

International Trade of Japanese Multinational Companies in India

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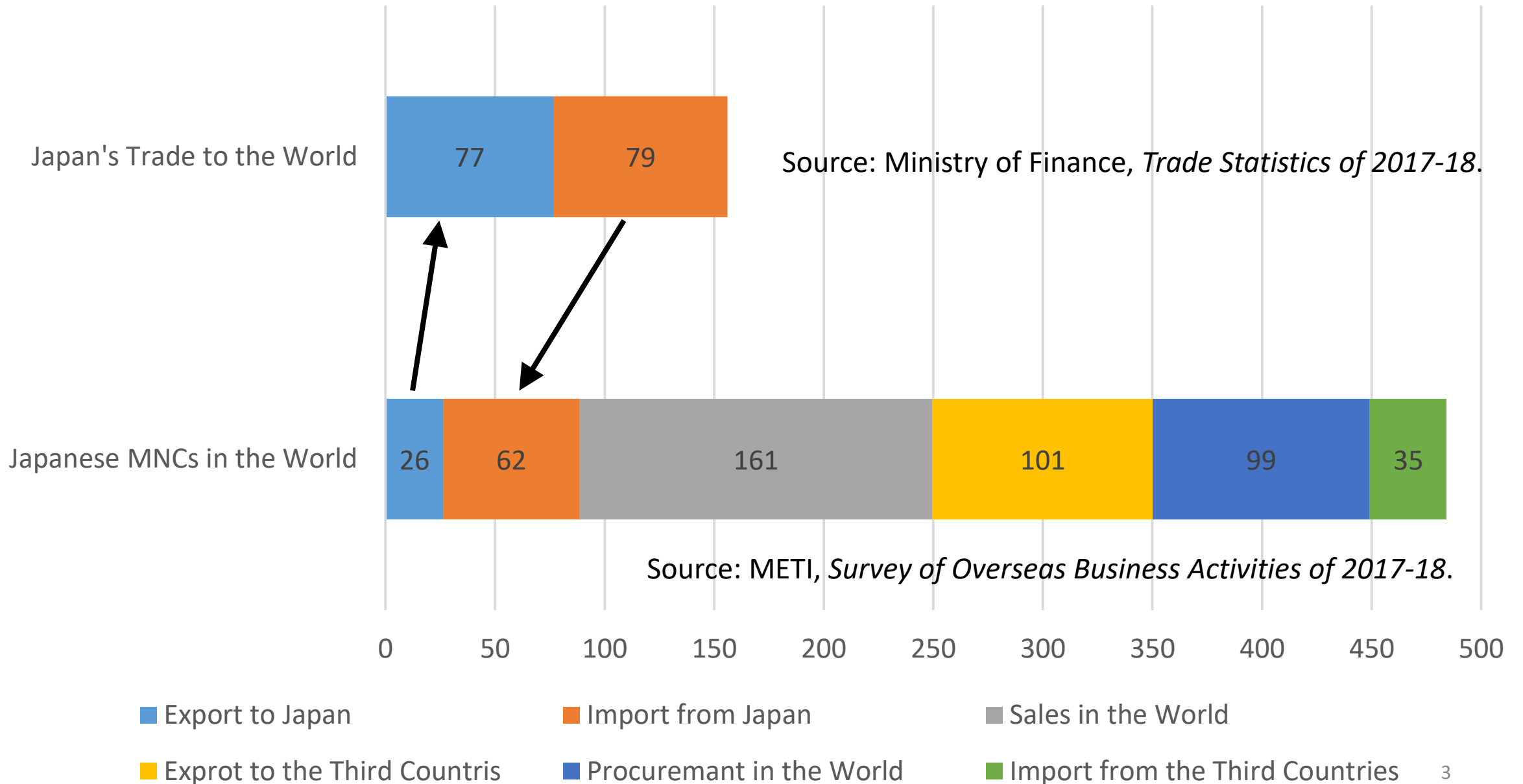
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- Aim of this talk: To show the international trade of Japanese multinationals in India for the last two decades from 1995-96 to 2017-18 by employing the Ministry of Economy, Trade and Industry(METI)'s unit-level data of *Survey of Overseas Business Activities*.

Difficulty of data access: Double screening, i.e. Grant-in-Aid for Scientific Research accepted by JSPS and in-house screening by METI.

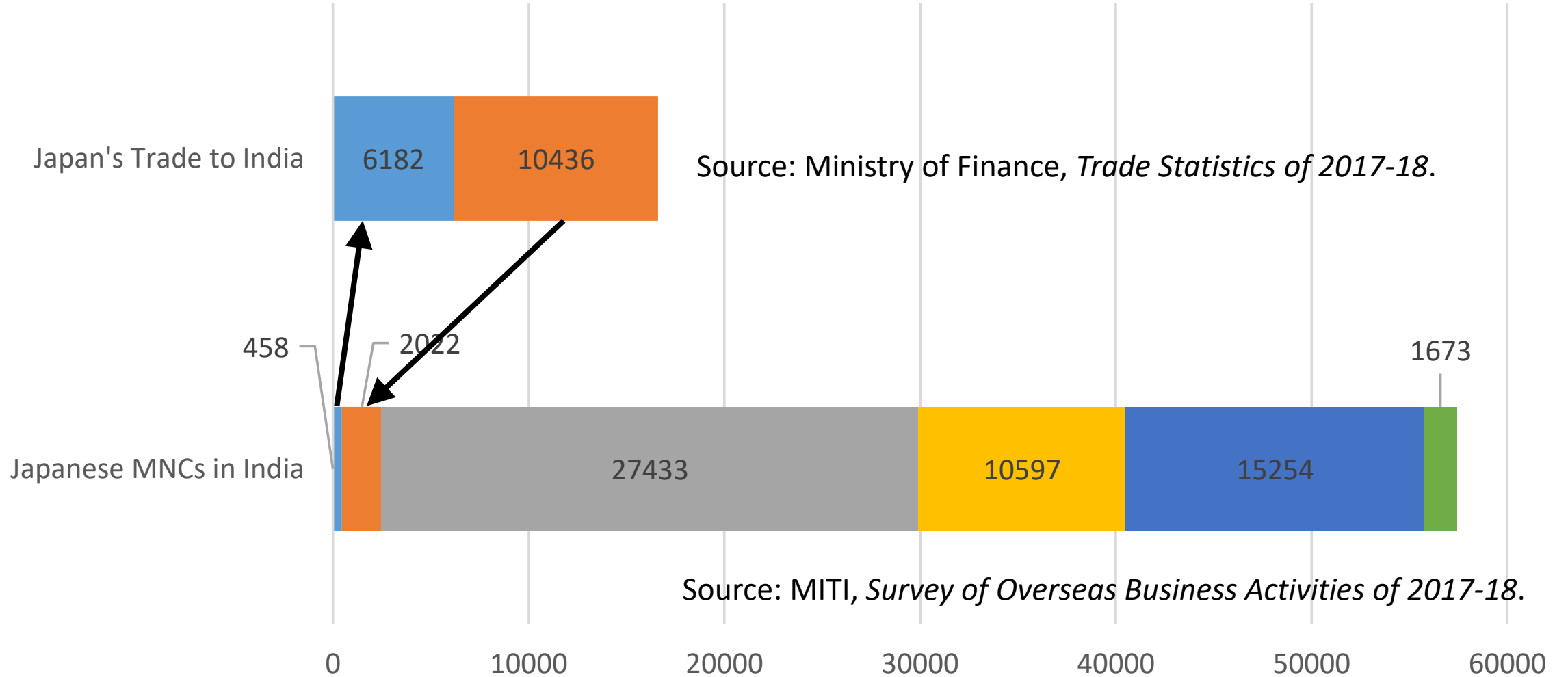
Size of Japanese MNCs in the World (Trillion Yen)



Size of Japanese MNCs in India (10 Crore Yen)

Source: Ministry of Finance, *Trade Statistics of 2017-18.*

Source: MITI, *Survey of Overseas Business Activities of 2017-18.*



- Export to Japan
- Import from Japan
- Sales in India
- Expport to the Third Countris
- Procuremant in India
- Import from the Third Countries

Importance of Japanese MNCs

- The scale of Japanese companies operating overseas is extremely large.
- Structural change in the Japanese economy: from the stage of "earning" from international trade to the stage of "earning" from foreign investment ← Global economic activities of Japanese companies.
- Japanese companies for the Indian economy ← Suzuki and Honda lead the Indian auto industry

4th largest producer of 4-wheelers in the world

The world's largest two-wheeled vehicle market, surpassing China

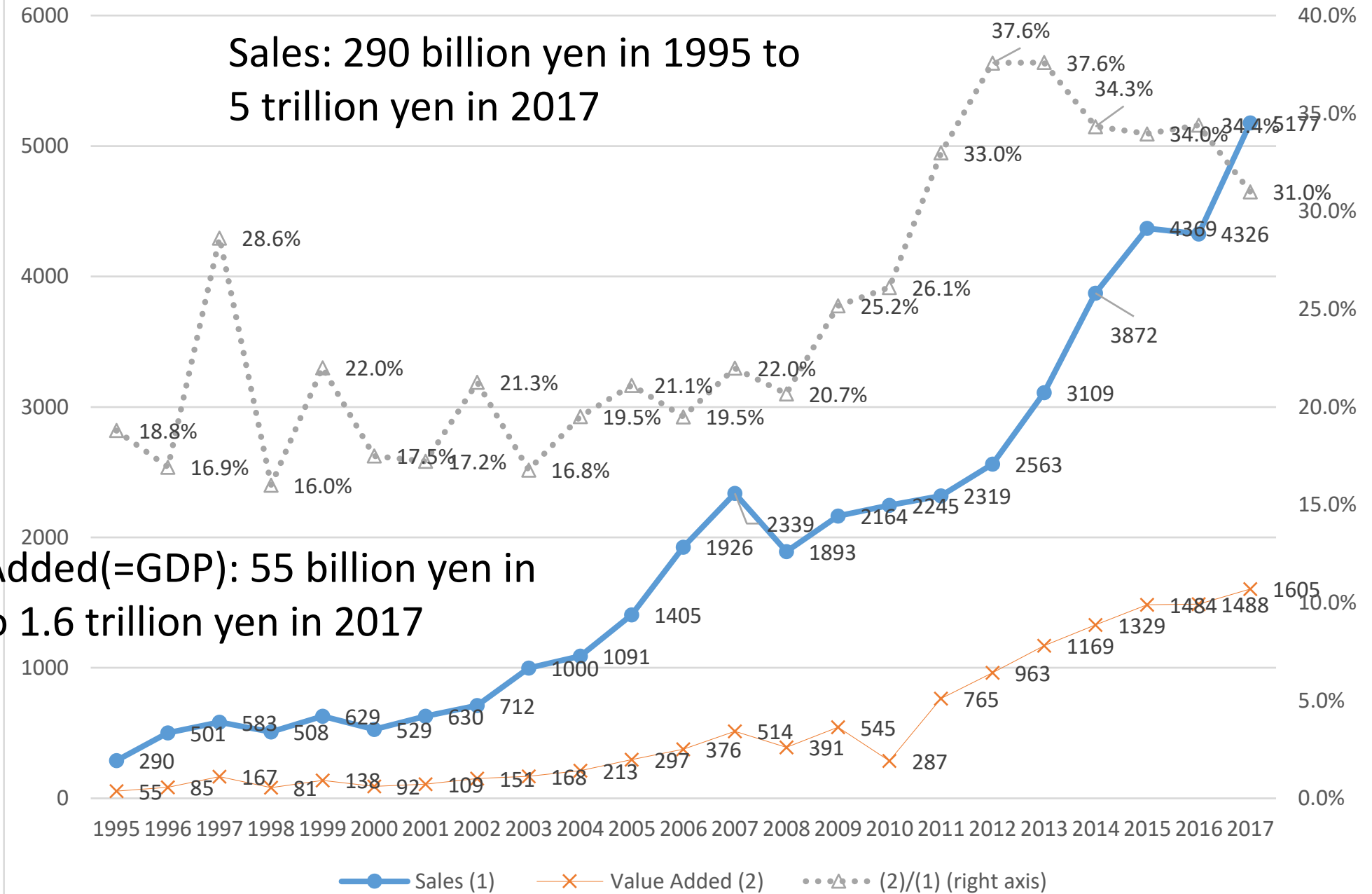
"Today India presents limitless possibilities for "Make in India for the world". In this context, Japanese companies have been our brand ambassadors for a long time" (Speech by Narendra Modi on March 19, 2022)

- For both the Japanese and Indian economies, the trends of Japanese multinational companies are already important and may become even more so in the future.

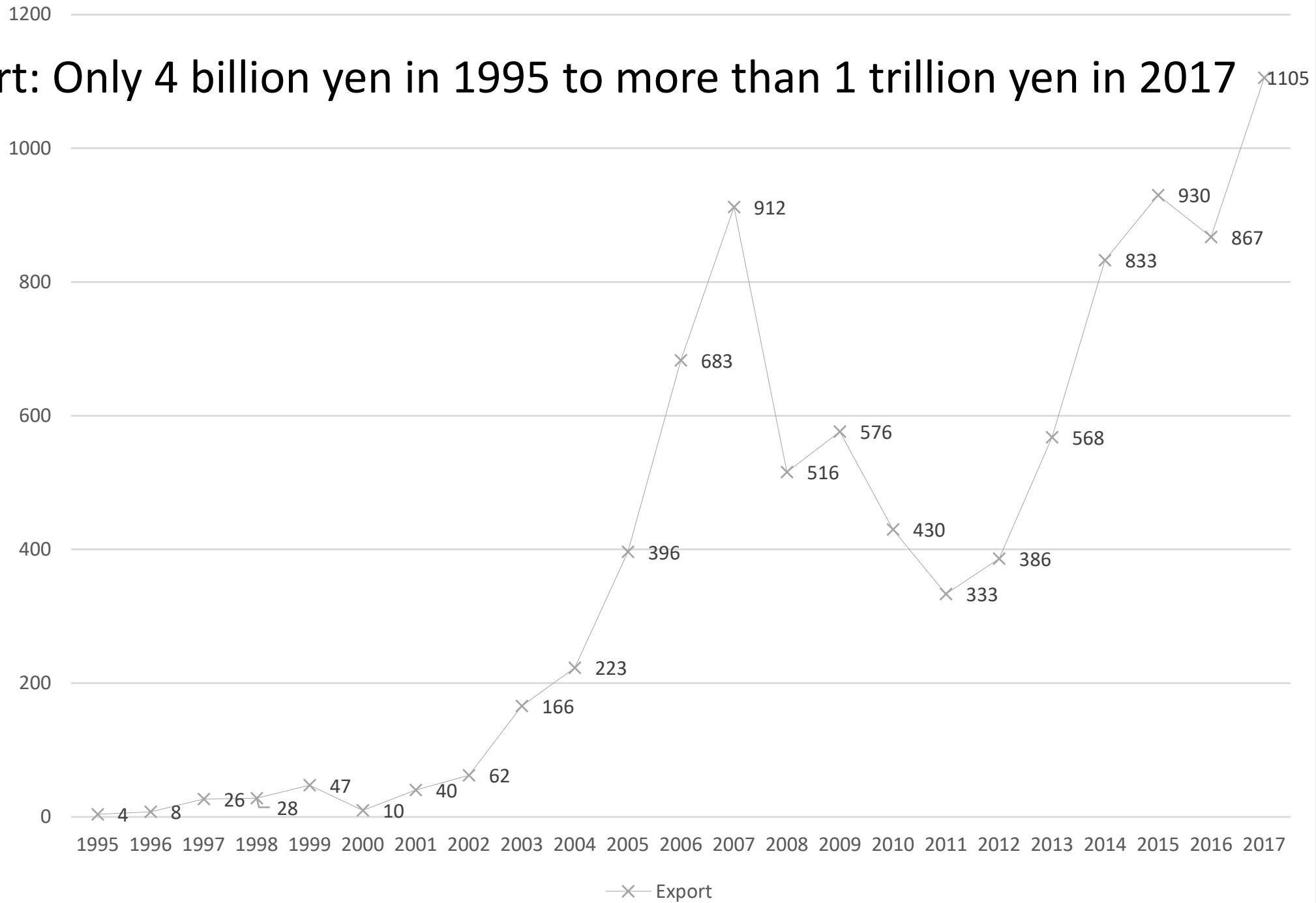
Sales and Value Added (Billion Yen)

Sales: 290 billion yen in 1995 to 5 trillion yen in 2017

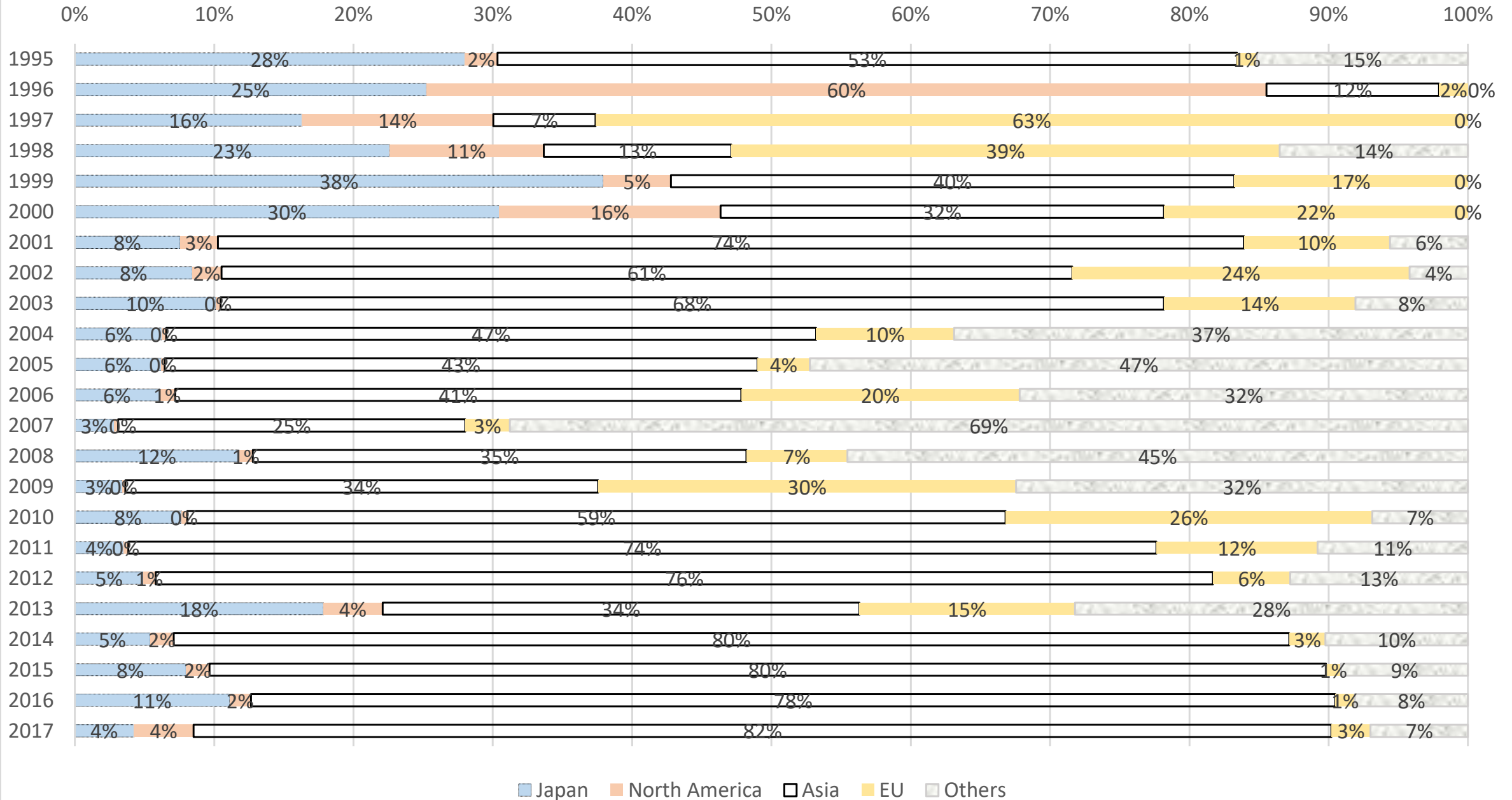
Value Added(=GDP): 55 billion yen in 1995 to 1.6 trillion yen in 2017



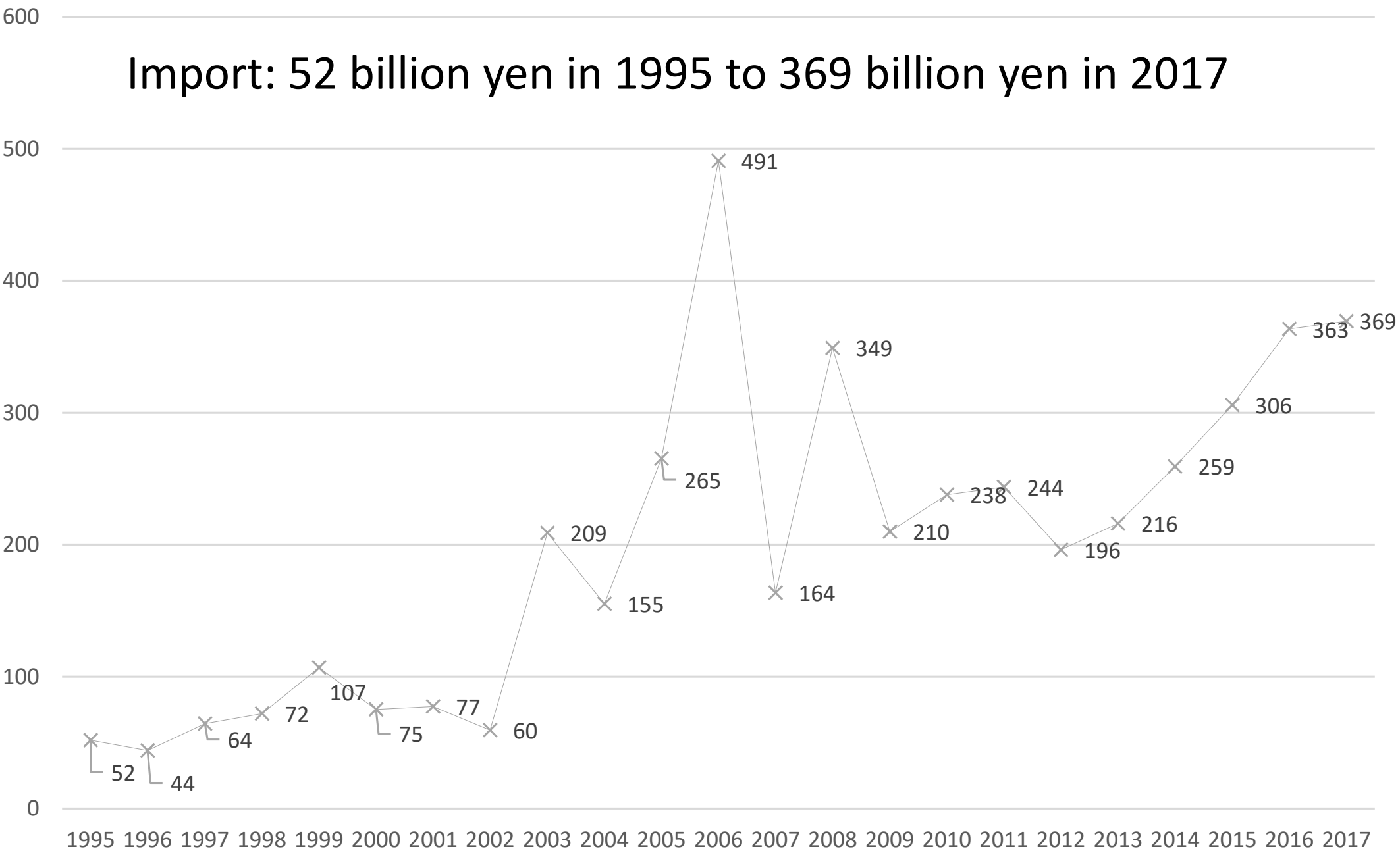
Export: Only 4 billion yen in 1995 to more than 1 trillion yen in 2017



Export Destination: From OECD countries to Asia

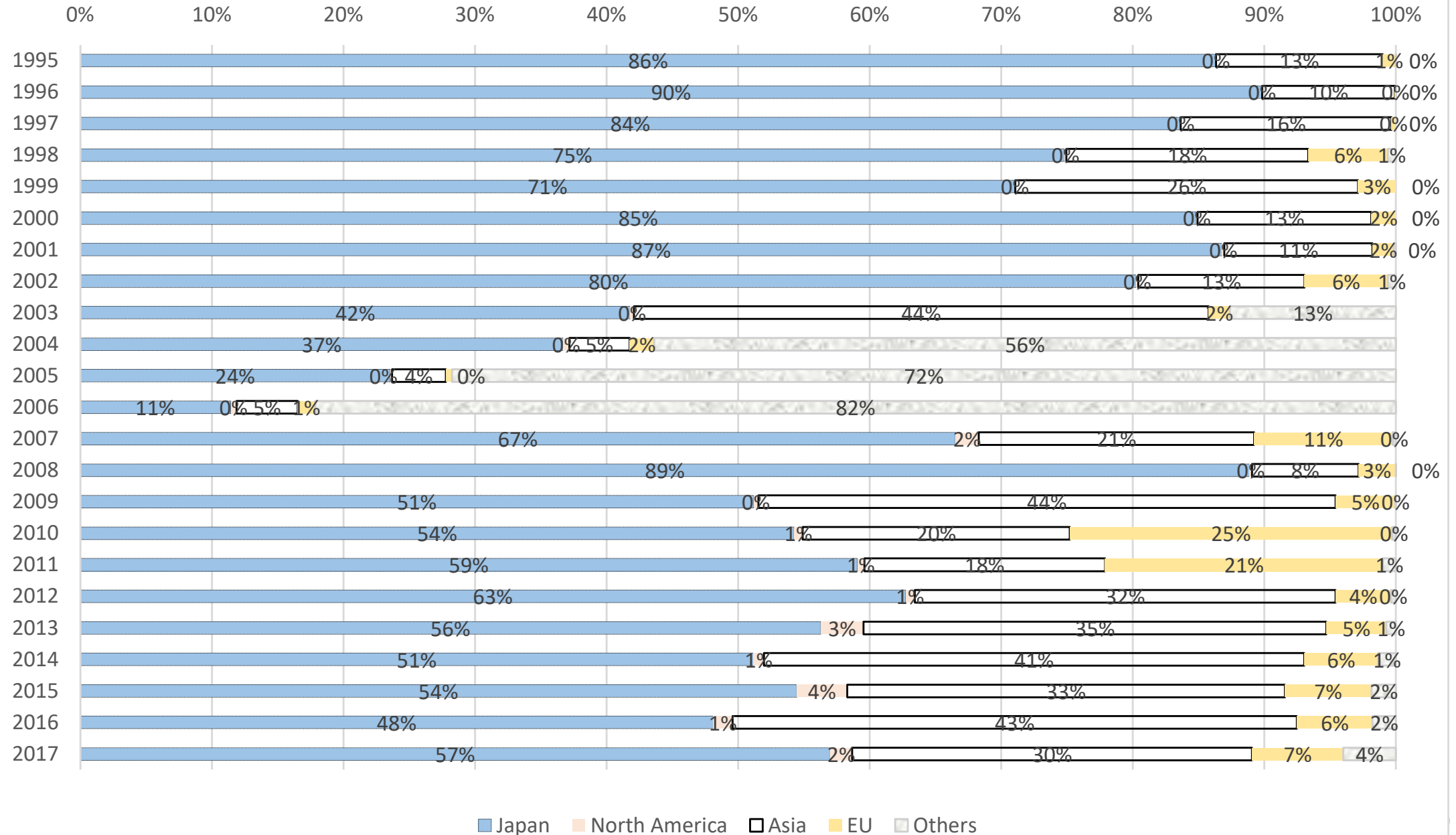


Import: 52 billion yen in 1995 to 369 billion yen in 2017

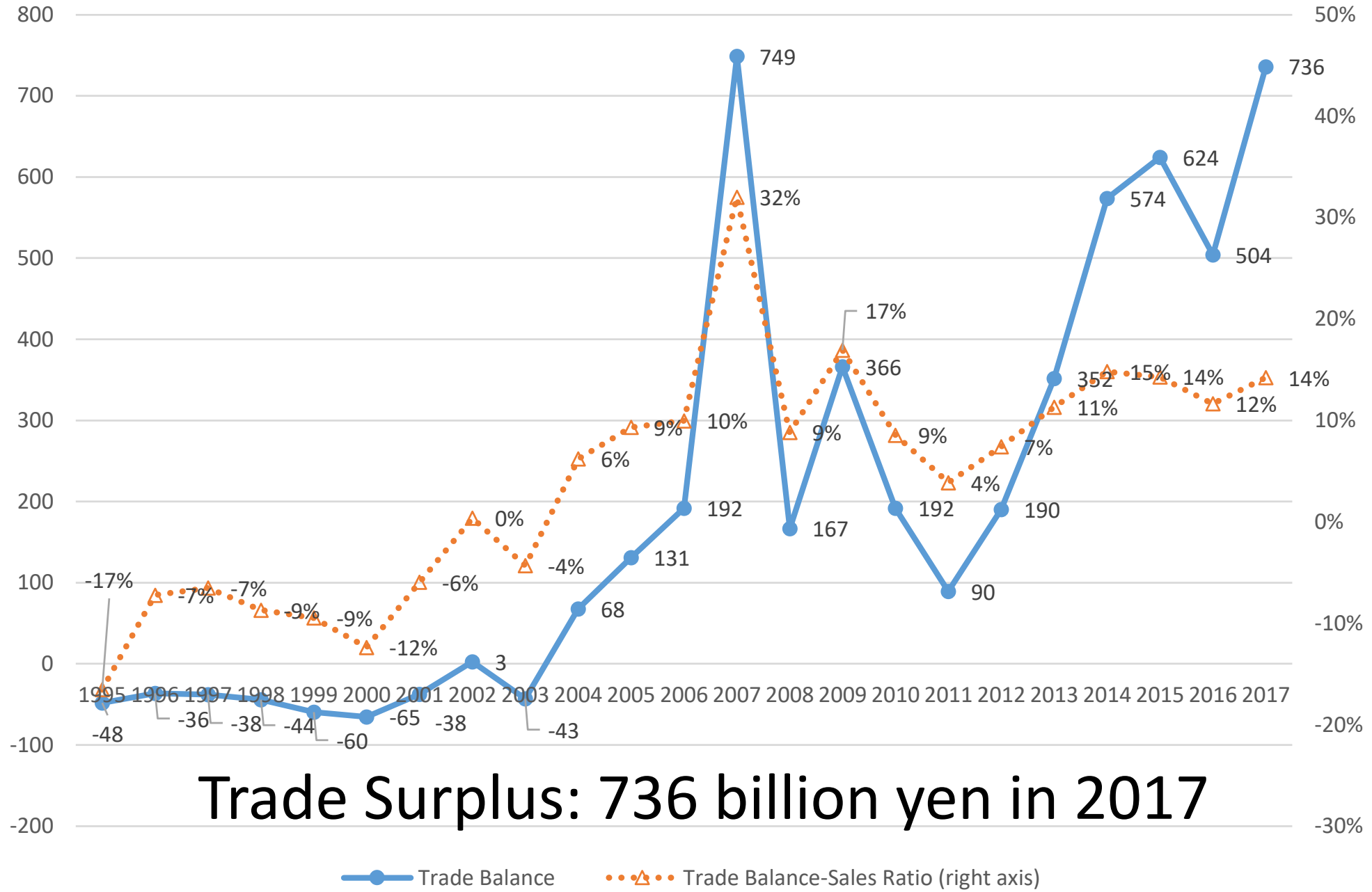


—x— Import

Import Destination: Mainly from Japan

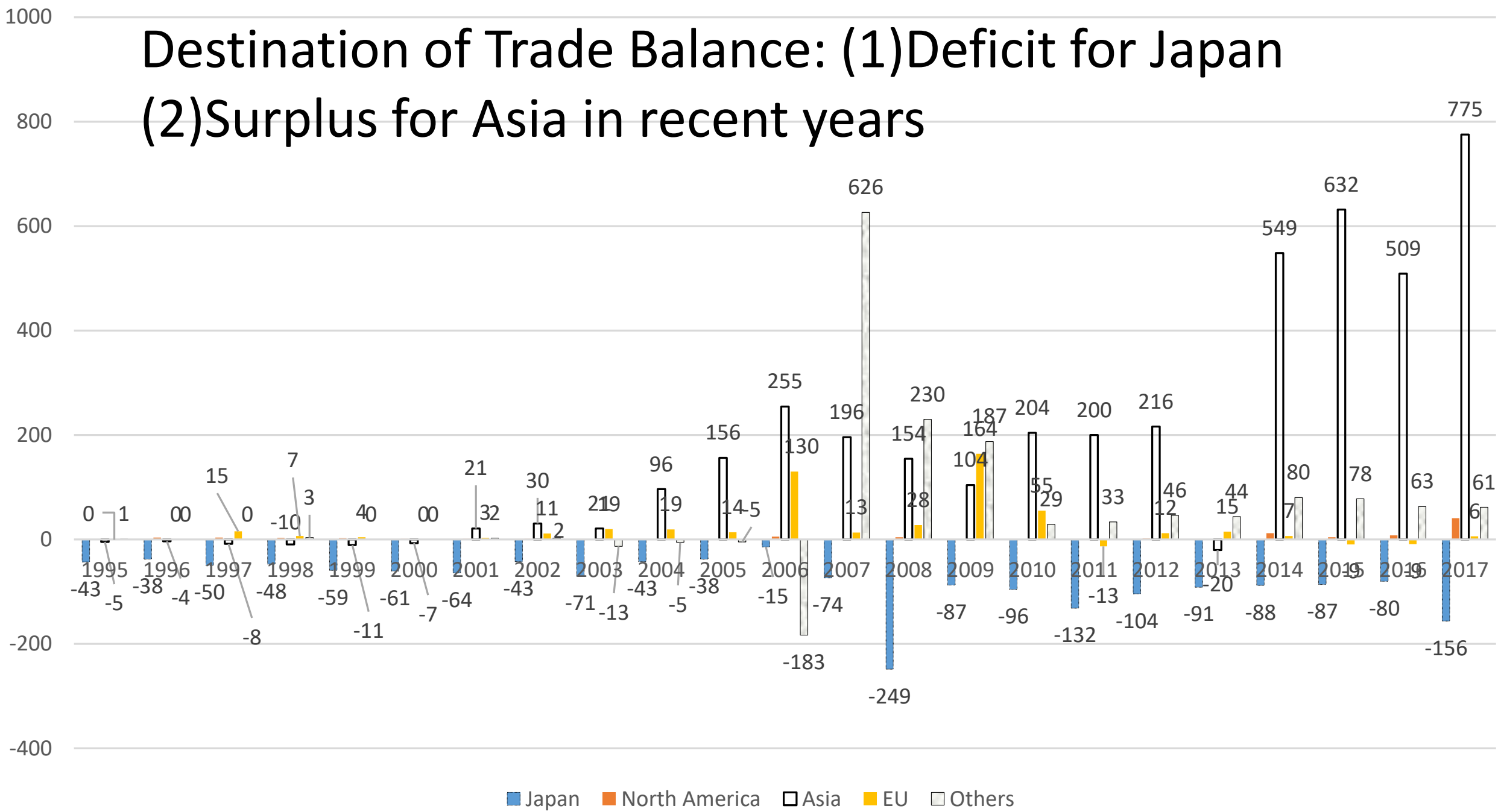


Trade Balance (Billion Yen)

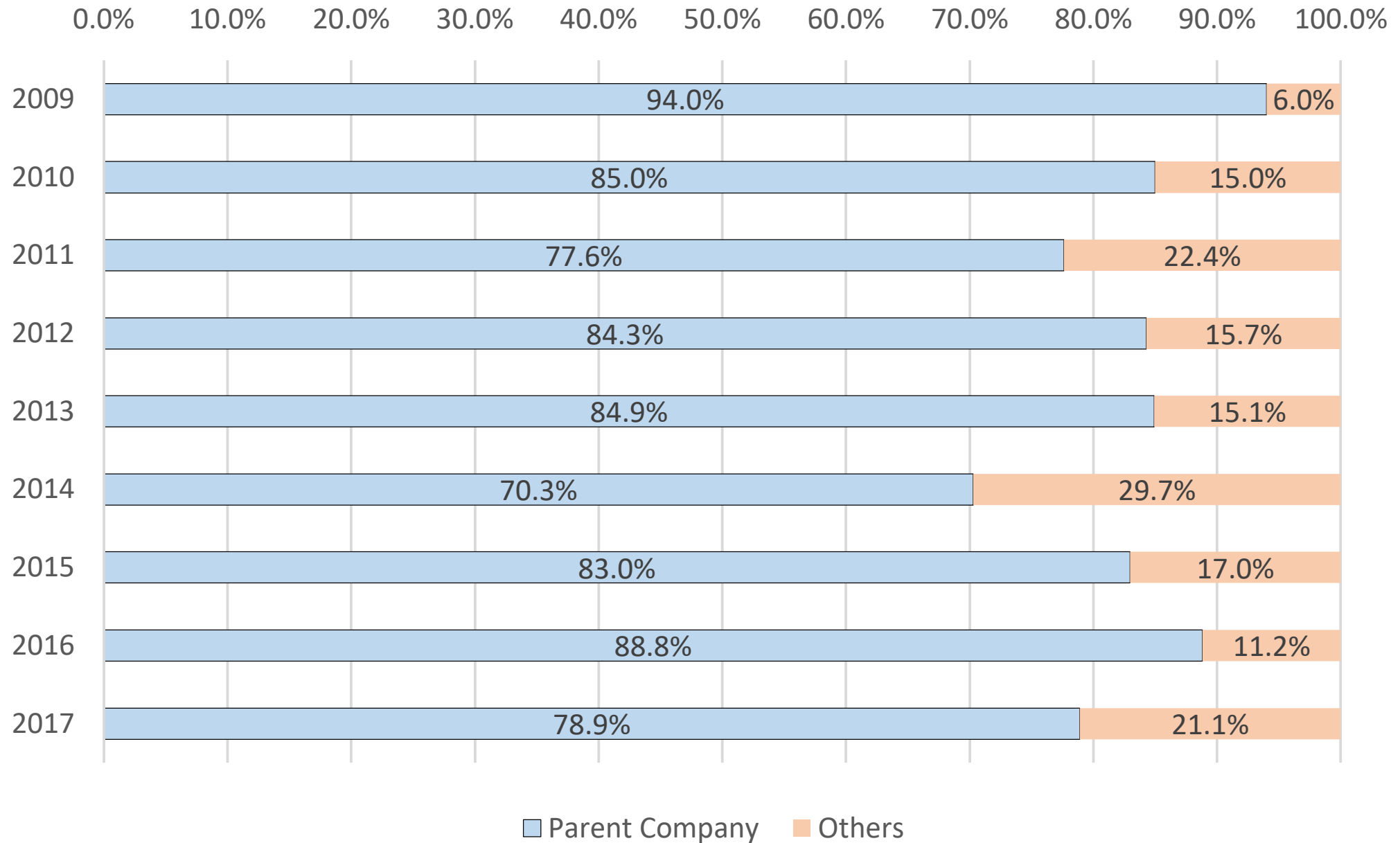


Trade Surplus: 736 billion yen in 2017

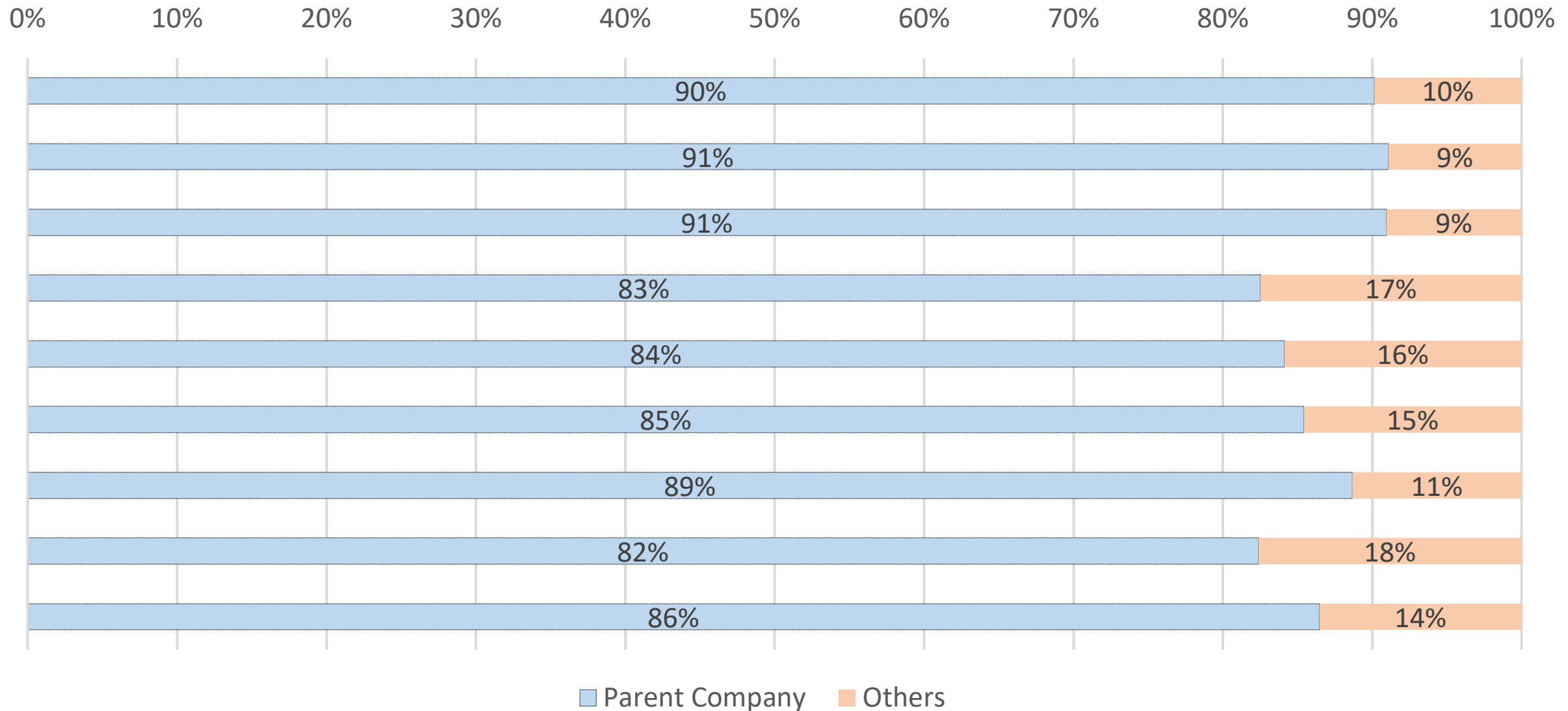
Destination of Trade Balance: (1) Deficit for Japan (2) Surplus for Asia in recent years



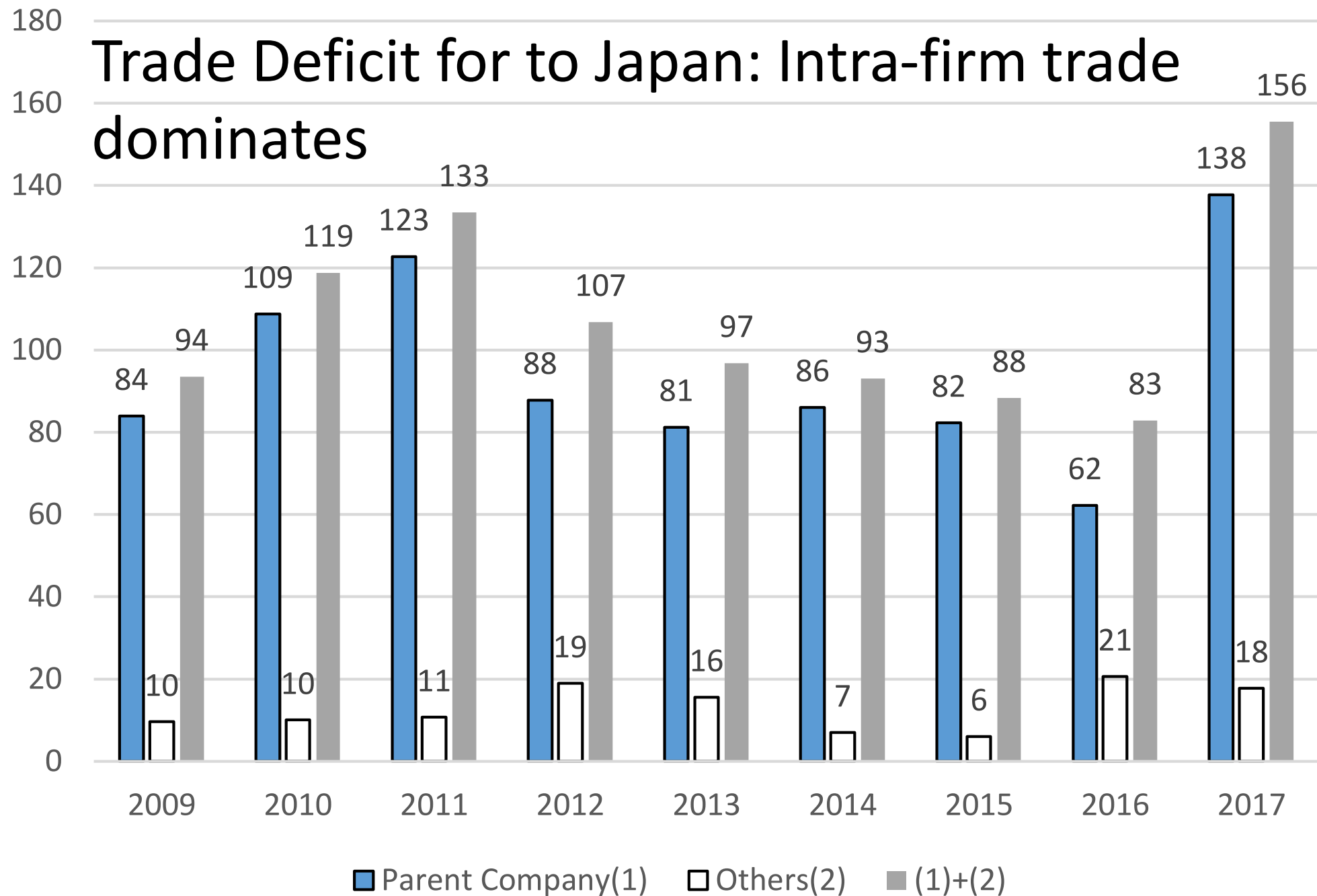
Export to Japan: Parent company as a main customer



Import from Japan: Parent company as a main supplier



Trade Deficit for to Japan: Intra-firm trade dominates



Closing Remarks

- Japanese MNCs in India is quite large compared with international trade between India and Japan.
- Since 2004, the trade balance of the Japanese MNCs in India has been in surplus, now reaching 736 billion yen (620 million dollar).
- Recently Japanese MNCs in India obtain large amount of trade surplus with Asia and small trade deficit with Japan.
- International trade of Japanese MNCs with Japan is dominated by the intra-firm trade.
- The CEPA between India and Japan of 2011 could be evaluated by taking account of the economic activities of the Japanese MNCs.
- I regard the Japan's investment commitment of 5 trillion yen to India for next five years as appropriate plan for developing capabilities of the Indian industries as well as Japanese MNCs in India.