

U.S.-Japan Now: Economic Outlook & Global Corporate Strategies

The Japan-America Society of Georgia (JASG) presented a special business luncheon, *U.S.-Japan Now: Economic Outlook & Global Corporate Strategies*, on April 11, 2013 at the Federal Reserve Bank of Atlanta. Guests experienced a unique opportunity to learn insights about the future economic outlook in the U.S. and Japan, how political and security concerns may affect the global positions of both countries, and Toyota's corporate strategies in relation to the current economic climate and how it has positioned itself as the leader in the automobile industry.

The event featured presentations from Dr. John Robertson, Vice President and Senior Economist of the Federal Reserve Bank of Atlanta, Mr. Nicholas Szechenyi, Deputy Director and Senior Fellow of the Office of the Japan Chair at the Center for Strategic and International Studies, and Mr. Shigeru Hayakawa, Senior Managing Officer of the Toyota Motor Corporation. The luncheon will be followed by a private tour of the Federal Reserve Bank of Atlanta.

Dr. John Robertson is the team leader for the macropolicy and applied microeconomic research group at the Atlanta Fed and is one of the Bank's senior monetary policy advisers. Dr. Robertson joined the Atlanta Fed's research department in December 1997 from the Australian National University in Canberra, Australia. His research has been published in many distinguished economics journals. He became an assistant vice president in 2000 and assumed his current position in December 2005.

Mr. Nicholas Szechenyi's research focuses on U.S.-Japan relations and U.S.-East Asia relations. In 2009, he was selected as an inaugural fellow of the U.S.-Japan Network for the Future program established by the Maureen and Mike Mansfield Foundation. Prior to joining CSIS in 2005, he was a news producer for Fuji Television in Washington, D.C., where he covered U.S. policy in Asia and domestic politics.

Mr. Shigeru Hayakawa has been Senior Managing Officer of Toyota Motor Corporation since 2012. Mr. Hayakawa joined Toyota in 1977 and has served as General Manager of the International Communications Department of the Public Affairs Division, General Manager of the Public Affairs Division, and Managing Officer of Toyota Motor Corporation, and was also the President of Toyota Motor North America, Inc. His responsibilities include chief officer of the Public Affairs Division and deputy chief officer of the External Affairs Group.

Before the luncheon program, a private roundtable discussion was held with specially invited guests from the Consulate General of Japan, Federal Reserve Bank of Atlanta, the Japan-America Society of Georgia, Keidanren, National Association of Japan-America Societies, and Toyota Motor Corporation. Some of the topics that were discussed include: (1) supply chain management; (2) human resource management (Japan and U.S.). and whether there mandatory rotation cycles and if so how do they work and who gets rotated; (3) life time employment guarantees; (4) on the job training; (5) managing big shocks (Fukushima, the flooding in Thailand in the fall of 2012, China); (6) exchange rates and how does Toyota manage exchange rate risk; (7) research and development, and where is R&D done and how long new products are released into the market; (8) relationship between corporations and the government in Japan and in the U.S.; and (9) costs of employment pension plans in the U.S. and Japan.

Over 100 guests, mostly members of the Japan-America Society of Georgia, attended luncheon program. Special guests included officers and leaders from the Consulate General of Japan, Federal Reserve Bank of Atlanta, the Japan-America Society of Georgia, Keidanren, National Association of Japan-America Societies, and Toyota Motor Corporation. Georgia House of Representatives District 79 Representative Tom Taylor also attended the luncheon.

Dr. John Robertson, Vice President and Senior Economist at the Federal Reserve Bank of Atlanta, was the first speaker of the program as he spoke about the current state of the U.S. economy with a focus on job creation and allocation, a topic that has been the forefront of every recent major election. According to Dr. Robertson's statistics, while small businesses with between one and nine employees account for over seventy-six percent of total businesses in the U.S., they only produce eleven percent of jobs. The large corporations, who make up roughly one percent of total corporations, produce over fifty percent of jobs. For small businesses to become high-growth firms, which later evolve into larger companies, Dr. Roberts suggested strengthening the local entrepreneurial economies, as well as increased access to talent, networks and finance opportunities.

Mr. Nicholas Szechenyi, the Deputy Director and Senior Fellow Office of the Japan Chair at Center for Strategic & International Studies, was the luncheon's second speaker. Mr. Szechenyi spoke of the opportunities that would be generated by Japan joining the Trans-Pacific Partnership. Japan's entrance would eliminate tariff barriers placed on various items produced in the member countries, which would increase total trade greatly between the nations. Japan has the world's third largest economy, and many believe trade liberalization is in the best interest of both the Japanese and global economies.

Prior to this event, Japanese Prime Minister Shinzo Abe, and Bank of Japan Governor Haruhiko Kuroda announced the implementation of a policy to promote inflation. This plan calls for investing in Japanese Government bonds to be increased by 50 trillion yen per year with bond holding periods of up to forty years. The consistent deflation of the Yen has been a thorn in the side of Japanese companies doing business overseas. The markets responded almost instantly as Abe took his post as Prime Minister. Since November of 2012, the Nikkei 225 stock average has surged forth with an increase of sixty percent.

The yen also had a large-scale reaction to the recent events in Japan. In July of 2012, the Yen had a value of 76 compared to one U.S. Dollar. By early April of this year, the yen was trading at 99 Yen per dollar. While the strong Yen benefits some portions of the population, such as retirees, a strong yen makes Japanese products more expensive and less competitive abroad. Sony, who has been considered a leader in the electronics industry, has reported its first annual profit in five years. The devalued yen also gives the companies the ability to pay taxes. Many multinational companies were not able to pay taxes at the sub eighty valued yen, do to not being profitable, but the weakened yen is strengthening these entities ability to remain profitable and pay taxes to the government.

Mr. Shigeru Hayakawa, the Senior Managing Officer of Toyota Motor Corporation, was the third and final speaker of the luncheon program. Mr. Hayakawa stated that Toyota welcomes the changes that Prime Minister Abe, and Japan's inclusion in TPP are hoping to bring. The

weakened Yen has benefited Toyota. The company's stock price over last year has doubled from 2,700 yen last year to over 5,700 yen per share this year. The weakened yen allows Toyota to sell their products at more competitive prices globally. For every point increase in Yen value, operating costs is affected by 350 million US dollars. The increased exports from Japan lead to higher employment rates, and employee retention throughout the country. An astounding ninety percent of Toyota employees are lifetime employees; much of this success is due to the company's strong global presence. TPP will bring access to new markets for the company, and if successful should bolster the companies value, and in turn, the shareholders' return on investment.

TPP will also benefit American companies that do business in Japan. By eliminating tariffs and increasing trade between our countries, companies that export products to Japan will be able to do so at a reduced rate. Furthermore, companies that were not previously trading in the Japanese market may be enticed to do so in the future. As of March 2012, only about five percent of vehicles in Japan were imported from Europe or the United States. Trade liberalization could lead to many more companies, both inside of the auto industry and out, expanding their markets and targeting the Japanese Consumers. The Obama administration has officially given its statement of intent to include Japan in the TPP multilateral negotiations in July. With both parties hopeful of a smooth and unanimous inclusion vote.

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