Fast Facts on the California and Japanese Economies
Compiled by: Assembly Committee on Jobs, Economic Development and the Economy
Assemblymember Sabrina Cervantes, Chair

If California were a country, it would stand among the ten largest economies in the world, with a 2017 state GDP of $2.7 trillion (5th largest in the world). In 2017, California imports and exports totaled $612.6 billion, representing 15.7% of total U.S. imports and exports.

Profile of Japan
- Japan is an island nation composed of 47 prefectures and with a land mass of 377,915 square km, making it slightly smaller than California at 423,970 square km.
- Japan is the 10th most populous country in the world, with a 2018 population of 126,168,156.
- Tokyo is the capital and largest urban center in Japan with 38 million inhabitants in 2018. Other large urban areas are Osaka-Kobe (19.2 million); Nagoya (9.5 million); Kitakyushu-Fukuoka (5.5 million); Shizuoka-Hamamatsu (2.8 million); and Sapporo (2.6 million).
- 91.6% of Japan’s population resides in urban areas.
- Japan has the second oldest median age of any nation at 47.7 years, and the second longest life expectancy of any nation at 85.5 years. Japan has a negative growth rate of -0.24%.
- 91.3% of the people in Japan are of Japanese ethnicity, followed by Chinese (0.5%) and Korean (0.4%).

Overview of Japan’s Economy
- Japan’s GDP by purchasing power parity was $5.4 trillion in 2017, ranking the nation 4th in the world.
- In 2017, Japan had 65 million in its labor force and an unemployment rate of 2.9%.
- The labor force of Japan by occupation in 2015 (most recent data) was in services (70.9%), industry (26.2%), and agriculture (2.9%).
- Japan’s 2017 estimated account balance was $196.1 billion, placing it 2nd in the world.
- In 2017, Japan’s exports totaled $688.9 billion. Major export commodities in 2014 were motor vehicles (14.9%); iron and steel products (5.4%); semiconductors (5.0%); auto parts (4.8%); and power generating machinery (3.5%).
- Japan’s largest export partners in 2017 were the U.S. (19.4%), China (19%), South Korea (7.6%), Hong Kong (5.1%), and Thailand (4.2%).
- In 2017, Japan’s imports totaled $644.7 billion. Major import commodities in 2014 were petroleum (16.1%); liquid natural gas (9.1%); clothing (3.8%); semiconductors (3.3%); coal (2.4%); and audio and visual apparatus (1.4%).
- Japan’s largest import partners in 2017 were China (24.5%), U.S. (11%), Australia (5.8%), South Korea (4.2%), and Saudi Arabia (4.1%).
- Under Prime Minister Abe’s Administration, Japan’s government sought opportunities to open the country’s economy to greater foreign competition and create new export opportunities for Japanese businesses. In December of 2018, Japan and five key trading partners entered into force the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), formerly known and negotiated as the Trans-Pacific Partnership (TPP). Two months later (February 2019), Japan and the European Union entered into force an Economic Partnership Agreement.
California, Japan, and World Markets

- In 2017, California GDP grew from $2.6 trillion to $2.7 trillion, ranking the state's economy as the 5th largest in the world, as compared to national economies. Only the economies of the U.S., China, Japan, and Germany are larger.\(^{18}\)

- President Trump and Prime Minister Abe announced their intention to enter into a new round of trade negotiations in September 2017. The new U.S.-Japan Economic Dialogue is proposed to be structured along three policy pillars: Common Strategy on Trade and Investment Rules/Issues; Cooperation in Economic and Structural Policies; and Sectoral Cooperation.

- Exports out of California were valued at $178.4 billion in 2018 and represented 10.7% of total U.S. exports.\(^{19} 20\) For comparison, California exported $168 billion in 2013.\(^{21}\)

- California's largest export market is Mexico, where the value of exports totaled $30.7 billion in 2018. After Mexico, California’s top export markets in 2018 were: China and Hong Kong ($26.2 billion), Canada ($17.7 billion), Japan ($13.0 billion), South Korea ($9.9 billion), Taiwan ($6.8 billion), Germany ($6.5 billion), the Netherlands ($6.4 billion), India ($6.1 billion), and the United Kingdom ($5.2 billion).\(^{22}\)

- The U.S. exported $74.9 billion in products to Japan in 2018. California exported $13.0 billion in products, followed by Texas with $11.8 billion in exports and Washington with $8.0 billion in exports.\(^{23}\)

- Top 2018 exports from California to Japan (3rd largest trade partner): computer and electronic products ($2.3 billion); machinery, except electrical ($1.9 billion); transportation equipment ($1.8 billion); miscellaneous manufactured commodities ($1.1 billion); food manufactures ($1.0 billion); chemicals ($1.0 billion); and agricultural products ($989 million).\(^{24}\)

- China is the largest source of imports to California, valued at $441.1 billion in 2018. Chinese imports totaled $161.1 billion, followed by Mexico ($44.0 billion), Japan ($33.6 billion), and Canada ($27.0 billion).\(^{25}\)

- U.S. imports from Japan in 2018 were $142.5 billion. Imports into California from Japan were valued at $33.6 billion in 2018 and represented 23.5% of total U.S. imports from Japan.\(^{26}\)

Trade and Jobs

- In 2016, California’s 751,982 businesses (firms) employed 14.6 million employees and payrolls totaling $886 billion (largest payroll in the nation).\(^{27}\) Of those companies, 72,665 exported products from California in 2016 (latest year available) and 69,387 (96%) were small and medium sized enterprises with fewer than 500 employees.\(^{28}\)

- California goods exports in 2016 (most recent) supported an estimated 684,000 jobs.\(^{29}\) In 2016, 92% of California export-related jobs were in manufacturing.\(^{30}\)

- Goods exports from Texas, California, and Washington supported the most jobs in 2016 (910,000; 684,000; and 333,000 jobs respectively). Total exports from Texas and California combined accounted for nearly 30% of jobs supported.\(^{31}\)

California, Japan, and Foreign Direct Investment

- Foreign Direct Investment (FDI) contributes significantly to the U.S. economy, including higher employment, higher wages than national standards, higher competitiveness among firms and boost exports, stronger manufacturing base, greater research and development, and higher overall productivity for the economy.\(^{32}\)
In Southern California, the number one country for FDI through foreign-owned enterprises (FOEs) is Japan, providing over 85,000 jobs through over 2,500 firms. These firms pay over $5.35 billion in wages, with the average wage being $62,297. The top sectors of Japanese FOEs are information, financial activities, retail trade, wholesale trade, and manufacturing.\(^{33}\)

The 2018 Survey Report on Japanese Companies in Southern California found that Japan FOEs found business performance to be generally positive. However the number of respondents indicating concerns had increased from the prior year. According to the survey, the advantages of doing business in California were “market size,” “climate,” “the size of the Japanese community,” “presence of logistics centers,” and “proximity to Japan.” Alternatively, the survey found that companies also cited concerns about “labor cost increase,” “impact of exchange rates,” “trade friction,” and “strengthening of regulations” as concerns.\(^{34}\)

As of the end of 2014, there were 1,392 Japanese-affiliated companies operating in California. The top three industry categories were services, manufacturing, and wholesale/retail.\(^{35}\)

In 2017, global foreign direct investment (FDI) reached $1.4 trillion, with the U.S. receiving the second largest amount of FDI in the world, totaling $259.6 billion (18.4% of global FDI).\(^{36}\)

The largest investing country was Canada, with expenditures of $66.2 billion, followed by the United Kingdom ($40.9 billion), Japan ($34.0 billion), and France ($23.1 billion). By region, Europe contributed 40% of the new investment in 2017.\(^{37}\)

By industry, expenditures in manufacturing were the largest sector at $103.7 billion, accounting for 40% of total expenditures in the U.S.\(^{38}\)

By state, the largest FDI expenditures were in California ($41.6 billion), Texas ($39.7 billion), and Illinois ($26 billion).\(^{39}\)

In 2017, employment at newly acquired, established, or expanded foreign-owned businesses in the U.S. was 554,300 employees. Current employment of acquired enterprises was 549,700.\(^{40}\)

California has the 2nd highest number of employees of foreign affiliates numbered at 55,700, comprising over 10% of total U.S. employment by foreign-owned firms. The state with the largest employment by foreign-owned firms is Missouri with 63,000 employees.\(^{41}\)

Foreign-owned enterprises that support the largest number of workers in California include: Japan (19.3%), the U.K. (14.5%), Switzerland (10.5%), France (10.4%), Germany (10.2%), Canada (6.25), and the Netherlands (4.0%).\(^{42}\)

The top five cities with the highest concentrations of foreign-owned and affiliated businesses are Los Angeles (1591 establishments), Torrance (310), Long Beach (212), Santa Monica (134), and Pasadena (127).\(^{43}\)

In 2018, Foreign Direct Investment in Japan totaled $252.9 billion while Japan’s outward FDI abroad totaled $1.5 trillion.\(^{44}\)