilization of FTAs and EPAs by Japanese companies active overseas

Trends in FTA/EPA utilization by Japanese-affiliated firms in ASEAN



Proportions of firms utilizing FTAs/EPAs (by country/region)



What JETRO does:

Three points regarding inclusive trade

Inclusive trade I

Support for SME in terms of human resources and rule making

Inclusive trade II

Support for agricultural, forestry and fishery industry

Inclusive trade III

Promotion of regional investment

Inclusive trade I

Supporting SMEs with human resources



Inclusive trade I

Support forming new rules to facilitate business

Cross-border e-commerce

New rules
needed!

Use the research results in a proposal to the government

Research barriers and issues in using e-commerce

TPOs

SMEs

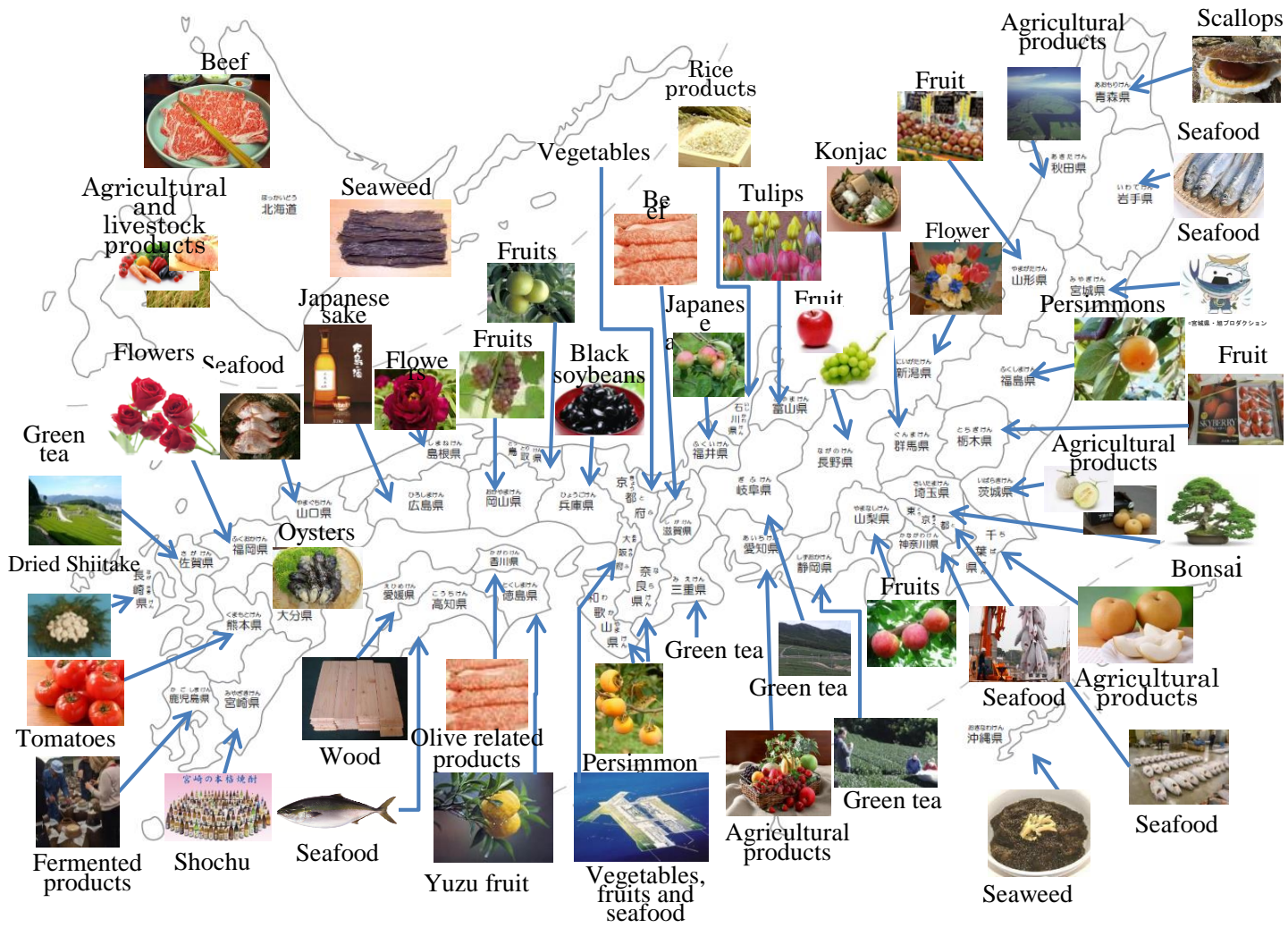
TPO: Trade promotion organization

Inclusive trade II

Support for agricultural, forestry and fishery industry

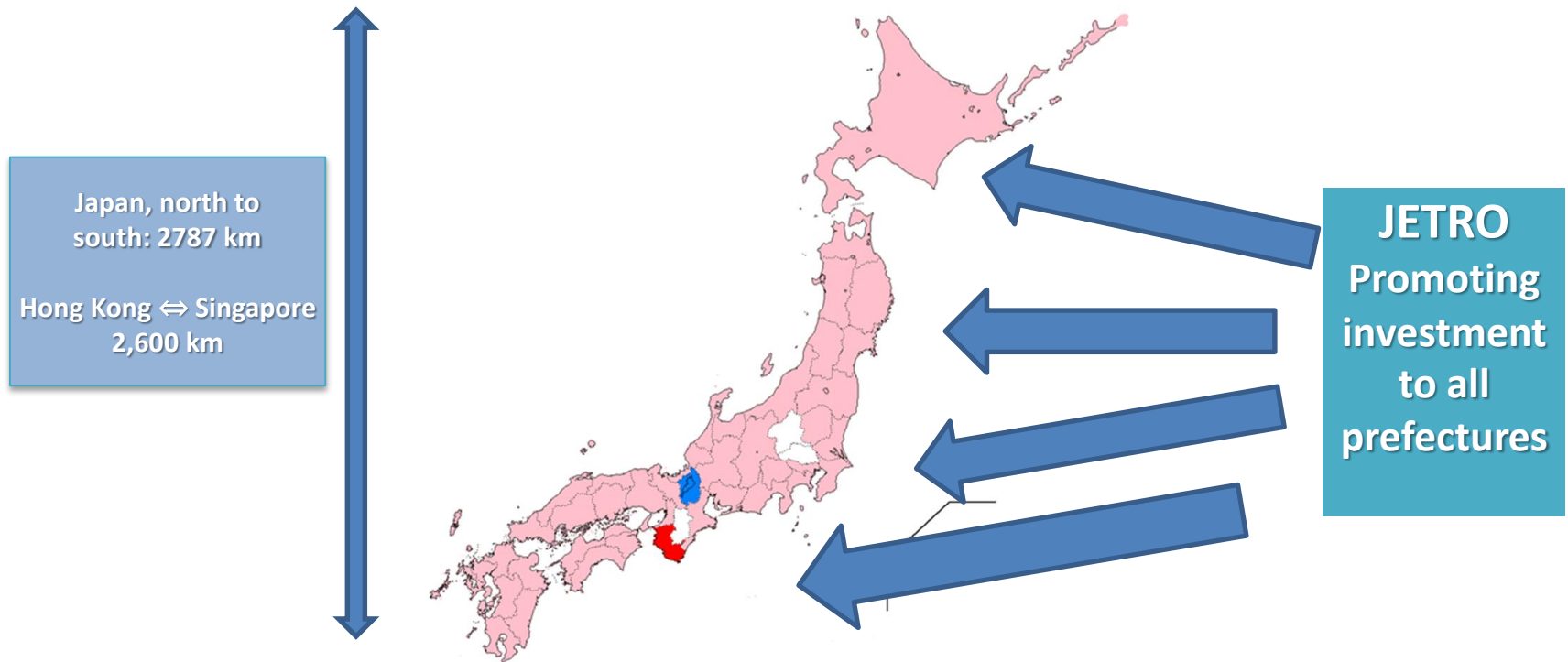


--- Examples of regional products promoted to the world market ---



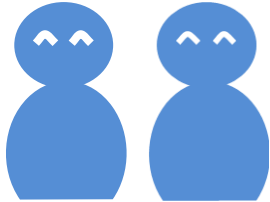
Inclusive trade III

Promotion of regional investment

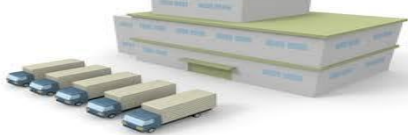


The key is “human resource development”

Internships



Japanese companies



FY2016: 80 personnel to 16 countries



FY2017: 122 personnel from 14 countries

Internships

Overseas companies



**Thank you for your
attention!**

