

JAPANESE COMPANIES' TRADE AND INVESTMENT IN OCEANIA

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1. Introduction

The author is a member of a group, within Daitō Bunka University's Institute of Business Research, which is engaged in a joint study on the internationalization of the Japanese economy and Japanese companies' strategy. The surveys and collection of documents for the present paper are a result of the author's efforts in connection with this joint project.

Since 1972 Japanese companies' expansion overseas has increased rapidly and as their experience has grown many have sought to become true multinationals like their western counterparts, selling their products on markets all over the world. As yet, however, there has been relatively little research into this aspect of Japanese companies' behaviour. Hence the objective of our joint research is to analyse and hopefully explain the strategies adopted by these companies.

In Paper No. 4 of this series Prof. Shiro Takeda discussed company transactions from the point of view of international marketing⁽¹⁾. The present writer's main area of interest is the internationalisation of the economy and the relationship between company transactions and international trade. In this paper we analyse Japan's trade with Oceania and consider the relationship between the extent and speed of the maturation of the Japanese economy, and the economic development of the countries of Oceania. This will at the same time, we hope, bring us towards a closer understanding of Japanese companies' position in Oceania and the international divisions of labour involved.

2. Characteristics of Japan's Trade with Oceania

The countries of Oceania are situated in a vast ocean, far from the world's major economic centres. Oceania consists of two developed countries, nine other

independent countries, and several colonies and protectorates. In terms of population and GNP Australia is the largest, and there is a considerable economic gap between Australia and the second developed country in the region, New Zealand. The other countries in the region are incomparably tiny compared with either of these two. The history of relations between countries in the region and these elsewhere is extremely complicated. Today many are still to a large extent under the influence of the western powers⁽²⁾.

Table 1. Japan's Trade with the Countries of Oceania

(Unit = \$1,000)

Country/Region	1985 Exports		1985 Imports	
	Value	Proportion of Total (%)	Value	Proportion of Total (%)
TOTALS	7,006,081	100.0	8,765,437	100.0
Australia	5,378,979	76.8	7,452,230	85.0
New Zealand	1,072,362	15.3	902,950	10.3
Subtotals for 9 independent countries below	218,329	3.1	310,659	3.5
Papua New Guinea	133,518	1.9	251,519	2.9
Western Samoa	6,584	0.1	689	0.0
Vanuatu	6,916	0.1	4,270	0.0
Fuji	49,422	0.7	10,780	0.1
Solomon Islands	16,030	0.2	43,197	0.5
Tonga	1,794	0.0	46	0.0
Kiribati	3,376	0.0	149	0.0
Nauru	660	0.0	9	0.0
Tuvalu	29	0.0	0	—
Subtotal of Others	336,411	4.8	99,600	1.1
Other Australian Territories	1,034	0.0	2,225	0.0
Cook Islands (N.Z.)	1,191	0.0	376	0.0
Tokelau Islands (N.Z.)	0	—	0	—
Niue (N.Z.)	99	0.0	0	—
Pitcairn Island (U.K.)	0	—	0	—
New Caledonia (France)	7,787	0.1	77,803	0.9
Other French Territories	17,030	0.2	9,541	0.1
Guam (USA)	223,335	3.2	2,799	0.0
American Samoa	19,896	0.3	9	0.0
Other American Territories	27	0.0	13	0.0
Mariana, Marshall, Caroline Islands (Pacific Islands Trust Territory — USA)	66,012	0.9	6,834	0.1

Source: Tsūsanshō (Ministry of International Trade and Industry), *Tsūshō Hakushō*, 1986 ed., p. 653.

Table 1 shows the extent of trade between Japan and Oceania. In terms of value, about 80% of this trade is with Australia, and more than 10% with New Zealand, the remainder being shared between the developing countries in the region. From the late sixties Australia's and from somewhat later New Zealand's dependence on trade with the United Kingdom has been falling, while their trade with Japan and the USA has increased. Japan's contacts with Australia and New Zealand are comparatively recent, and they only became significant for the first time during the seventies. The almost total absence of previous cultural contact must be held partly responsible for the considerable friction generated as trading has increased⁽³⁾. With Japan's shortage and their abundance of natural resources, however, trade is mutually beneficial, and in recent years links have become closer.

Table 2 shows the composition of Japan's trade with different regions of the world and the value of her investments in them. The base for the two sets of statistics was different, so that they are not strictly reliable for purposes of comparison. Nevertheless a tentative attempt at comparison is of interest. The value of Japan's trade with Oceania is slightly greater than with Central and South America, and double that with Africa. The value of investment in Oceania, however, is only slightly higher than in Africa, while both the value and the number of investments

Table 2. Japan's Foreign Trade 1985

(Unit = \$1,000)

	Value of Exports	Proportion of Total (%)	Value of Imports	Proportion of Total (%)
North America (U.S.A.)	69,797,986 (65,277,567)	39.7 (37.2)	30,596,388 (25,793,009)	23.6 (19.9)
Western Europe	24,921,918	14.2	12,296,108	9.5
Southeast Asia	33,247,593	18.9	30,263,525	23.4
Western Asia	11,336,923	6.5	29,354,642	22.7
Central & South America	8,485,786	4.8	6,242,246	4.8
Africa	4,650,242	2.6	3,538,582	2.7
Oceania	7,006,081	4.0	8,765,437	6.8
Communist Bloc	16,189,642	9.2	8,480,107	6.5
TOTALS	175,637,772	100.0	129,538,747	100.0

Source: As Table 1, pp. 12-13.

Table 2. Japan's Direct Overseas Investment up to 1984

(Unit = \$1,000,000)

	No. of Cases	Value	Proportion of Total (%)
North America (U.S.A.)	12,276 (11,603)	21,469 (19,894)	30.1 (27.9)
Europe	3,607	9,072	12.7
Asia	10,844	18,027	25.2
Middle East	307	2,927	4.1
Central & South America	4,514	13,020	18.2
Africa	1,055	3,198	4.5
Oceania	1,710	3,718	5.2
TOTALS	34,313	71,431	100.0

Source: Ōkurashō (Ministry of Finance), *Zaisei Kinyū Tōkei Geppō*, Dec. 1985, pp. 24–25.

in Central and South America are much higher than in Oceania. The average value of investment projects (total value of investments ÷ no. of projects) in Oceania is \$2,174,269, greater than in North America and Asia, but not on the same scale as in Africa or Central & South America. Thus this table suggests that as far as Japanese companies are concerned, Oceania is regarded as a developing region similar to the Middle East, in that trade is much more important than local investments.

Table 3 and 4 show the composition of exports and imports to and from Australia, New Zealand, and Oceania as a whole. The proportion of heavy and chemical industry products exported to the region, 85.7%, is almost the same as to the world as a whole, 86.8%, but the high proportion of exports of vehicles can be said to be characteristic of Japan's trade with Oceania, a typical example of vertical trade. Japan's exports of foodstuffs are higher than its average to the world as a whole, while exports of raw materials and fuels are relatively low⁽⁴⁾. This export structure is similar to the structure for the countries of Africa, and Central & South America to some extent, except that in the case of the latter foodstuffs and light industry products constitute only 0.4% and 4.6% respectively and vehicles constitute a very high proportion (54.9%)⁽⁵⁾.

As a proportion of Japan's imports from all over the world, foodstuffs account for 12%, raw materials 13.9%, mineral fuels 43.1%, and processed products 28.1%⁽⁶⁾.

Characteristically, processed products from Oceania accounted for only a small proportion of all imports, 12.8%, compared with 26.1% for Africa and 23.9% for Central and South America, the two regions with similar export structures⁽⁷⁾. Of the foodstuffs imported from Oceania meat is the most important; wood, iron and steel are the most important materials, and coal and aluminium the most important items from other categories in the table. From Australia the most important were beef, cereals, iron and coal, from New Zealand lamb, wool, wood and aluminum.

Table 3. Japan's Exports to the Countries of Oceania

(Figures = % of total)

	All Oceania		Australia		New Zealand	
	1984	1985	1984	1985	1984	1985
1. Foodstuffs	1.5	1.4	0.6	0.5	1.0	1.1
2. Raw Materials and Fuels	0.4	0.3	0.4	0.3	0.6	0.5
3. Light Industry Products	13.2	12.1	13.8	12.7	12.1	10.8
(Textiles)	4.8	4.1	5.0	4.2	5.7	5.0
(Non-metal Mining Products)	1.4	1.4	1.5	1.5	0.8	0.8
(Others)	7.0	6.7	7.3	7.1	5.6	5.1
4. Heavy/Chemical Industry Products	84.6	85.7	84.8	86.1	86.1	87.3
(Cheical Products)	4.4	4.1	4.3	4.0	5.8	5.6
(Metal Products)	8.6	6.9	6.9	5.7	18.1	14.4
(Machinery)	71.6	74.7	73.6	76.4	62.2	67.3
(General Machinery)	(15.8)	(18.5)	(16.6)	(19.1)	(15.5)	(20.9)
(Electrical Machinery)	(17.8)	(17.2)	(19.6)	(18.5)	(13.6)	(15.5)
(Vehicles)	(35.3)	(35.8)	(34.3)	(35.3)	(31.2)	(28.7)
(Precision Machinery)	(2.8)	(3.2)	(3.2)	(3.5)	(1.9)	(2.3)
5. Re-exports/Special Products	0.3	0.4	0.3	0.4	0.2	0.3
TOTALS	100.0	100.0	100.0	100.0	100.0	100.0

Source: As Table 1, pp. 654-669.

Table 4. Japan's Imports from the Countries of Oceania

(Figures = % of total)

	All Oceania		Australia		New Zealand	
	1984	1985	1984	1985	1984	1985
1. Foodstuffs	18.2	17.1	16.6	15.0	36.6	37.5
(Beef)	3.4	3.1	3.7	3.3	2.5	2.5
(Lamb/Goat's Meat)	1.4	1.3	0.7	0.6	7.7	7.2
(Fish/Shellfish)	2.4	2.8	2.2	2.4	3.9	4.5
(Cereals)	5.8	4.9	6.9	5.7	—	—
2. Raw Materials	36.7	34.1	34.9	32.4	29.8	27.8
(Fabrics)	7.6	7.2	7.5	7.3	11.4	9.7
[Wool]	(6.3)	(5.9)	(6.0)	(5.8)	(11.4)	(9.7)
(Metals)	24.0	22.1	24.9	22.7	—	—
[Iron Ore]	(16.2)	(14.5)	(18.6)	(16.5)	(4.9)	(4.8)
[Copper Ore]	(2.7)	(2.5)	(1.0)	(1.0)	—	—
(Others)	5.1	4.8	2.5	2.3	—	—
[Timber]	(1.4)	(1.4)	—	—	(4.6)	(4.3)
3. Mineral Fuels	31.3	34.1	36.9	39.7	1.9	2.8
(Coal)	27.2	26.0	32.0	30.0	1.9	2.8
(Petroleum, Petroleum Products)	0.5	4.1	0.5	4.8	—	—
(Liquefied Petroleum Gas)	3.6	3.9	4.3	4.6	—	—
4. Processed Products	13.5	12.8	11.5	10.6	31.3	31.2
(Chemicals)	1.4	1.1	9.0	0.6	—	—
(Machinery)	0.5	0.7	0.5	0.8	—	—
(Others)	11.7	10.9	10.1	9.2	—	—
[Wood Chips]	(3.1)	(2.7)	(3.1)	(2.7)	3.3	3.1
[Copper]	(0.4)	(0.2)	(0.5)	(0.2)	—	—
[Aluminium]	(5.8)	(6.0)	(4.3)	(4.6)	20.2	19.7
5. Re-exports/Special Products	0.3	2.1	0.2	2.2	0.3	0.6
TOTALS	100.0	100.0	100.0	100.0	100.0	100.0

Source: As Table 1, pp. 655-670.

3. A Statistical Look at the Composition of Japanese Companies active in Oceania

To attempt to analyse the structural characteristics of these companies we will first compare the industries they belong to with other regions of the world. From Table 5 we can make the following seven generalisations:

(1) The main areas in which Japanese companies have invested overseas are mining, commerce, finance and insurance, followed by transportation and the manufacture of ferrous/non ferrous metal products.

(2) Regions where the proportion of investment in manufacturing is high are the Middle East, Asia, and Central & South America (In this respect Oceania is closest to North America and Central & South America).

(3) If we single out companies manufacturing machinery + electrical equipment + vehicles, the highest proportion invested is in North America, 15.2%, compared with an overall average of 10.6%. Next comes 10.1% to Asia and Central & South America, then 9.3% to Europe (Oceania was 8.3%, low like Europe).

(4) For foodstuffs and textiles the highest proportion was 7.7% in Asia, followed by 4.5% to Central & South America, the overall average being 4.3% (The figure for Oceania, 1.8%, was low, and nearest to Africa).

(5) For wood/pulp + ferrous/non ferrous metals the proportion to Oceania was high, 13.1%, compared with an overall average of 8.2%. Second came Central & South America on 12.8%, and then 10.2% for Asia.

Table 5. Japan's Direct Overseas Investment in Different Industries

(Figures = accumulative, up to March 1985)

		North America	Central & South America	Asia	Middle East	Europe	Africa	Oceania	World Total
MANUFACTURING	Foodstuffs	2.2	1.4	1.2	0.0	0.7	0.3	1.6	1.4
	Textiles	1.1	3.1	6.5	0.1	2.0	1.2	0.2	2.9
	Wood and Pulp	2.8	1.5	1.0	—	0.0	0.0	3.4	1.5
	Chemicals	2.8	4.3	7.0	38.4	2.2	0.6	2.8	5.4
	Ferrous and Non Ferrous Metal Products	4.3	11.3	9.2	2.0	2.5	3.7	9.7	6.7
	Machinery	2.5	2.7	2.8	0.4	2.1	0.0	0.9	2.3
	Electrical Equipment	8.2	2.3	4.3	0.4	3.9	0.2	0.8	4.5
	Vehicles	4.5	5.1	3.0	0.1	3.3	0.4	6.6	3.8
	Others	1.9	0.8	4.1	1.5	2.8	0.2	2.0	2.3
	Sub-totals	30.2	32.5	39.1	42.9	19.5	6.6	28.0	30.9
	NON-MANUFACTURING	Agriculture and Forestry	1.1	1.3	1.3	0.1	0.0	0.2	2.7
Fishing, Marine Products		0.5	0.7	0.5	0.0	0.0	2.2	1.3	0.6
Mining		4.2	10.9	32.6	6.4	9.5	18.1	35.7	15.6
Construction		1.0	1.3	1.1	1.3	0.5	0.6	0.8	1.0
Commerce		30.9	7.4	5.1	0.5	22.9	0.2	13.6	15.6
Finance and Insurance		12.7	6.0	3.4	3.1	30.2	0.1	2.6	9.9
Services		4.5	3.5	9.5	0.1	1.6	19.4	3.5	5.6
Transport		0.2	27.1	0.9	0.1	0.1	28.2	0.2	6.5
Estate Agents		4.4	0.1	1.6	—	0.5	—	0.5	1.9
Others		7.4	8.7	3.4	3.0	10.9	24.3	10.5	7.8
Sub-totals		66.9	67.0	59.5	14.7	76.2	93.3	71.6	65.5
Retailing	0.6	0.3	1.1	42.3	4.0	0.0	0.3	2.8	
Property	2.3	0.2	0.2	0.1	0.4	0.1	0.2	0.8	
TOTALS	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Source: Okurashō (Ministry of Finance), *Zaisei Kinyū Tōkei Geppō*, Dec. 1985, p. 11.

(6) Investment in primary industries — agriculture, forestry, fishing and mining — in Oceania was extremely high, 39.7% compared with the 17.3% overall average; second came Asia, 34.4%, then Africa 20.5%, and Central & South America, 12.9%.

(7) For commerce + finance/insurance + services, Europe was highest, 54.7%, then North America, 48.1%, against the overall average of 31.1%. Third was Africa, 19.7%. (The figure was the same for Oceania, which was also close to Asia, 18%, and Central & South America, 16.9%.)

Next we will examine Japanese companies' investments in these different regions during different periods. Because the figures in Tables 6, 7 and 9 were compiled from replies to questionnaires, the percentage of valid responses presents problems. The figures in Table 8 are based on the Ministry of Finance's statistics for investments submitted and approved. It is not always the case that the investment, although approved, was actually carried out, and the figures also include investment projects later abandoned. Thus these four charts are again not strictly valid for comparison, but nevertheless they are a guide to an understanding of fluctuations that have taken place, and several points can be gleaned from them:

(1) If we divide Japanese investment into a pioneering period, up until 1969, a period of rapid growth, the seventies, and a period of maturation, the eighties (Table 6), we can see that during the pioneering period most investment took place

Table 6. A Comparison of New Overseas Investment by Japanese Companies in Three Different Periods in Seven Regions of the World

(Figures = No. of local companies established expressed as % of totals)

	Until 1969	1970-79	1980 →	Unknown	Totals
World Totals	14.9	53.1	26.8	5.2	100.0
Asia	16.1	56.3	23.1	4.5	100.0
Middle East	7.8	55.2	33.6	3.4	100.0
Europe	10.3	49.6	34.7	5.4	100.0
North America	16.6	45.0	32.3	6.1	100.0
Central & South America	16.7	62.6	17.4	3.3	100.0
Africa	9.8	53.7	23.2	13.3	100.0
Oceania	13.1	60.2	23.4	3.3	100.0

Notes: 1) The years of particular investments were decided according to the local company's commencement of operation.

2) Projects subsequently abandoned are included.

Source: Tōyō Keizai Shinpōsha, *Kaigai Shinshutsu Kigyō Sōran*, 1986, pp. 10-11.

in Central & South America, North America, and Asia.

(2) During the maturation period, after the “oil shocks”, the deepening global recession and a worldwide fall in investment, Japanese companies’ investment in Central & South America, Africa, and Oceania fell off, as her technology-intensive industries developed. The number of cases of new investment in the high-income countries of Europe, the Middle East, and North America remained high.

(3) Table 7 shows the number of cases of new overseas investment (which were expressed as percentages in Table 6), plus a country by country breakdown for Oceania. The steady expansion in the countries in the region other than Australia and New Zealand has centred on agriculture, forestry, fishing and the tertiary industries.

Table 7. A Comparison of the Number of Cases of New Overseas Investment by Japanese Companies in 7 Different Regions of the World and Different Oceanian Countries in Three Periods

	Number of Local Companies Established					Main Industries Involved
	Total	Until 1969	1970-79	1980→	Total as %	
World Totals	8,187	1,220	4,347	2,196	100.0	
Asia	3,143	507	1,769	726	38.4	
Middle East	116	9	64	39	1.4	
Europe	1,311	135	650	455	16.0	
North America	2,073	344	932	670	25.3	
Central & South America	863	144	540	150	10.5	
Africa	246	24	132	57	3.0	
Oceania	435	57	262	102	5.3	
Australia	296	40	162	79		Agriculture/Forestry/Fishing, Mining, Vehicles, Finance
Papua New Guinea	14	—	11	2		Agriculture/Forestry/Fishing, Timber, Paper & Pulp, Commerce
New Zealand	43	6	22	12		Agriculture/Forestry/Fishing, Paper & Pulp, Vehicles, Chemicals
Western Samoa	2	2	—	—		Timber
Vanuatu	3	1	2	—		Agriculture/Forestry/Fishing, Property, Services
Fiji	6	3	3	—		Agriculture/Forestry/Fishing, Construction, Foodstuffs, Metals
Solomon Islands	3	1	1	1		Agriculture/Forestry/Fishing, Construction
New Caledonia	1	—	—	1		Agriculture/Forestry/Fishing
Guam	49	5	39	2		Construction, Transport, Property, Services
American Samoa	1	—	—	1		Agriculture/Forestry/Fishing
Mariana, Marshall and Caroline Islands	1	—	1	—		Services
Tuvalu	3	—	1	2		Property, Services
Saipan	10	—	8	2		Transport, Services, Construction
Tinian	2	—	2	—		Commerce

Notes: 1) Years decided according to commencement of operation.
 2) Total includes investments for which the year is unknown.
 3) Projects subsequently abandoned are included.

Source: As Table 6, pp. 10-11.

(4) Table 8 shows the value of investments during the last ten years. By comparing it with Table 7 we can see that although cases of new investment in Oceania have been more numerous than in Africa during the eighties, from 1981 onwards the average value of these investments has been lower in Oceania. This trend towards smaller-scale investments in Oceania has continued, so that in 1984 less was invested

Table 8. A Comparison of the Value of Japanese Companies' Investment in Different Regions of the World and Different Oceanian Countries, 1975–1984

(Unit = \$1 million)

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	Accumulative Totals
North America	905	749	735	1,364	1,438	1,596	2,522	2,905	2,701	3,544	21,469
Central & South America	372	420	456	616	1,207	588	1,180	1,503	1,878	2,290	13,020
Asia	1,100	1,245	865	1,340	976	1,186	3,338	1,384	1,847	1,628	18,027
Middle East	196	278	225	492	130	158	96	124	175	273	2,927
Europe	333	337	220	323	495	578	798	876	990	1,937	9,072
Africa	192	272	140	225	168	139	573	489	364	326	3,198
Australia	156	137	146	204	566	431	348	370	166	105	3,153
Fiji	0	4	4	0	0	0	1	0	—	—	22
Papua New Guinea	20	8	8	17	7	5	7	10	3	17	197
Vanuatu	2	6	2	6	2	2	2	5	0	3	42
New Zealand	3	5	5	2	1	8	56	31	11	15	238
West Caroline Basin	0	1	0	3	3	1	1	1	1	0	13
Northern Marianas	—	—	—	6	1	1	8	3	9	17	44
Others	0	0	0	1	1	0	1	1	1	—	9
All Oceania	182	162	165	239	582	448	424	421	191	157	3,718
World Totals	3,280	3,462	2,806	4,598	4,995	4,693	8,931	7,703	8,145	10,155	71,431

Source: As Table 5, pp. 26–29.

there than in the Middle East, where there were far fewer cases of investment.

(5) Table 8 suggests that from 1981 onwards investment in three parts of Oceania in particular — New Zealand, the North Marianas and Papua New Guinea — has increased considerably.

Table 9 gives an industry by industry breakdown of investment in Australia and Oceania as a whole. Investment in Australia has increased steadily since 1970 although there has been a loss of momentum since 1975 as new investment in agriculture, forestry and fishing has decreased. Investment has not fallen off noticeably in manufacturing during the eighties and has increased in mining. The overall trend for Oceania has been for investment to increase, particularly in the tertiary industries, construction, commerce, finance and insurance, property, transport, warehousing and services.

The figures for replies to questionnaires on motives for overseas investment, and on the flow of materials, and products, are shown in Tables 10, 11 and 12 respectively. The important points which emerge are as follows:

(1) The main motives for overseas investment have been to expand markets for products, to acquire information, and to make use of cheap, abundant local labour.

Table 9. Industry by Industry Breakdown of New Cases of Investment by Japanese Companies in Australia and Oceania as a Whole

	All Oceania						Australia					
	Total	Up to 1964	1965-69	1970-74	1975-79	1980-	Total	Up to 1964	1965-69	1970-74	1975-79	1980-
All Industries	435	23	34	162	98	102	296	16	24	100	68	79
Agriculture, Forestry, Marine Industries	30	1	4	18	4	2	13	-	1	10	2	-
Mining	33	1	3	6	6	14	32	1	3	6	5	14
Construction	17	-	-	5	6	6	4	-	-	-	1	3
Manufacturing Industries	76	2	5	34	18	16	56	-	4	26	13	12
(Foodstuffs)	6	1	-	3	1	-	5	-	-	3	1	-
(Textiles)	6	-	-	3	1	2	6	-	-	3	1	2
(Wood, Furniture)	6	-	1	4	-	1	2	-	-	1	-	1
(Pulp, Paper)	5	1	-	2	-	2	-	-	-	-	-	-
(Publishing and Printing)	3	-	-	2	1	-	3	-	-	2	1	-
(Chemicals)	5	-	-	3	1	1	4	-	-	2	1	1
(Rubber, Leather)	3	-	-	2	-	1	3	-	-	2	-	1
(Ceramics, Stone)	1	-	-	1	-	-	1	-	-	1	-	-
(Steel)	3	-	-	-	-	3	3	-	-	-	-	3
(Non-ferrous Metals)	4	-	-	2	2	-	3	-	-	1	2	-
(Metal Products)	3	-	-	-	3	-	1	-	-	-	1	-
(General Machinery)	2	-	-	-	1	1	2	-	-	-	1	1
(Electric Machinery)	8	-	2	4	1	1	7	-	2	4	-	1
(Vehicles)	13	-	1	3	6	3	10	-	1	2	5	2
(Precision Machinery)	3	-	-	2	1	-	2	-	-	2	-	-
(Others)	5	-	1	3	-	1	4	-	1	3	-	-
Commerce	169	16	18	51	43	34	132	13	15	37	35	29
Finance and Insurance	22	-	1	11	4	6	20	-	1	9	4	6
Property	19	-	-	13	2	4	9	-	-	6	-	3
Transport, Warehousing	15	-	2	3	6	3	5	-	-	1	2	2
Services	28	-	1	13	6	6	9	-	-	3	3	2
Others												

Notes: 1) The figures are for up to July 1st 1985.

2) The total column includes where the year of commencement of operation is unknown, so that the figures for the 5 periods added do not always equal the total.

Source: As Table 6, p. 16.

(2) For Europe and North America the main motives appear to be creation of outlets for products and acquisition of information; the number of cases of investment designed to reduce friction is above the overall average. This could be described as the general pattern for investment in developed countries.

(3) The main motives for investing in Oceania and Central & South America appear to be similar; the figures for two motives quoted – securing supply of materials and resources, finding local production easier because of abundant resources – are well above the overall average for both regions. In Oceania, however, labour costs are high, strikes common, and the governments' policies are not always favourable to Japanese companies investing there. In this sense the conditions in Oceania are closer to those found in North America and Europe.

(4) Importing materials from Japan, assembling processing them locally, and then selling them on local markets appears to be the overall pattern of Japanese investment viewed globally.

(5) Japanese companies in Europe and Africa tend to depend more on imports of materials from Japan. The proportion of companies in Oceania and Africa hoping

Table 10. A Comparison of Japanese Companies Motives for Investment in Different Regions of the World

	Proportion Quoting Various Motives for Investment (%)							
	To secure supply of raw materials, natural resources	Production locally easier because of abundant natural resources	To employ local labour force	Local Company at advantage because of Govt's Protective trade policy	To create sales outlets in the host country and others	To obtain Information	To improve relations with host country	To receive Royalties
World	6.5	2.5	12.7	10.4	48.2	16.4	0.8	2.5
Asia	4.5	2.0	24.0	15.6	40.7	9.6	0.7	3.0
Middle East	4.5	1.8	9.0	17.1	46.8	19.8	–	0.9
Europe	1.5	0.3	1.3	3.4	66.5	23.8	1.1	2.0
North America	8.1	2.9	1.4	1.8	55.6	27.0	1.3	2.0
Central & South America	8.8	5.7	10.6	17.6	41.9	13.0	0.4	2.0
Africa	18.2	2.0	11.5	18.9	36.5	7.4	0.7	4.7
Oceania	23.6	6.3	1.8	6.3	44.1	15.5	0.3	2.3

Note: Some companies quoted more than one motive.

Source: As Table 6, p. 9.

to sell their products on the Japanese market is high.

(6) The two regions where most materials are obtained locally are Central & South America and Oceania.

Table 11. The Flow of Raw Materials and Finished Products for Japanese Companies Investing in Overseas Companies in Different Regions of the World

(Figures = % of total)

	Sale of Products			Acquisition of Materials		
	Exported to Japan	Sold on Local Market	Exported to Other Countries	Imported from Japan	Obtained from Local Market	Imported from Other Countries
World Total	14.6	65.3	20.1	47.0	42.0	10.9
Asia	15.9	59.9	24.2	46.2	42.1	11.7
Middle East	6.8	79.5	13.6	50.0	38.8	11.1
Europe	9.2	63.4	27.5	55.0	30.7	14.4
North America	15.6	74.4	10.0	49.0	42.7	8.3
Central & South America	11.4	68.3	20.3	29.7	60.1	10.1
Africa	23.5	66.7	9.8	51.9	29.6	18.5
Oceania	23.3	65.7	11.0	44.8	50.0	5.2

Note: Some companies quoted more than one motive.

Source: As Table 6, p. 9.

(7) Companies in Asia tend to be less dependent upon Japan than these in other areas, if we look at both imports of raw materials and sales of products. Companies in Central and South American tend to obtain materials locally and sell products locally, while in Africa and Oceania they depend to a large extent on Japan for both imports of materials and sales of products.

(8) From Table 12 it can be seen that Japanese companies in Australia, Papua New Guinea, New Zealand and Saipan sell much of their produce in Japan. Those in Mexico, Papua New Guinea and New Zealand sell a lot to other countries, mainly due to their adjacency to big countries (the USA, Australia) with large markets.

(9) Tables 11 and 12, therefore, suggest that the general pattern for Japanese companies in Oceania is to purchase materials locally and export their products to Japan. The figures for New Zealand and Australia are similar to those for Canada.

Table 12. The Flow of Raw Materials and Finished Products for Japanese Companies Investing in Overseas Companies in Ten Countries

(Figures = % of total)

	Sale of Products			Acquisition of Materials		
	Exported to Japan	Sale on Local Market	Exported to Other Countries	Imported from Japan	Obtained from Local Market	Imported from Other Countries
Indonesia	10.7	77.9	11.4	42.3	45.9	11.7
Canada	28.7	61.1	10.2	31.1	62.2	6.7
U.S.A.	14.0	76.0	10.0	50.6	41.0	8.5
Mexico	2.8	72.2	25.0	37.5	56.3	6.3
Brazil	9.3	74.6	16.1	20.7	73.6	5.7
Australia	23.3	68.0	8.7	49.2	47.6	3.2
Papua New Guinea	44.4	33.3	22.2	40.0	40.0	20.0
New Zealand	25.0	53.6	21.4	42.9	57.1	—
Guam	—	100.0	—	14.3	85.7	—
Saipan	33.3	66.6	—	33.3	33.3	33.3

Note: As Table 11.

Source: As Table 11, p. 9.

Table 13 shows some characteristic examples of Japanese companies investing in Oceania. There was not enough space for the names of the local companies established, and a single Japanese company may have a share in several local companies. The largest of such companies have been chosen here. For companies investing in Australia we have taken the ones with the greatest capital assets among the manufacturing industries, the ones with the most Japanese employees in commerce. For the other countries we have chosen the larger ones and ones which best represent local characteristics. Because Oceania is such a vast area, climate and population distribution, factors which affect the attractiveness of investment in an area, vary considerably. They even vary a lot from state to state in Australia. In the well-populated south-east, around the cities of Sydney and Melbourne, companies established to expand markets are common, general trading companies, electrical appliance makers, and these involved in automobile assembly and sales. The other type of company common in Australia is the one established to take advantage of local resources, particularly in mining and metal industries. Prevalent in New Zealand are companies dealing with timber, fishing, aluminium and household electrical appliances. In the other countries of Oceania fishing and hotel management are the two most common areas of business.

We will conclude this section with a short case study of a joint investment project in aluminium smelting in New Zealand by a Japanese and an Australian company, which involves the utilisation of local resources and international division of labour. The local company founded was christened New Zealand Aluminium Smelters Ltd. (NZAS), and until recently two Japanese companies, Shōwa Keikinzoku (a subsidiary of Shōwa Denkō, formed from a branch of its aluminum division) and

Table 13. Some Examples of Japanese Companies Investing in Oceania

Name of Company in Japan	Share of Investment in Local Co. (%)	Location of Local Company	Date it Began Operating	Description of Business	No. of Employees (No. of Japanese Employees)
C. Itoh & Co. Ltd.	100	Sydney (Aus)	Jan. 1957	Commerce	147 (41)
Kobe Steel Ltd.		Melbourne (Aus)	May 1970	Bauxite Mining, Aluminium Melting	9,800 (0)
Sumitomo Metal Industries Ltd.	15	Sydney (Aus)	Aug. 1980	Piping Manufacture and Sales	5,090 (0)
Sumitomo Light Metal Industries Ltd.	17	Boyne Island, Queensland (Aus)	Dec. 1978	Aluminium Smelting	950 (0)
Sumitomo Corporation	100	Sydney (Aus)	Aug. 1961	Trading	88 (31)
Toyo Menka Kaisha, Ltd.	10	Carrington, N.S.W. (Aus)	Dec. 1976	Receipt, Storage and Shipment of Coal	47 (23)
Toyota Motor Co. Ltd.	50	Melbourne (Aus)	Sept. 1968	Import, Assembly and Sale of Automobiles	2,050 (6)
Toshiba	85	Sydney (Aus)	Feb. 1978	Sale of Heavy Electrical Equipment	66 (16)
Mitsui & Co. Ltd.	13.3	Brisbane (Aus)	Oct. 1962	Mining and Sale of Coal	1,293 (0)
Mitsubishi Motors Corporation	49.8	Clovelly Park, South Australia	May 1979	Manufacture and Sale of Automobiles	4,520 (15)
Mitsubishi Corporation	100	Sydney (Aus)	Jan. 1958	Commerce	128 (38)
Otuka Kogyo	99	Rabaul (PNG)	June 1978	Timber - Felling and Export	122 (0)
Toyo Menka Kaisha, Ltd.	20	Port Moresby (PNG)	Apr. 1982	Import and Sale of Isuzu Motors Ltd. Products	284 (0)
Nissho-Iwai Corporation	75	West New Britain (PNG)	Feb. 1970	Timber - Felling, Sawing and Sale	1,000 (7)
Hohsui Corporation and Nippon Suisan Kaisha, Ltd.	{ 48.4 18.4 }	Port Moresby (PNG)	Dec. 1971	Lobsters, Prawns and Shrimps - Refrigeration and Processing	131 (14)
Honshu Paper Co. Ltd.	92.8	Madang (PNG)	Apr. 1974	Manufacture and Sale of Woodchips/Wood Products	421 (22)
Sanyo Electric Co. Ltd.	49.9	Auckland (NZ)	Aug. 1977	Manufacture and Sale of Household Electrical Appliances	699 (3)
Sanyo-Kokusaku Pulp Co. Ltd. and Oji Paper Co. Ltd.	{ 5 35 }	Auckland (NZ)	May 1971	Production and Processing of TMP Pulp	380 (3)
Showa Keikinzoku and Sumitomo Aluminium Seiren	{ 20.64 20.64 }	Bluff (NZ)	July 1971	Processing of Aluminium	1,400 (0)
Suzuki Motor Co. Ltd.	100	Wanganui (NZ)	Dec. 1983	Import, Manufacture and Sale of Motor Cycles and Four-wheeled Vehicles	124 (2)
Toyota Motor Co. Ltd.	33.33	Wellington (NZ)	Feb. 1977	Import & Sale of Automobiles	697 (0)
Nissan Motor Co. Ltd.	23.1	Auckland (NZ)	Dec. 1975	Import, Assembly and Sale of Automobiles	957 (0)
Hohsui Corporation	24	Port Nelson (NZ)	Oct. 1973	Marine Industries, Processing of Marine Products	773 (2)
Mazda Motor Corporation and Sumitomo Corp.	{ 24.5 24.5 }	Auckland (NZ)	July 1972	Assembly and Sale of Automobiles	460 (0)
Yoshida Kogyo K.K.	50	Manurewa (NZ)	Oct. 1983	Manufacture, Sale of Fasteners	131 (2)
Tokyu Corporation	100	Port-Vila (Vanuatu)	Dec. 1973	Hotel Management	180 (0)
Mitsui & Co. Ltd.	90	Espiritu Santo (Vanuatu)	Nov. 1956	Marine Industries (Refrigeration, Purchase, Storage and Sale of Tuna, Agents for Sale/Hire of Fishing Boats and Equipment)	41 (3)
C. Itoh & Co. Ltd.	71	Ovalau (Fiji)	Aug. 1964	Refrigeration, Processing and Canning of Tuna	330 (18)
Toyo Seikan Kaisha Ltd.	80	Ovalau (Fiji)	July 1976	Production of Cans for Canning Tuna	20 (4)
Taiyo Fishery Co. Ltd.	50	Honiara (Solomon Islands)	Feb. 1973	Bonito and Tuna Fishing	1,277 (82)
C. Itoh & Co. Ltd. and Taisei Kanko	{ 31.5 14 }	Dededo (Guam)	Oct. 1972	Management of Tourist Hotels	208 (25)
Dai-Ichi Hotel Ltd.	49.1	Anaga (Guam)	Dec. 1970	Hotel Management	259 (16)
Nagoya Railroad Co. Ltd. and All Nippon Airways Co. Ltd.	{ 16.3 5.2 }	Chalan Kanoa Village (Saipan)	Dec. 1977	Hotel Management	109 (12)

Source: As Table 6, pp. 443-467.

Sumitomo Aruminyumu Seiren, held 41.28% of its shares, the remaining 58.72% being held by Comalco Industries Pty. Ltd. (Melbourne), and the total value of the shares amounting to 31,500,000 New Zealand dollars.⁽⁸⁾ It's founding came about as follows. In the mid-fifties Shōwa Denkō began purchasing large amounts of bauxite from Comalco. In 1969, at Comalco's suggestion, the two companies began plans for the foundation of an aluminium smelting company in New Zealand. NZAS was founded in 1971 at Tiwi Point, Bluff, south of Invercargill, the southernmost tip of South Island, where it could utilise the abundant electricity from Manapouri Hydroelectric Station. It is said to be Japan's first overseas investment designed to secure imports of aluminium. Alumina was imported from Queensland in Australia and smelted to produce aluminium, half of which was exported to Japan. 75,000 tonnes were produced in the first year; this has increased to 240,000 tonnes a year, about four fifths of which is exported.⁽⁹⁾ In 1982 Comalco began investing in Shōwa Keikinzoku to which the aluminium was then supplied. In 1984 NZAS sales were worth 303 million New Zealand dollars.⁽¹⁰⁾ According to New Zealand's Department of Statistics this accounted for the greater part of New Zealand's aluminium exports, which totalled 211,190 tonnes, worth 436,630,000 New Zealand dollars.⁽¹¹⁾ In the same year (1984) imports of alumina to New Zealand from Australia were worth 171,610,000 New Zealand dollars.⁽¹²⁾ However, the recent fall in the demand for aluminium and the need for the restructuring of Shōwa Keikinzoku has resulted in Comalco and Shōwa Denkō's decision to end their special relationship⁽¹²⁾, although they have agreed to continue the trade in aluminium. From now on Comalco will have full control over the activities of NZAS and the future of this aluminium trade cannot be prophesied with any confidence.

4. Conclusions, Problems and the Future

Having examined the statistical evidence we will now attempt to make some generalisations regarding the behaviour of Japanese companies investing in Oceania. The most common motive appears to be to secure raw materials and energy; they process these materials locally and look to Japanese markets for sales of the resulting products. Investment has been low in foodstuffs and textiles, and high in wood/pulp, ferrous/non-ferrous metals, agriculture, forestry, fishing and mining. The greatest number of cases of new investment was in the seventies, exemplifying Japanese companies rapid growth in this decade and their relative backwardness on the road to multinational status. Recent years have seen more investment in the tertiary industries, construction, commerce, finance and insurance, and hotel management.

Although Japan invests rather more in both Central and South America than Oceania, Oceania is a more important trading partner than either. Japan's main exports to Oceania are heavy and chemical industry products such as electrical machinery and vehicles, her main imports materials and foodstuffs, particularly beef, wool, coal, iron and copper. It is a typical example of vertical trade.

Looked at in this way, Japanese company inroads in Oceania appear to follow the traditional pattern, mutually beneficial in terms of comparative advantage and very much trade-oriented. Prof. Kojima's description of Japanese company inroads in Asia,

"They are designed to compensate for Japan's comparative disadvantages, particularly her lack of natural resources, and provide a basis for the harmonious development of both sides."⁽¹⁴⁾ Might also be used to describe those in Oceania, although they have resulted in a certain amount of conflict, particularly with Australia. This is because Japan, after having, since World War II, consistently striven to increase imports of raw materials in return for manufactured products, and increase investment in the development of natural resources, now appears to be withdrawing gradually her interest in the development of natural resources. This has happened because of the falling off of the growth of her exports, and stagnation in the industries which require excessive quantities of raw materials. Also, as investment in the manufacturing industries in the USA and Europe increases, and Japanese companies increasingly develop into fully-fledged multinationals (ie. like their American and European counterparts, as opposed to the old "Japanese-type" multinationals) there is a danger of further reductions in investment in Oceania⁽¹⁵⁾. Because companies are active in many countries, as Prof. Kadomatsu says,

"Development of international markets necessitates the coordination of a number of activities, selling products from the home country and those produced locally, obtaining materials and components, exporting to third countries and the home country, raising capital, provision of services, and acquisition of information"⁽¹⁶⁾ Japanese companies are already well-established in the Asian region, so that as Prof. Takeda points out,

"The construction of factories in the USA is the element that will complete the multinationalisation process and establish Japanese companies on a global basis."⁽¹⁷⁾ There is a tendency for Oceania to be left out of this global network, whereas the Central and South American region, for example, being close to the USA, is not.

Next let us look at the conditions Japanese companies face in Oceania. Australia's imports from Japan in 1984 accounted for 21.8% of all imports, exports to Japan

for 25% of all exports;⁽¹⁸⁾ for New Zealand the figures were 20.8% and 15.2% respectively.⁽¹⁹⁾ Thus, in terms of the value of trade, Japan was the most important trading partner for both countries, more important than either the USA or the U.K. Economic interchange, however, has not kept pace with the growth of trade, and this is reflected in Japan's investment in the region. Direct investment in Australia from Japan up to June 1983 accounted for only 9.1% of the total, a distant third behind the USA (39.9%) and the U.K. (24.9%). In New Zealand also Japan was investing much less than Australia or the U.K.⁽²⁰⁾ To remedy this situation better mutual understanding is a prerequisite, but it is also felt that the governments of Oceania may profit by studying the policies adopted in other countries. Shiozawa relates that,

“In Thailand, many Japanese companies have opted to produce automobiles and components locally, despite the fact that it is cheaper for them to import them from Japan. They do this in order to secure their market share in the face of government controls on imports, mainly in the shape of customs duties.”⁽²⁰⁾

The governments of Oceania have made little effort in the way of protective policies likely to encourage foreign companies to invest locally. Also, some improvement in cost efficiency is necessary if foreign companies are to be persuaded to make more use of the local labour force; at present it is not an attractive prospect. Wages are high, and strikes and lack of commitment impair efficiency.

Finally we will look at the likely future of Japanese companies' activities in Oceania. For Australia and New Zealand trade with Japan already has top priority, and the importance for Japan of a reliable supply of resources from the region means that relationships will continue to be close. Economic interchanges should increase steadily, and mutual understanding deepen. However the extent and speed of this process is dependent upon the pace of economic growth in the region and efforts to reform the economic structure. The slowing of economic growth, and rising wages and inflation in recent years, and the global fall in demand for natural resources suggest that the outlook at present is not promising. Japan, like other countries in a similar position, has made efforts to diversify its sources of natural resources imports and move into industries where conservation of these resources is possible, so that Oceania is feeling the pinch. In the long term, therefore, although the trade in natural resources will remain important, Oceanian countries must reform their internal economic structures so that they are able to respond more flexibly to changes in international demand. If this could be achieved it would also have a significant effect on the economic growth of Japan and neighbouring Asian

countries, particularly those in ASIANICS and ASEAN. Meanwhile in the near future it ought to be possible not only to expand trade between Japan, Asia and Oceania, but also increase investment and the level of business activity between companies in these areas.

One last factor to be borne in mind is the military and political aspirations of the super powers. At present the USA, the USSR, the UK, France and West Germany have considerable influence in Oceania, the countries in the region are divided socially and culturally, and mutual understanding is not improving. Recently, positive attempts at integration through the auspices of the South Pacific Forum have given cause for hope, but at the end of the day any improvement in conditions for foreign companies investing in Oceania will depend greatly on the leadership exercised by New Zealand and Australia.

NOTES

- (1) Shiro Takeda, *Kokusai Māketingu kara mita Kigyōnai Kokusai Torihiki*, "Intrafarm International Trade from viewpoint of International Marketing", Daito Bunka University Institute of Business Research, 1986. Research Papers No. 4.
- (2) For details see "Tasuman Kaijō Bōeki to Keizai Kankei Kinmitsuka", "Trans-Tasman Trade and Closer Economic Relationship" in *Daitō Bunka Daigaku Keizai Ronshū* No. 40, Sept. 1985, and "Nyūjirando no tai Thaiheyō Tōshokoku Bōeki to Keizai Kyōryoku", "New Zealand's Trade and Economic Co-operation for Pacific Islands", in *Daitō Bunka Daigaku Keizai Ronshū*, No. 41, March 1986.
- (3) For an account of the friction between Japan and Australia see Takeshi Mori, "Gōshu Keizai to Nihon no Chokusetsu Tōshin", "Australian Economy and Japanese Direct Investment", in *Kantaiheyōken to Nihon no Chokusetsu Tōshi*, "Japanese Direct Investment in Pacific Basin", ed. by Matsuo Sekiguchi and the Nihon Keizai Kenkyu Sentā, pub. Nihon Keizai Shinbunsha, 1982, pp. 156–168.
- (4) *Tsūshō Hakushō*, Tsūshō Sangyōshō (Ministry of International Trade and Industry), 1986, pp. 10–11.
- (5) *Ibid.*, pp. 544–5.
- (6) *Ibid.*, pp. 10–11 and accompanying table.
- (7) *Ibid.*, pp. 546–8 and pp. 602–3.
- (8) Tōyō Keizai Shinpōsha, *Kaigai Shinshutsu Kigyō Sōran*, "Overseas Investment by Japanese Firms", 1986, p. 461.
- (9) Department of Statistics, *New Zealand Official Yearbook*, 1985, p. 496.
- (10) Tōyō Keizai Shinpōsha, *Kaigai Shinshutsu Kigyō Sōran*, "Overseas Investment by Japanese Firms", 1986, p. 461.
- (11) Department of Statistics, *New Zealand Official Yearbook*, 1985, p. 627.
- (12) *Ibid.*, p. 651.
- (13) Nihon Keisai Shinbun, Feb. 15th 1986.

- (14) Kiyoshi Kojima, *Sekai Bōeki to Takokusekikigyō*, “World Trade and Multinational Enterprise”, Sōbunsha, 1973, pp. 286–8.
- (15) Masao Kadomatsu, *Kokusai Māketingu Ron*, “International Marketing”, Yūhikaku, 1983, p. 272.
- (16) Shiro Takeda, *Nihon Kigyō no Kokusai Māketingu*, “International Marketing by Japanese firms”, Dōbunkan, 1985, p. 27.
- (17) Shiro Takeda, “Takokusekikigyō no Kokusaiteki Rojisutikkusu – Nihon Kigyō ni miru Senryakuteki Tenkai Katei”, “International Logistics of Multinational Enterprise” in *Takokusekikigyō to Bōeki*, Bōeki Kenkyūjo, 1985, p. 101.
- (18) OECD, *Economic Surveys 1984–5, Australia*, June 1985, p. 82.
- (19) OECD, *Economic Surveys 1984–5 New Zealand*, July 1985, pp. 87–8.
- (20) Yoshinori Shiozawa, “Tai Jidōsha Kōgyō ni miru Nihon no Buhin Kigyō Tenkai”, “Japanese Automobile Firms in Thailand” in *Takokusekikigyō no Kenkyū*, ed. by Giichi Miyazaki, Chikuma Shobō, 1982, p. 226.