

# The Japan-EU Free Trade Agreement: Impact on Further Globalization of SMEs in Asia and Europe

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# The latest Shinkansen adopts advanced German brake technology



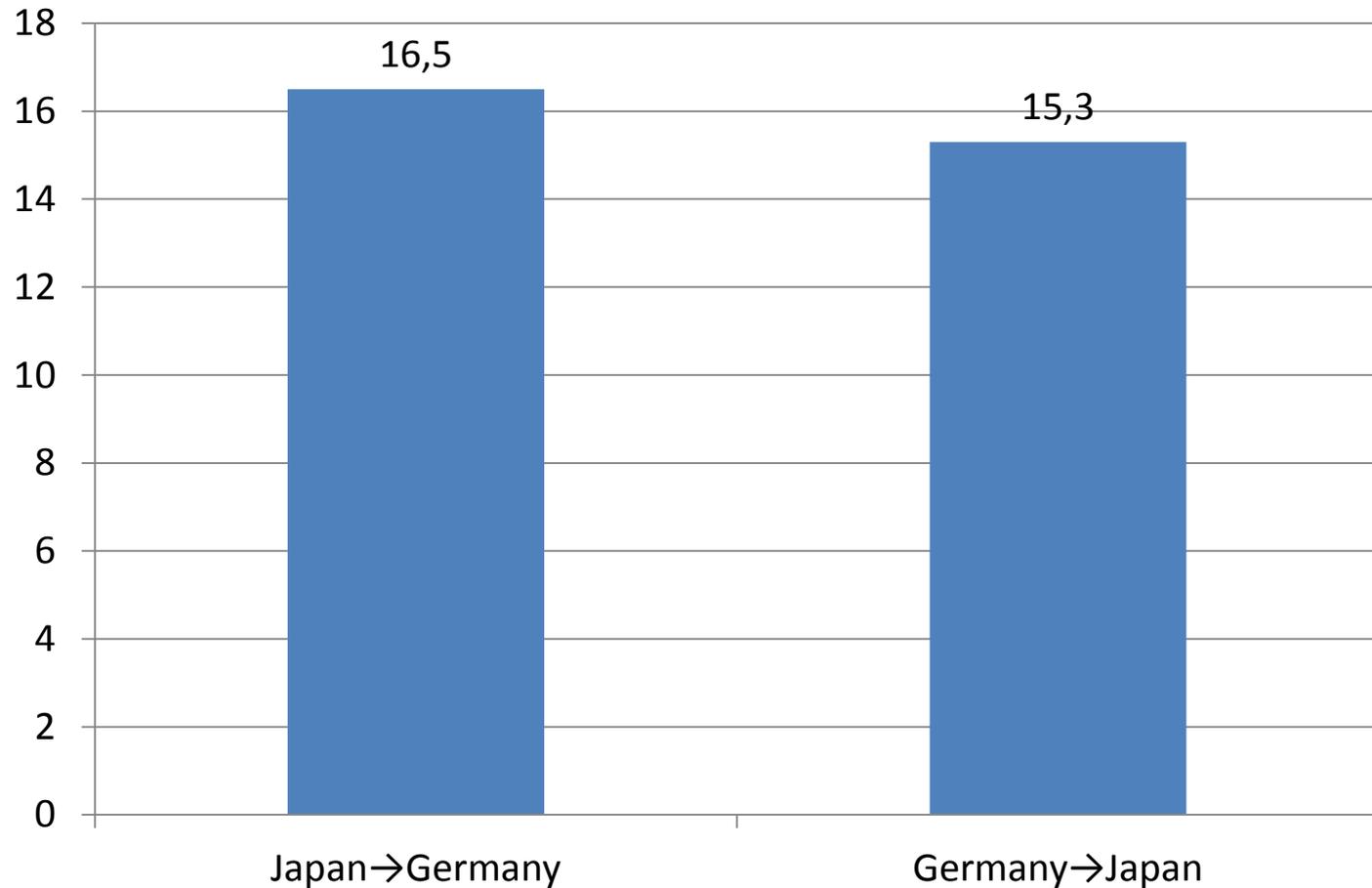
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- 1. Possibility of German – Japan Economic Partnership**
- 2. Abenomics after the Lower House Election held last month in Japan**
- 3. EU-Japan EPA**

# Possibility of German – Japan Economic Partnership

# FDI stock between Japan and Germany

## FDI stock in billions of euros (2012)



Note: Investment through Japanese or German holding companies abroad is included.

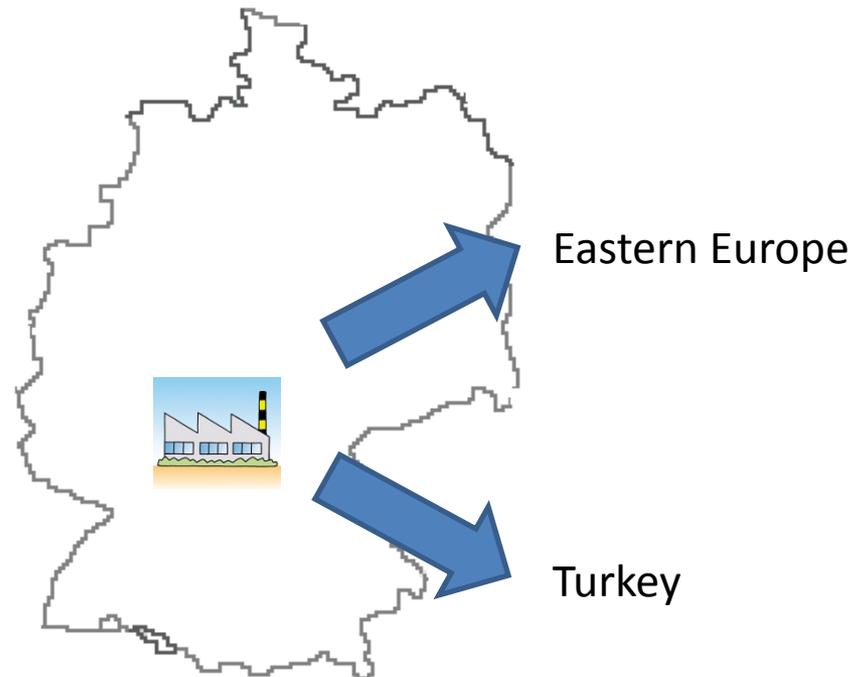
Source: Bundesbank April 2014

Over **1,500** Japanese affiliated enterprises  
created over **65,000** jobs

## Latest example

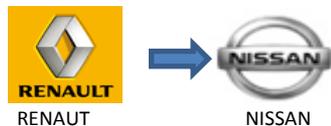
Mitsubishi Plastics, Inc. (MPI) completed the construction of a new plant in Wiesbaden in Sep. 2014.

MPI supplies aluminum composite material from the new plant to Eastern Europe and Turkey.



# Many EU companies operate in Japan (automotive)

## Capital participation in finished carmakers



RENAULT NISSAN

France

In 1999, acquired a 43.4% stake in Nissan Motor.

Has a 14.7% share of the Japanese passenger car market (proportion of Nissan's new passenger cars registered between Jan. and Nov. 2011).



DAIMLER FUSO

Mitsubishi Fuso Truck and Bus Corporation (MFTBC)  
Germany

In 2003, acquired a 89.29% stake in MFTBC.

Has a 16.4% share of the Japanese bus market (proportion of MFTBC's new buses registered between Jan. and Nov. 2011).

No. of employees: 11,000



Volvo

UD TRUCKS

Sweden

In 2007, acquired a 100% stake in Nissan Diesel Motor (at the time).

In 2010, was renamed UD Trucks.

## Automotive parts: Possessing manufacturing bases in Japan



**BOSCH**

BOSCH  
Germany

Fuel injection devices for engines, etc.  
Has 10 factories across Japan including those manufacturing items other than automotive parts

No. of employees: 7,500



**MAHLE**

*Driven by performance*

MAHLE  
Germany  
Piston/cylinder

Has 6 factories in eastern Japan.  
Supplies Nissan Motor, Honda Motor, and Isuzu Motors, etc..

No. of employees: over 1,000



Valeo  
France

Air-conditioning systems and switch systems for cars (wholly-owned)

Has a 31.59% stake in Ichikoh Industries (manufacture of headlights).

Has 8 factories across Japan.

Supplies Isuzu Motors, Nissan Motor, and Honda Motor.



GKN Driveline Japan Ltd

GKN  
UK

Drive-train automotive parts  
Has 3 factories across Japan.  
Supplies all carmakers in Japan.

Receiving Japanese governmental subsidy granted to low-carbon energy producers.



Continental  
Germany

Brake systems, chassis/safety systems.  
Has 3 factories across Japan.

No. of employee s: 1,000



Inergy  
France

Resin fuel tanks

Has one factory in western Japan.



**Johnson Matthey**

Johnson Matthey  
UK

Catalytic converters for cars  
Has one factory in eastern Japan.

These companies creates about 20,500 Employment in Japan.

# Cooperation in third countries

Joint venture in Japan (est. 2011)



Pierrburg Pump Technology  
(A Rheinmetall AG Group  
Company)

Technical cooperation



Experience in Japanese  
and Asian markets



MIKUNI  
(Mittelstand, Automotive  
Parts Supplier)



Subsidiary in China (est. 2012)



Sales, production, R&D cooperation  
for Chinese and Japanese market



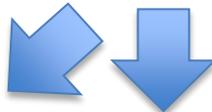
Kinki Sharyo  
(Rail car manufacturer)



Knorr-Bremse



Kawasaki Heavy Industries  
(Rail car manufacturer)



Metro in Dubai  
(2009)

Metro in Los Angeles  
(2012, 2013)

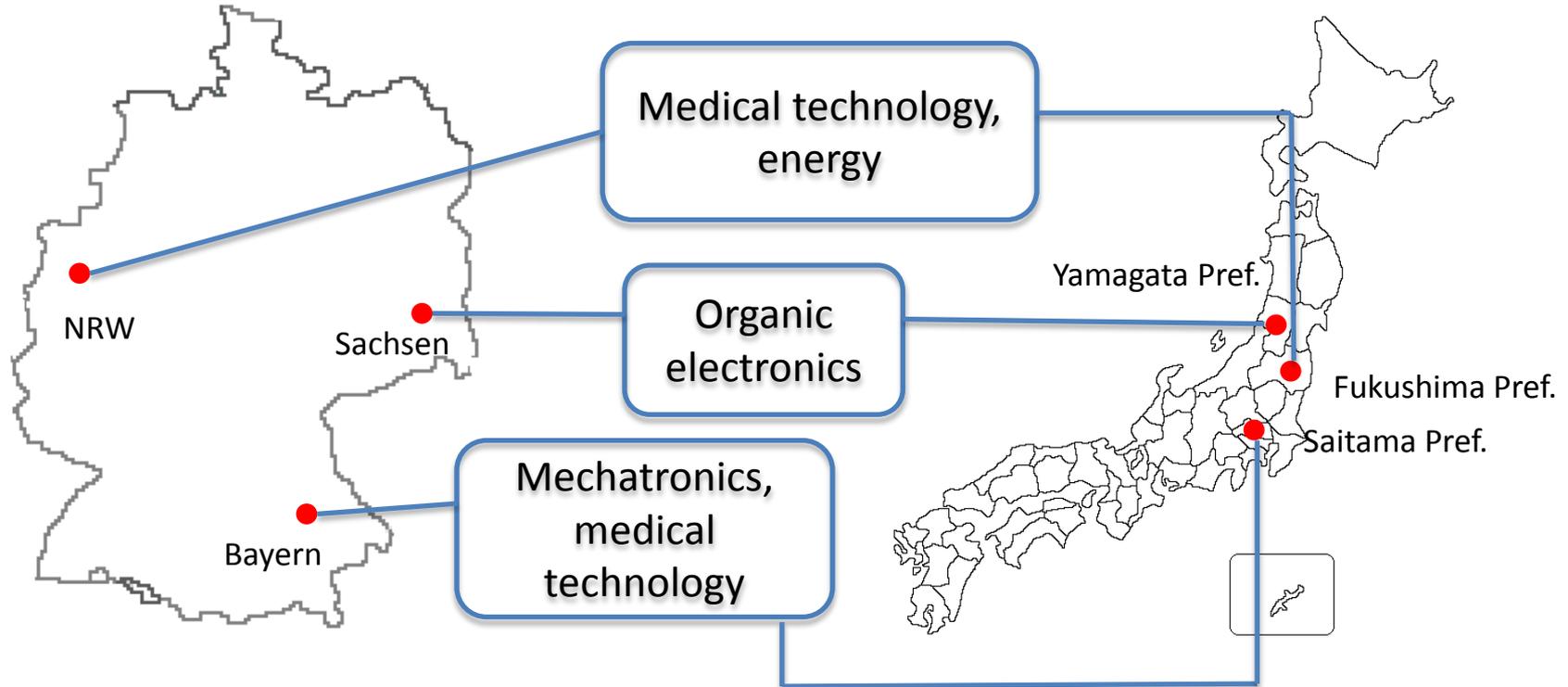
Metro in Washington D.C.  
(2010, 2013)

# Collaboration between German and Japanese SMEs

## Synergy

- Selling products and technology in the other's market
- Joint development of new products and technologies

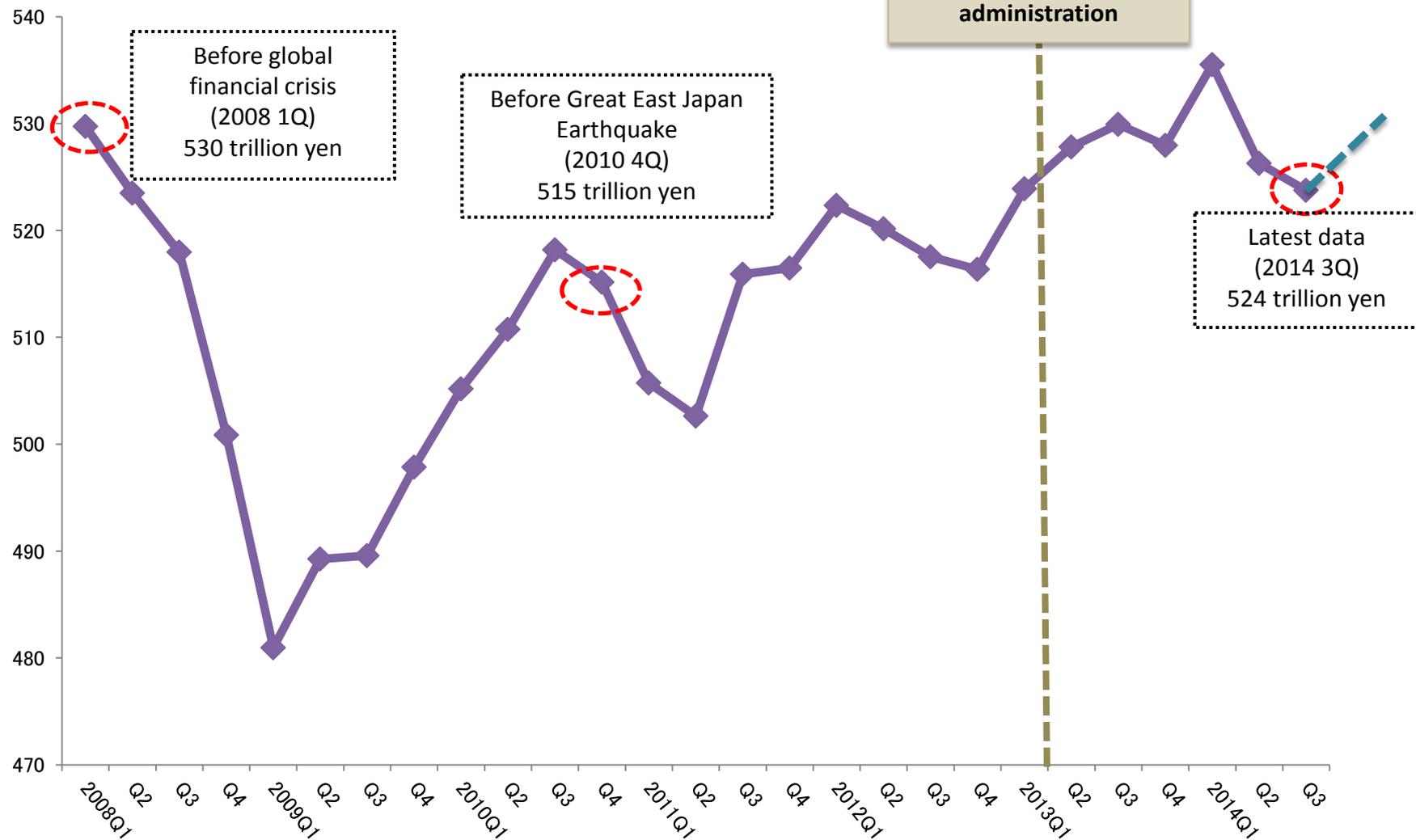
Cluster exchange project (called "RIT")  
supported by JETRO



# Abenomics after the Lower House Election in Japan

# Changes in real GDP value

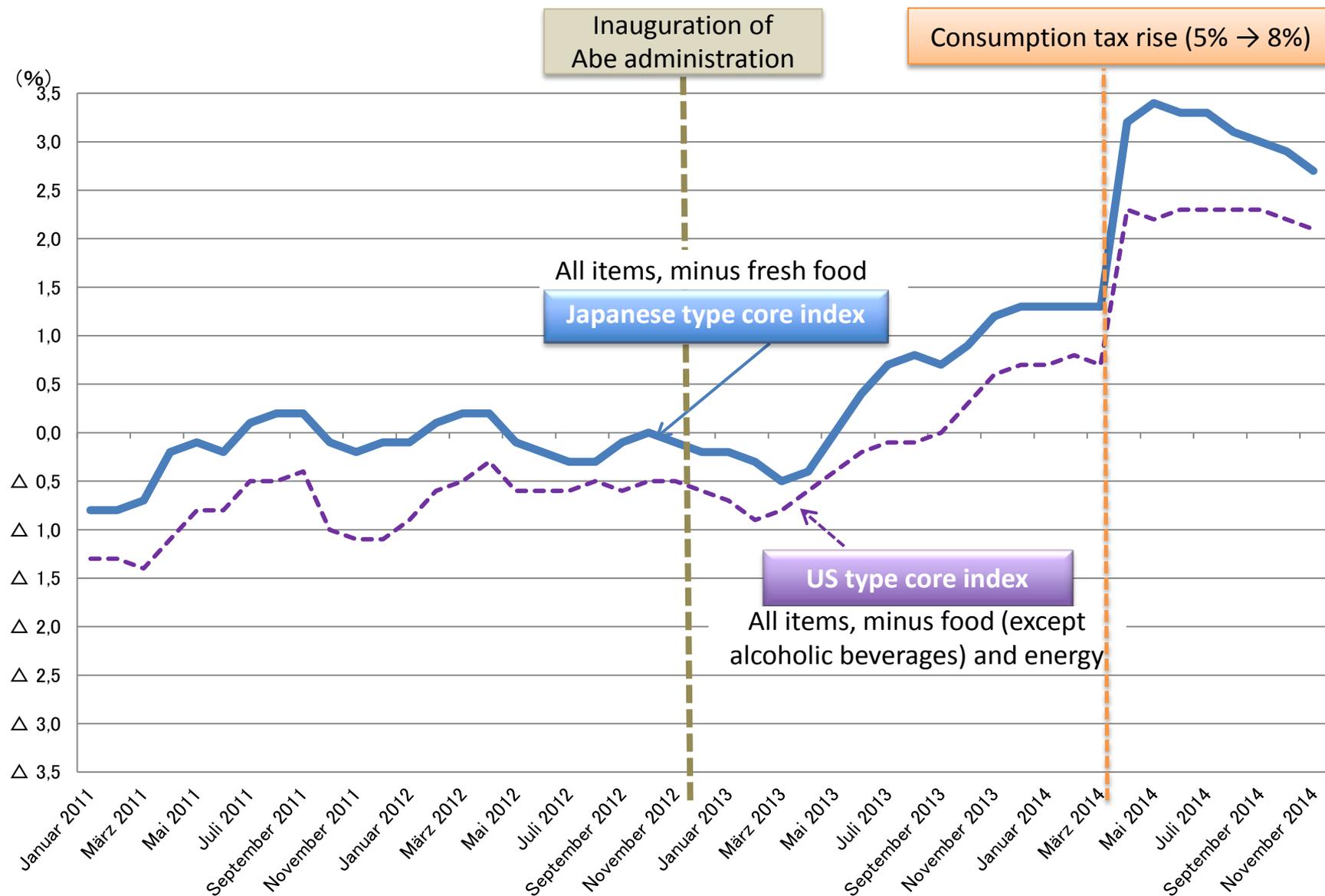
Unit: Trillion yen (price in 2005, annualized)



Source: Cabinet Office

# Consumer price index (November 2014)

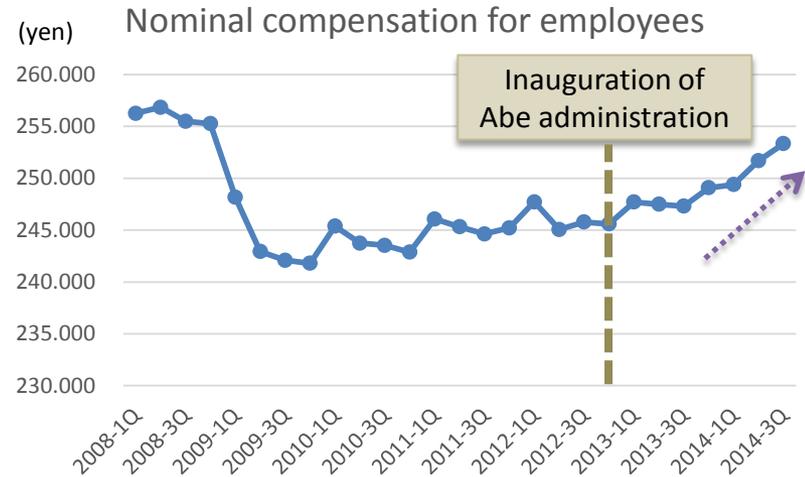
Source: Ministry of Internal Affairs and Communications



# Virtuous economic cycle

## Corporate earnings

- Corporate earnings: Highest level in history
- ROE of listed company: 1.5 times that since inauguration of Abe administration
- The no. of corporate bankruptcies: Declining to a 24-year low



Consumption 

Investment 

Employment 

Wage 

- Job-to-applicants rate: Highest level in 22 years
- Nominal compensation for employees: Strong growth

# Three arrows of Abenomics

1<sup>st</sup>

**Bold monetary policy**

2<sup>nd</sup>

**Flexible fiscal policy**

3<sup>rd</sup>

**Growth strategy**

Bold economic and structural reforms

# Structural reform

Electricity reform: Complete liberalization of the retail electricity sector

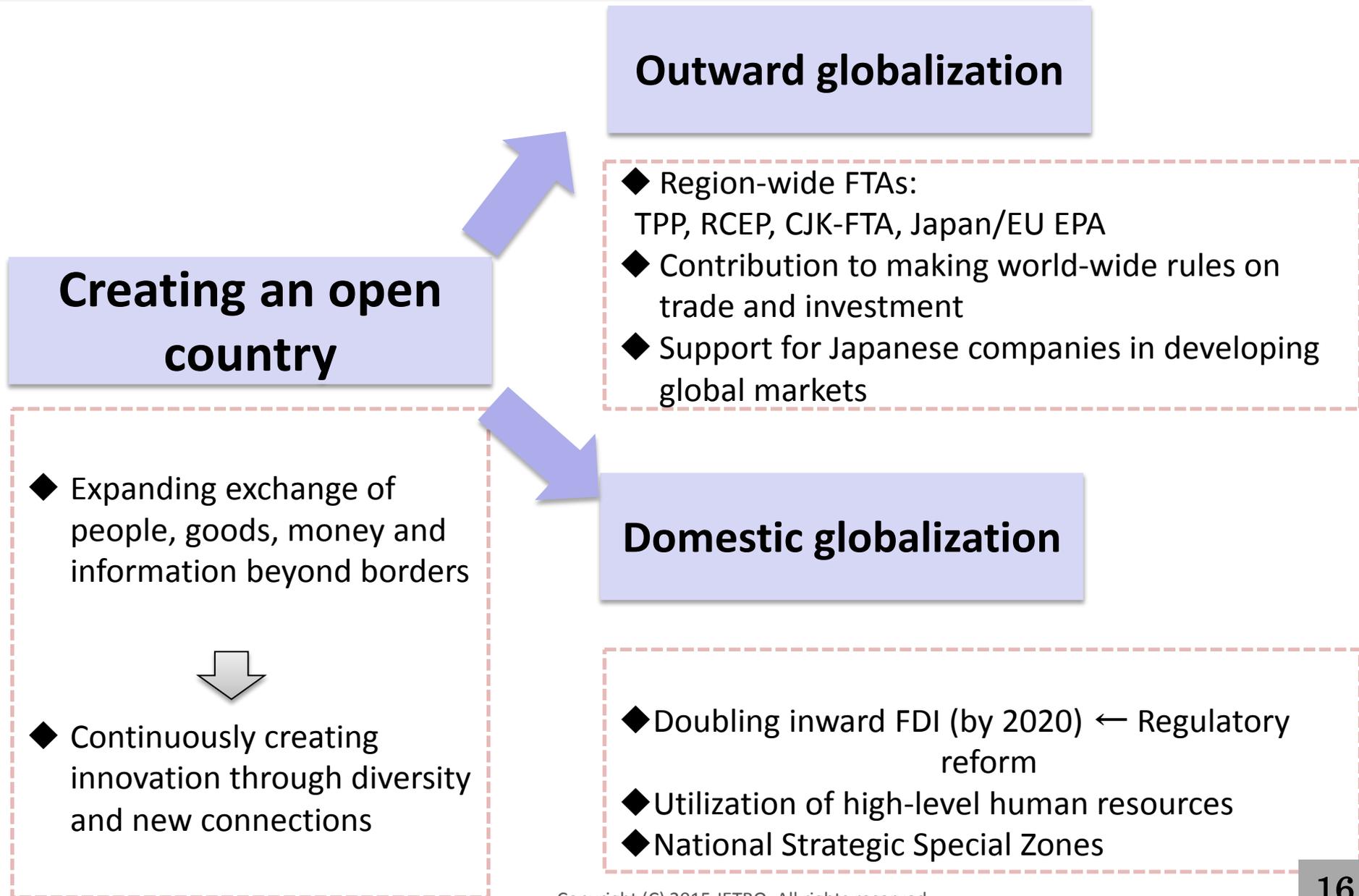
Aggressive agricultural policy

Enhance cooperate governance

Reviewing public pension fund investment (130 trillion yen/884 billion euros)

Reduction of effective corporate income tax rate from 35% to 20% range

# “Basic Policies on Economic and Fiscal Operation and Reform 2014” (June 24, 2014 cabinet decision)



## **Renewed development of agricultural, forestry and fishery industry**

1

**Autonomous and swift agricultural operation**



Integrally revising state of agricultural committees, producers and cooperatives

2

**Restructuring domestic value chains**



Reform of logistics and marketing → Sixth sector industrialization

3

**Integration with international market,  
development of new domestic market**



Strong, high value-added brands

# Japan is innovation hub in Asia (agribusiness of BASF)



## BASF Agricultural Station (Tahara)

- Regional R&D center of Agrochemical business for Asian market
- The laboratory implements initial test for development of new agrochemicals for the region.



## Each Asian country

- Further product development to customize the products for each country is implemented based on the test results in Japan.

# Why Japan ?

A huge and sophisticated market exists in Japan.

GDP is ranked 3rd in the world



**RANK** **3<sup>rd</sup>** in the world

Japan's GDP is nearly 500 trillion yen. A leading world economy that boasts large-scale economic power.

Supporting business with well-developed social infrastructure

Easy environment for business

Business sophistication  
**RANK** **1<sup>st</sup>** in the world (144 countries)

## Gateway to Asia

Geographical advantage as a business hub in Asia

A country where you can live safely and pleasantly—Japan

Global Peace Index 2014 Rank 1st In Asia



**RANK** **1<sup>st</sup>** in Asia

OECD Better Life Index "Safe" category Rank 1

**RANK** **1<sup>st</sup>** in the world

# JETRO's activities and achievements regarding FDI into Japan

## Website and events:

Distributing information on Japanese business environment

## Overseas offices:

Finding businesses interested in investing in Japan

## HQ and domestic offices:

Developing proposals (providing customized information)

# Talk to JETRO first!

Supporting business startups through the IBSC (Invest Japan Business Support Center)

## Domestic offices:

Providing a link to local governments and attracting businesses

## Government incentives:

Providing information on government incentives

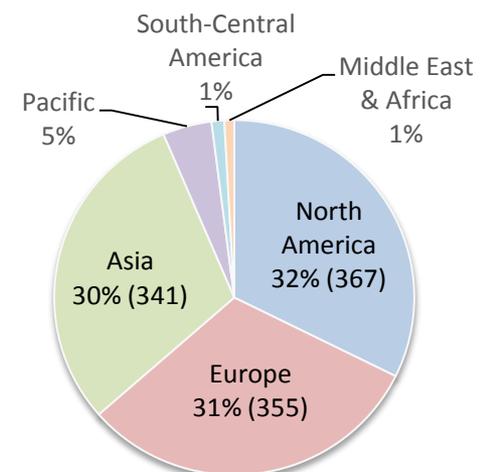
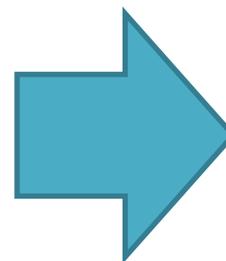
## Achievements (FY2003 - 2013)

Supported

over **11,000** projects

over **1,100**

startups by foreign companies



Share of successful cases by region

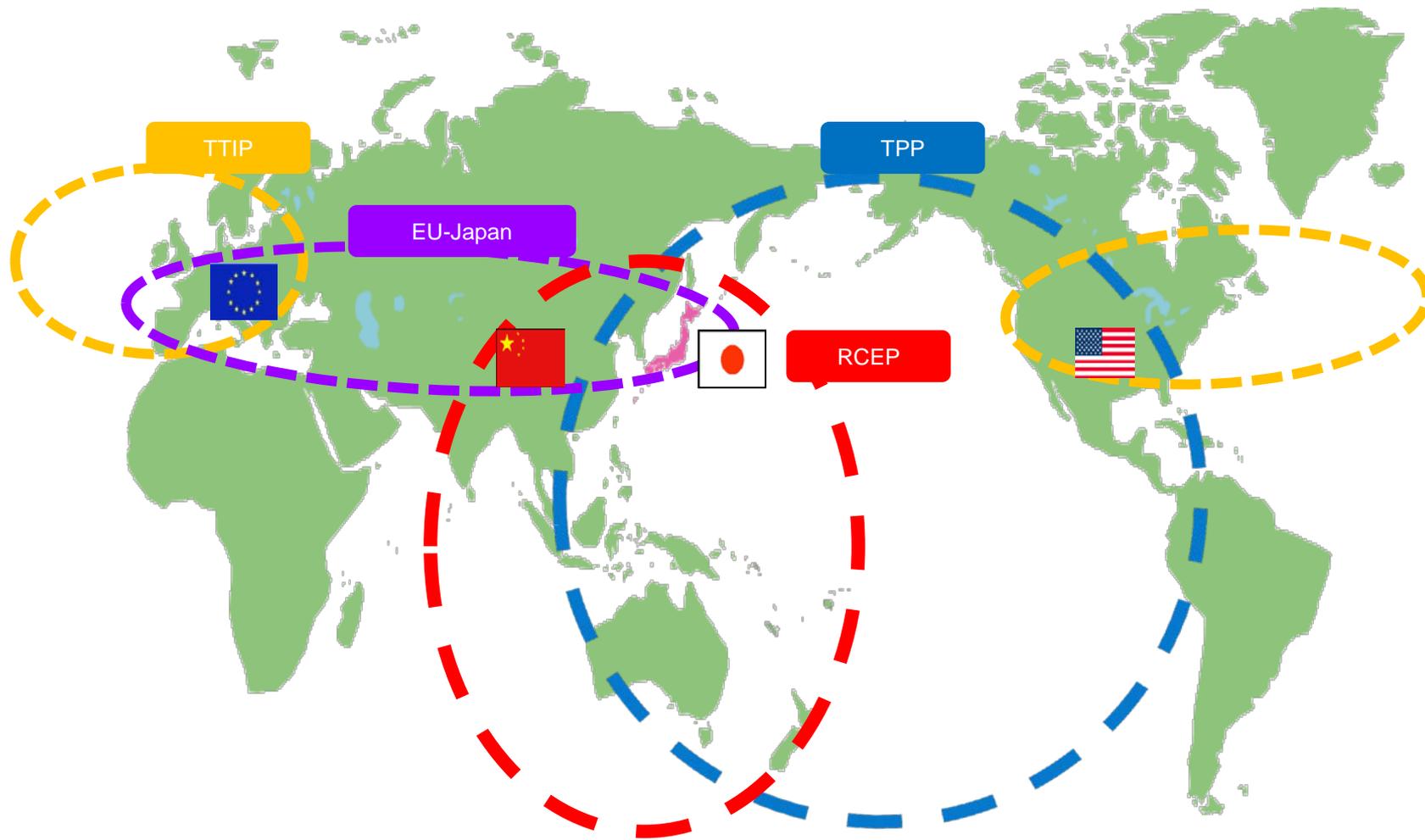
# EU-Japan EPA

Chancellor Angela Merkel is striving for the swift conclusion of a free trade agreement between the EU and Japan. 2015 would be “a good year” for it, she said . (...)

An agreement of this sort could improve trading relations and would thus be extremely important for Germany as a major exporting nation, said Angela Merkel.

**【German Federal Government after the Japan-German Summit April 30, 2014】**

# Four mega-FTAs



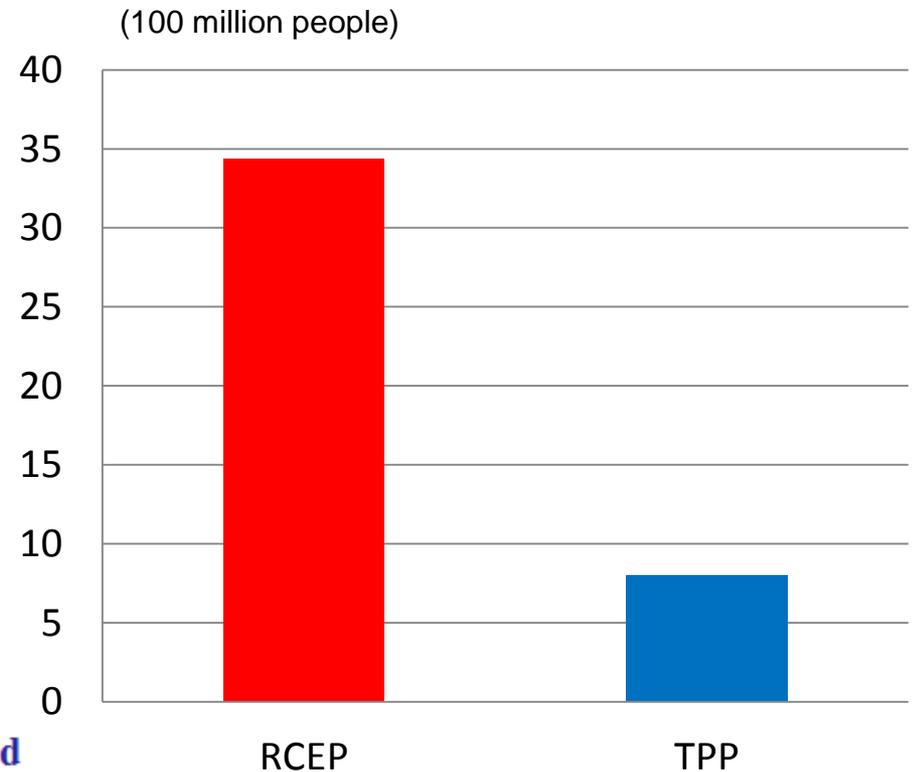
# Advantage of RCEP

## Wide economic coverage



## Growth potential

Population covered by RCEP and TPP  
(2013)



Source: WEO, April 2014 (IMF)

# Major distinctions of RCEP

1

**Based on actual needs of business in Asia**

2

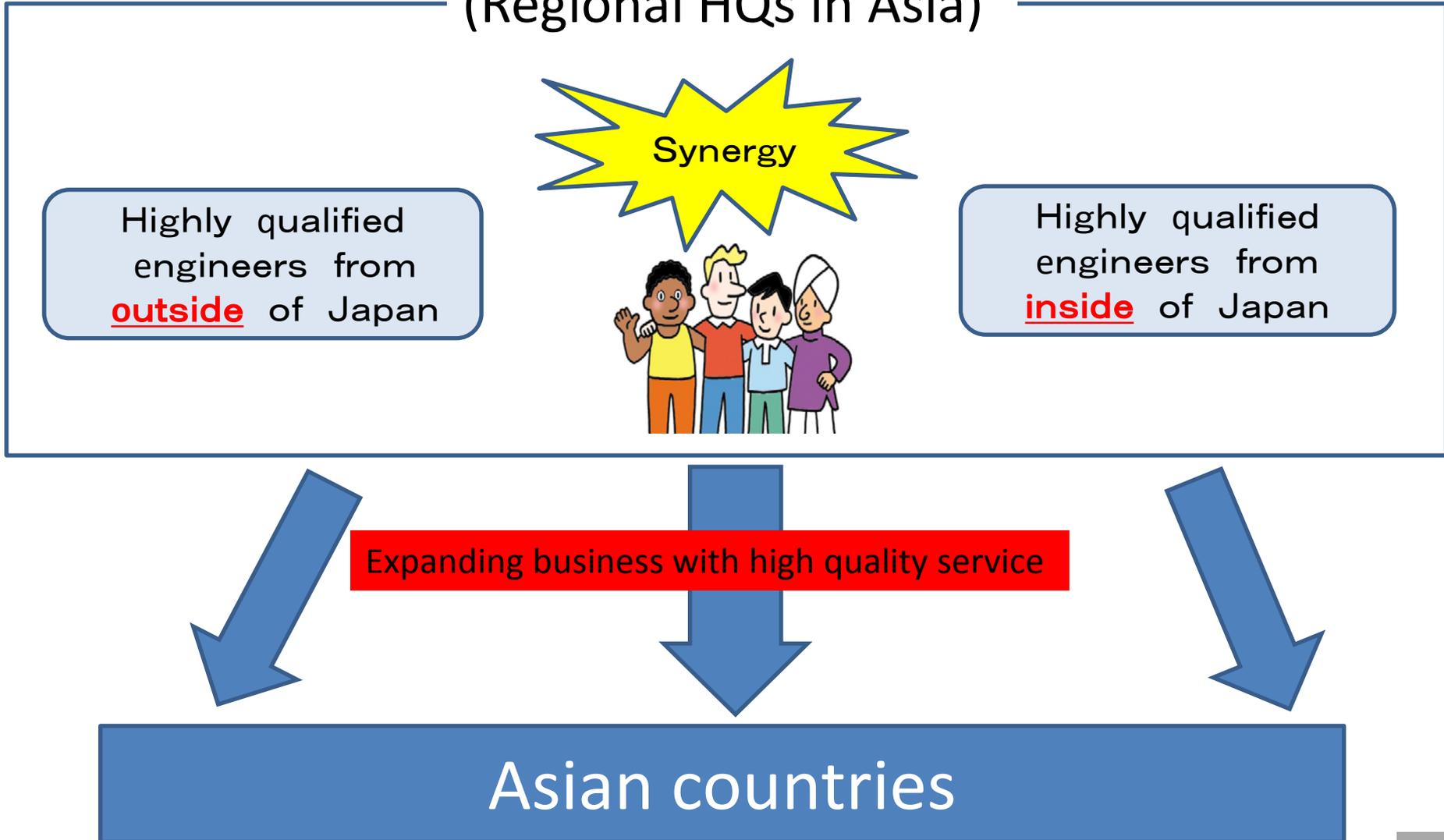
**Many companies establishing supply chains and sales networks in the region**

3

**Geographically close and deeply integrated economy**

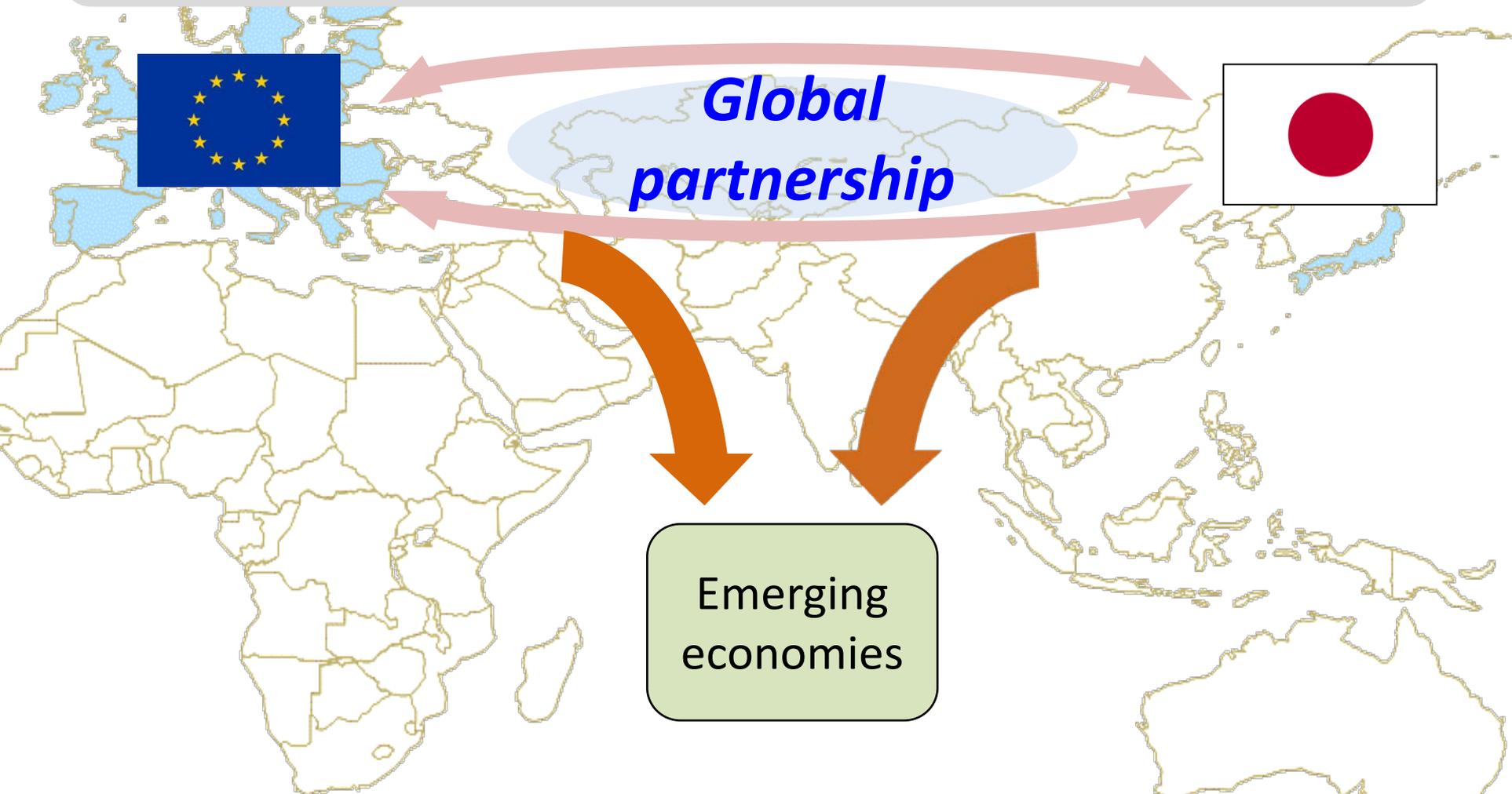
# Expanding German business in Asia through Japan

## TÜV Rheinland Japan (Regional HQs in Asia)



# EU-Japan EPA/FTA for EU, Japan and emerging economies

The EU-Japan EPA/FTA is expected to realize harmonization of international rules as a bridge between Europe/Japan and Asia/other emerging economies.



# MOUs for mutual further export and FDI

JETRO signed MOUs with . . .



AFII (FRANCE) in June 2013



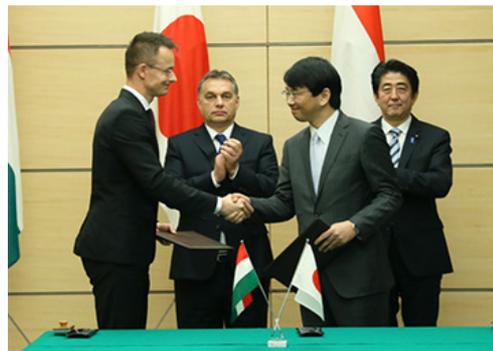
UBI FRANCE in June 2013



ICEX (Spain) in Oct. 2013



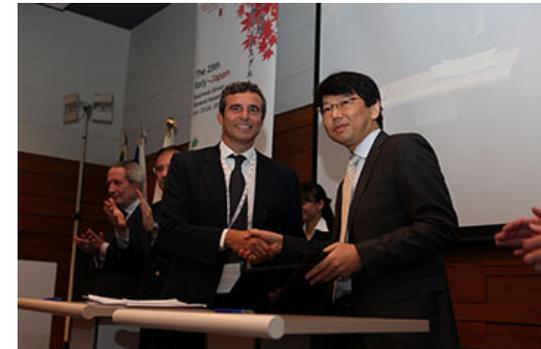
Czech Invest (Czech)  
in Nov. 2014



HITA (Hungary) in Nov. 2013



PAliIZ (Poland) in Oct. 2013



ICE (Italy) in Oct. 2013

and more in near future