The Transformational Dynamics of the US-Japan Economic Relationship
Clayton Yeutter Institute of International Trade and Finance

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INTRODUCTION

1. What is JETRO? (Japan External Trade Organization)

2. The US-Japan Economic Relationship and the Transition of US Trade Policy
Japan External Trade Organization (JETRO)
Headquartered in Tokyo with 45 offices in Japan and 74 offices in 54 countries.

About 1,800 employees worldwide.
The Japan External Trade Organization (JETRO) is a Japanese government-related organization that promotes mutual trade and investment between Japan and the rest of the world.

**Core Focus**

- Promoting FDI into Japan
- Helping Japanese SMEs expand their business overseas

Established in 1958 by the Ministry of International Trade and Industry (now the Ministry of Economy, Trade and Industry “METI”)
The US – Japan Economic Relationship
Ambassador Clayton Yeutter: Our Beacon for a US “Fair and Free” Trade Policy
December 10, 1930 - March 4, 2017
US-Japan Trade Friction is Long Past

Source: US Census Bureau
Japanese investment into the U.S. has increased since 1990, resulting in $414 billion of investment stock as of 2015. Japan has become the second-largest investor after the United Kingdom.

The investment stock at the end of 2015 was higher by 74% than it was at the end of 2008. Japan has invested $176 billion into the U.S. as the largest investor during this period.

Survey coverage: US companies in which 10% or more of the capital is controlled by foreign companies.
Source: U.S. Department of Commerce
US Production of Japanese Automakers Greater Than Japan’s Exports to US Market

Since 1992, Japanese automakers’ US production has consistently outpaced exports from Japan to the US. In 2017, Japanese automakers built **3.77 million vehicles in the US.**

Source: US Census Bureau

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Source: Japan Automobile Manufacturers Association (JAMA)
Automotive Sector is Strong, But Industries Have Been Diversified

- Japan has invested in 712 greenfield projects in U.S. manufacturing and logistics between January 2008 and September 2017.
- By state, the most popular investment destination is Indiana, in which Toyota, Honda, and Subaru have built their assembly plants. Many new projects were observed in the states where more than one automaker is located such as Tennessee (Nissan) and Kentucky (Toyota).
- Industries have become diversified (e.g. chemical, food, service and so on).

Source: Financial Times
Locations of Japanese Manufacturers In North America

- Food/Processed food, agricultural or fishery products
- Textiles (Spinning/Woven fabrics/Chemical fibers)
- Printing/Publishing
- Paper/Pulp
- Textile apparel/Textile products
- Lumber/Wood products
- Furniture/Fixtures
- Chemical and allied products/Petroleum products
- Plastic products
- Rubber products
- Ceramic/Stone and clay products
- Medicines
- Fabricated metal products (Including plated products)
- Iron and steel (Including cast and wrought products)
- Non-ferrous metals
- Electrical machinery/Electronic devices (Including parts)
- General-purpose machinery/Production machinery (Including molds and machine tools)
- Business oriented machinery (Including office machines, analytical instruments and medical equipment, etc)
- Information and communication electronics equipment
- Transportation equipment parts (Motor vehicles/Motorcycles)
- Transportation equipment (Motor vehicles/Motorcycles)
- Transportation equipment parts (Railroad vehicles/Ship/Aircraft/Industrial trucks)
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- Miscellaneous manufacturing industries

Source: Compiled by JETRO from several companies’ information
Employment in Manufacturing Sector: 2015

- Total employment by Japanese manufacturing companies in the US amounts to **400,600**, the largest by any foreign country.
- This is an increase of **110,200 (38.4%)** from **2010**, the largest increase by country during that period.
- Total manufacturing employment in U.S. grew only **808,000 (7.0%)** during that period.

Note: Companies in which majority is owned by ultimate beneficial owner (UBO), Source: U.S. Department of Commerce, Bureau of Economic Analysis
Japanese Companies Contributing to U.S. Exports

- Japanese-Affiliated Companies Represent Almost 5% of Total U.S. Exports to the World

- Exports increased by 45.0% from 53,779 million dollars in 2010.

Note: Companies in which majority is owned by ultimate beneficial owner (UBO). Source: U.S. Department of Commerce, Bureau of Economic Analysis

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Comparison to Other Asian Countries

Note: Majority owned companies by ultimate beneficial owner (UBO)
Source: U.S. Department of Commerce, Bureau of Economic Analysis

Total employment by Japanese companies in the U.S. (2015) was

- **9.1 times** larger than that of Australian companies.
- **19.5 times** larger than Chinese companies.
Japanese companies’ plans for overseas business

Percentage of Japanese firms that “currently have an overseas base and are planning to expand” (by country/region)

Source: FY2017 Survey on the International Operations of Japanese Firms in Japan, JETRO

(More than 3,000 Japanese firms, mainly SMEs, responded in this survey)
US Trade Policy in Transition: 2018
Retaliation

• **Canada**: 25% tariff on steel imports; 10% tariff on aluminum and other products took effect July 1 totaling $12.6 billion

• **EU**: The EU introduced retaliatory measures on US products June 22 worth $3.2 billion ranging from steel and aluminum products to agricultural goods

• **Mexico**: Tariffs of 15-25% on steel imports from the US and 20-25% on US farm products implemented June 5

• **Turkey**: Tariffs worth $267 million on items such as coal, paper, walnuts, tobacco, rice, whiskey, and cars

• **China**: 15-25% tariff on agricultural products, scrap aluminum

• **Russia**: Duties of 25-40% on some US equipment used in construction, oil and gas, metal processing, and fiber optics

Source: S&P Global Platts, July 2018
Thank you for your attention.

ありがとうございますました。