

UK Export Competitiveness

PROF. DR. NORIFUMI KAWAI, MPIA (Pittsburgh)

Special Topics in Internationalization

Università degli Studi di Bergamo

Dipartimento di Scienze Aziendali

Bergamo, ITALY

PROF. DR. NORIFUMI KAWAI



UNIVERSITÀ
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■ How to Improve UK Export Competitiveness

1. Support pre-competitive manufacturing capabilities & future technology platforms!
 - ◆ **The Technology Strategy Board** – funding.
2. Push firms to reach for the high end! Avoid competition on low cost for the sake of jobs!
3. Strengthen human capital to enable advanced manufacturing!
 - ◆ Knowledge diffusion among universities & technology clusters.
 - ◆ Vocational training through apprenticeships.
4. Remove uncertainty by clarifying the UK's commitment to be connected with the EU! (???)
 - ◆ **The EU** accounts for more than **50% of UK exports**.
 - ◆ **Emerging economies** collectively purchase less than **8% of UK exports**.

Source: Peng & Meyer (2011)

UK Export Competitiveness



■ How to Improve UK Export Competitiveness

5. Enhance certainty by negotiating more free trade agreements (FTAs)!
 - ◆ The EU currently has FTAs with 28 countries.
6. Create a tax regime that is competitive, stable & fair!
 - ◆ **Corporate tax:** 28% in the UK, 10% in Ireland, 16% in Hungary etc.
7. Attract more inward FDI & promote more outward FDI!
 - ◆ **Foreign MNCs** generate approximately **half of UK manufacturing exports**.
8. Mobility of highly qualified individuals into & out the UK!
 - ◆ Mobility of highly qualified people enables many knowledge-based, creative industry sectors to prosper.
 - ◆ **HOWEVER**, shrinking immigration quotas, more visa application procedures, abstention from Schengen area free-travel arrangements, & increased requirements in citizenship tests.

Source: Peng & Meyer (2011)

UK Export Competitiveness



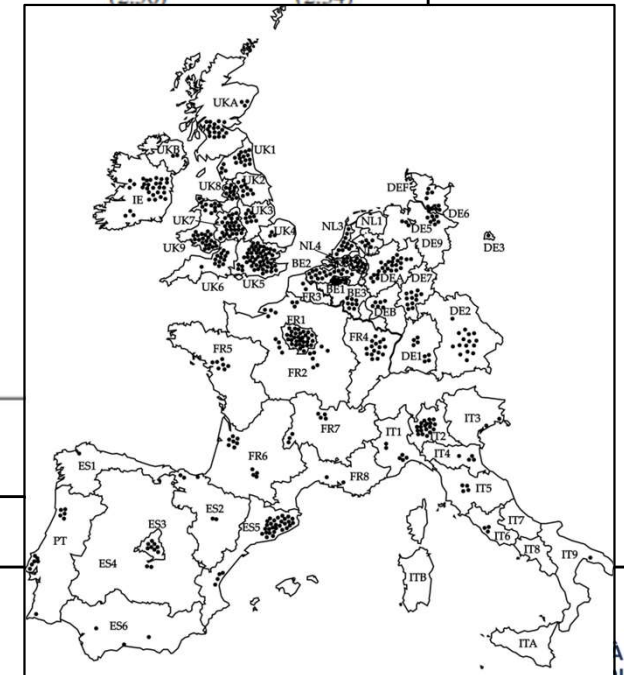
■ Does a Tax Regime Matter in Attracting FDI Inflows?

TABLE 3.—CONDITIONAL LOGIT MODEL OF REGION CHOICE

452 Firms Choosing between 57 Regions

Specification	(1)	(2)	(3)	(4)	(5)	(6)
In wages	0.47 ^c (0.25)	-0.20 (0.26)	-0.12 (0.28)	0.17 (0.25)	0.50 (0.34)	0.13 (0.36)
Unemployment rate	-8.90 ^a (1.69)	-4.50 ^a (1.70)	-1.57 (1.95)	-3.22 ^c (1.78)	-4.34 ^c (2.28)	-1.35 (2.43)
Obj. 1 eligibility	-0.25 (0.21)	-0.12 (0.22)	0.25 (0.22)	0.01 (0.22)	-0.22 (0.24)	-0.24 (0.25)
In regional area	0.31 ^a (0.05)	0.05 (0.06)	0.58 ^a (0.06)	0.59 ^a (0.06)	0.58 ^a (0.07)	0.21 ^b (0.08)
Social charges rate	-2.26 ^a (0.38)	-2.28 ^a (0.38)	-2.25 ^a (0.38)	-1.56 ^a (0.38)	0.24 (1.83)	-0.01 (1.86)
Corporate tax rate	-4.82 ^a (0.59)	-4.80 ^a (0.58)	-5.03 ^a (0.60)	-4.96 ^a (0.61)	-0.40 (2.36)	-0.34 (2.34)
In regional GDP = ln y_r		0.80 ^a (0.08)				
In Harris market potential = ln $\sum_j E_j/d_{ij}$			1.88 ^a (0.21)			
In Krugman market potential = ln M_r				1.11 ^a (0.13)		
ln(1 + domestic industry count)						
ln(1 + Japan industry count)						
ln(1 + network count)						
National fixed effects	No	No	No	No		
Likelihood ratio index	0.054	0.079	0.077	0.073		

Standard errors in parentheses.
^a Significant at 1% level.
^b Significant at 5% level.
^c Significant at 10% level.



Source: Head & Mayer (2004).

The Impact of ‘Brexit’ on Japanese MNCs



■ Key Quotes



*“It is **not yet clear what form Brexit negotiations will take**, but depending on proceedings, Japanese companies may **need to review or rebuild their global strategies**, particularly those for Europe”.*

– Sadayuki Sakakibara, Japan Business Federation Chairman

*“**EU membership is a big reason the companies have chosen to invest in the U.K.** A Brexit could materially affect major international businesses’ future investment decisions”.*

– Hiroaki Nakanishi, Hitachi Chairman



外務省
MOFA Japan

*“Japanese businesses with their European headquarters in the U.K. may decide to **transfer their head-office function to continental Europe** if EU laws cease to be applicable in the U.K. after its withdrawal”.* – Foreign Ministry officials

Source: Based on <http://www.keidanren.or.jp>, <http://asia.nikkei.com> & <http://www.japantimes.co.jp>

The Impact of 'Brexit' on Japanese MNCs



■ Fact

- ❖ There are **931 Japanese companies** with operations and **158 R&D centers** in Britain.
- ❖ Japanese firms employ an estimated **140,000 workers** in the UK.
- ❖ The UK's auto industry is dominated by Japanese automakers.
 - **Cars a year:** Toyota (**180,000**), Nissan (**580,000**), & Honda (**140,000**)
 - **EU exports (%)**: Toyota (**75%**), Nissan (**76%**), & Honda (**40%**)
 - **Tariffs of up to 10%???**
- ❖ Japanese pharmaceutical companies feel uncertain about future **drug regulations with any divergence with the EU.**
- ❖ Japanese banks in London are concerned about the issue of **“passporting” arrangements** for access to the EU.

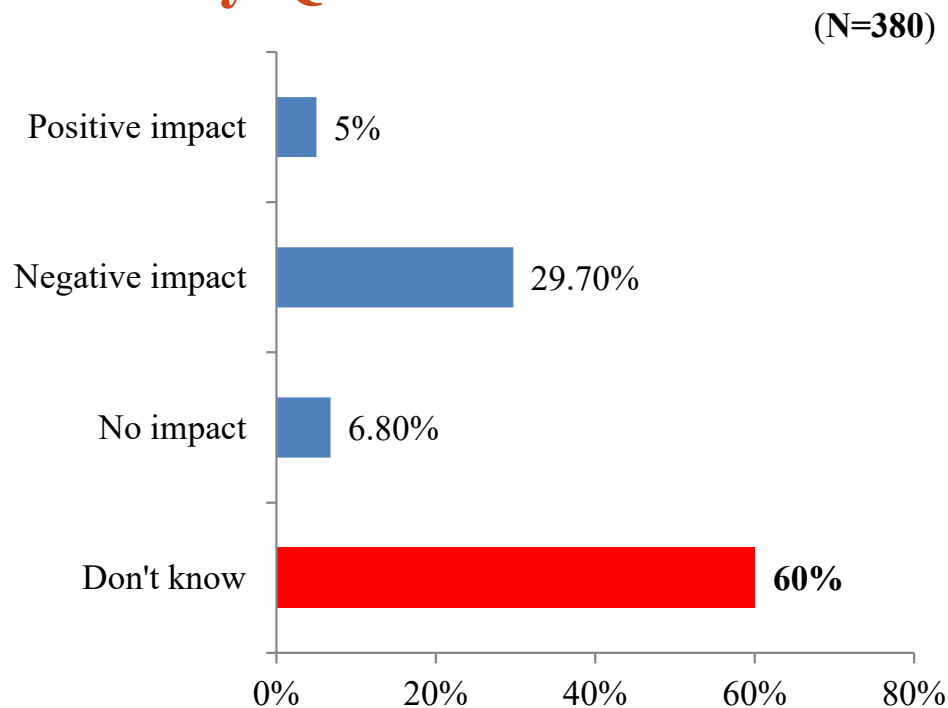
Source: Based on various media sources.

The Impact of 'Brexit' on Japanese MNCs

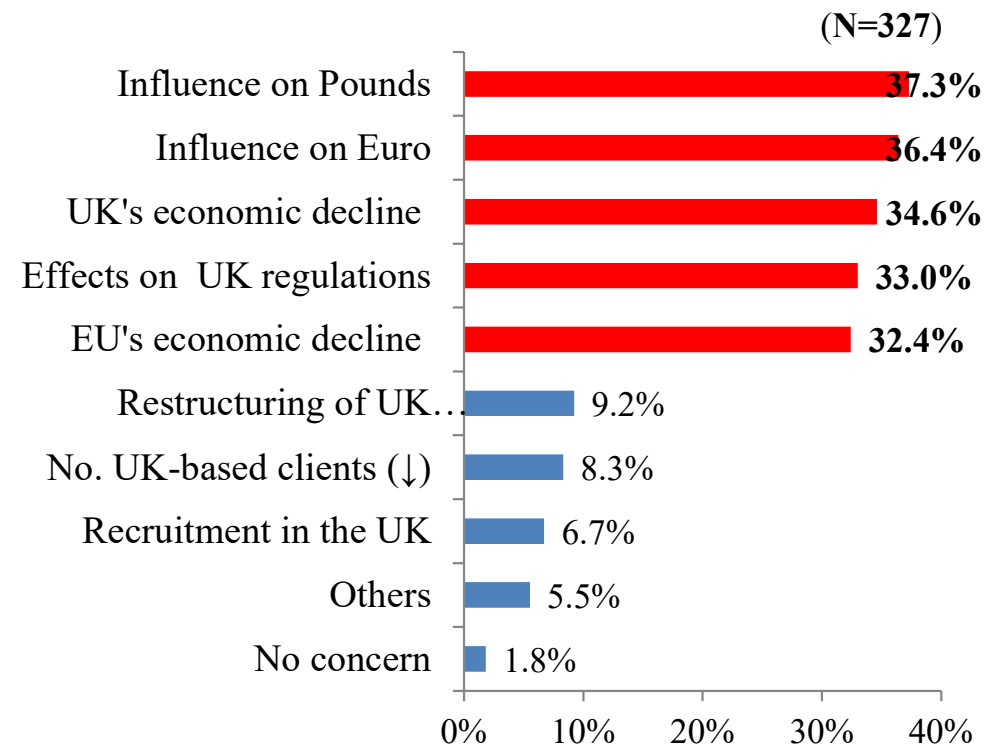


Japanese MNCs' Concern about the Impact of 'Brexit'

Estimated Impacts on Businesses



The List of Brexit Concerns



❖ Many Japanese firms are concerned about exchange rate fluctuations after Brexit.

Source: JETRO (2016).

The Impact of 'Brexit' on Japanese MNCs



■ Number of Japanese Manufacturing MNCs (1990)

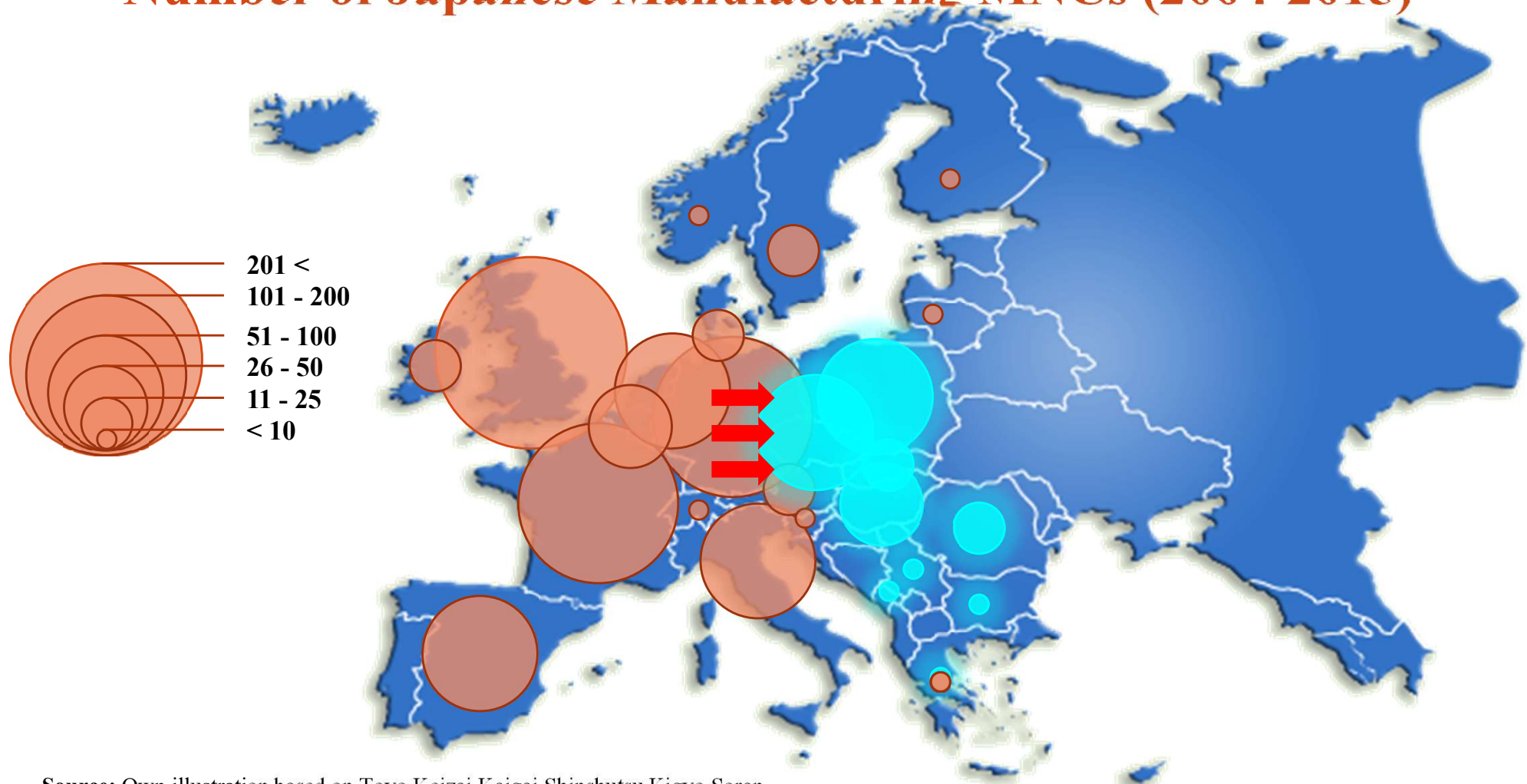


Source: Own illustration based on Toyo Keizai Kaigai Shinshutsu Kigyō Soran.

The Impact of 'Brexit' on Japanese MNCs



■ Number of Japanese Manufacturing MNCs (2004-2015)



Source: Own illustration based on Toyo Keizai Kaigai Shinshutsu Kigyō Soran.

The Impact of 'Brexit' on Japanese MNCs



■ Number of Japanese Manufacturing MNCs (after 'Brexit')

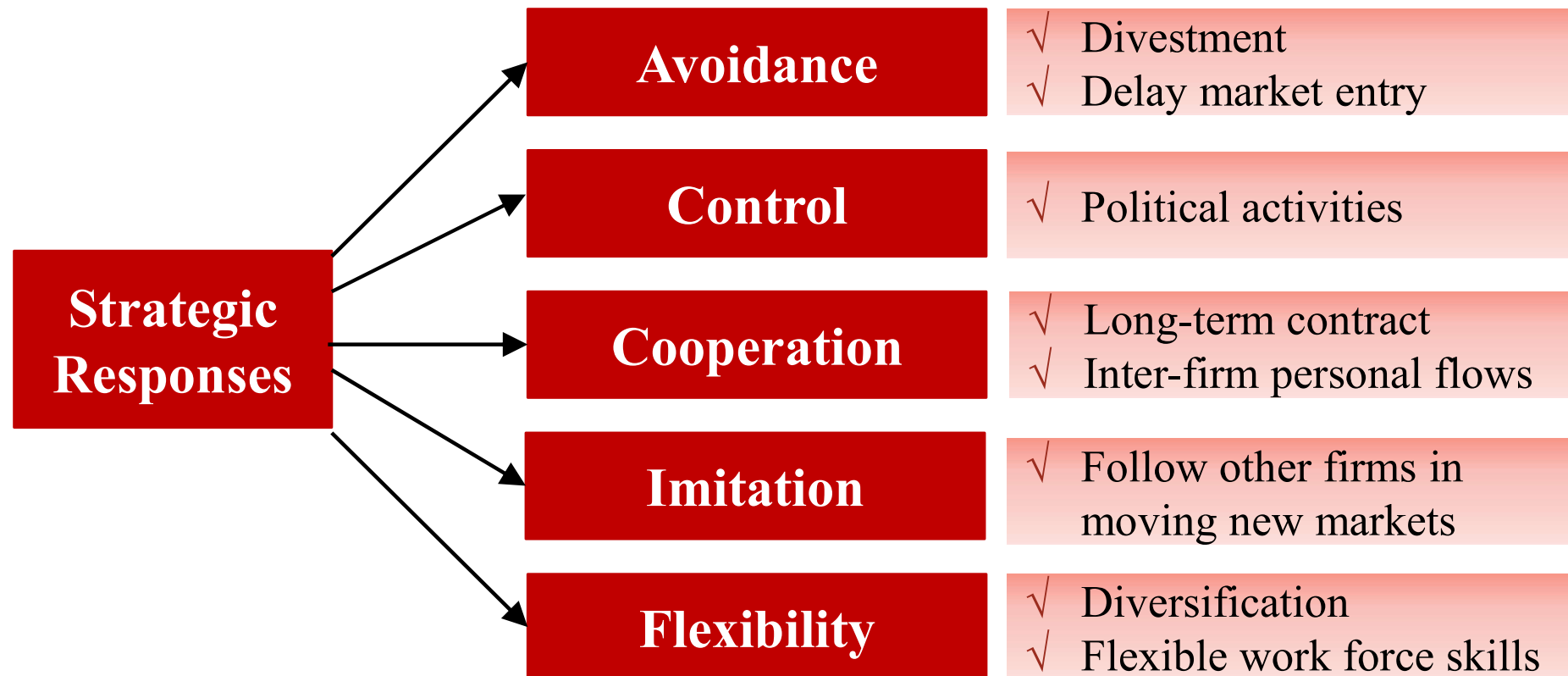


Source: Own illustration based on Toyo Keizai Kaigai Shinshutsu Kigyō Soran.

The Impact of 'Brexit' on Japanese MNCs



■ Miller's Integrated Risk Management Framework in IB



Source: Own illustration on Miller (1992: 321), Journal of International Business Studies, Second Quarter 311-331.

The Impact of 'Brexit' on Japanese MNCs



■ Japanese MNCs' Political Strategies in Response to Brexit

STRATEGY	TACTICS	CHARACTERISTICS
Information strategy	<ul style="list-style-type: none">> Lobbying> Reporting research & survey results> Commissioning think-tank research projects	<ul style="list-style-type: none">> Targets political decision makers by providing information
Financial incentive strategy	<ul style="list-style-type: none">> Contributions to politicians or party> Paid travel etc.> Honoraria for speaking	<ul style="list-style-type: none">> Targets political decision makers directly by providing financial incentives
Constituency-building strategy	<ul style="list-style-type: none">> Grassroots mobilization of voters, employees, suppliers, customers etc.> Advocacy advertising> Public relations	<ul style="list-style-type: none">> Targets political decision makers indirectly through constituent support

Source: Hillmann & Hitt (1999: 835). "Corporate Political Strategy Formulation: A Model of Approach, Participation, and Strategy Decisions", *Academy of Management Review*, 24(4): 825-842.

The Impact of 'Brexit' on Japanese MNCs



■ Japan Warns on Brexit 'High Stakes' - BBC



Source: : <http://www.bbc.co.uk/news/business-42994603>

The End of Today's Lecture



ご清聴有難う御座いました。

Thank you so much!

Vielen Dank für Ihre Aufmerksamkeit!

Grazie mille !

【Contact Address】

ADDRESS: 208 in Via dei Caniana 2, 24127 Bergamo, ITALY

E-mail: norifumi.kawai@unibg.it