

Fast Facts on the California and Japanese Economies

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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).¹ In 2017, California imports and exports totaled \$612.6 billion, representing 15.7% of total U.S. imports and exports.²

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.³
- Japan is the 10th most populous country in the world, with a 2018 population of 126,168,156.⁴
- 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).⁵
- 91.6% of Japan's population resides in urban areas.⁶
- 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%.⁷
- 91.3% of the people in Japan are of Japanese ethnicity, followed by Chinese (0.5%) and Korean (0.4%).⁸

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.⁹
- In 2017, Japan had 65 million in its **labor force** and an **unemployment rate** of 2.9%.¹⁰
- The **labor force** of Japan by occupation in 2015 (most recent data) was in **services** (70.9%), **industry** (26.2%), and **agriculture** (2.9%).¹¹
- Japan's 2017 estimated **account balance** was \$196.1 billion, placing it 2nd in the world.¹²
- 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%).¹³
- 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%).¹⁴
- 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%).¹⁵
- 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%).¹⁶
- **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**.¹⁷

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

Source Notes

- ¹ <http://www.bea.gov/iTable/iTable.cfm?reqid=99&step=1%20-%20reqid=99&step=11&isuri=1&9993=levels&9936=-1&9935=-1&9934=5&9995=beastandard&9904=naics&9905=1&9907=2013&9990=99&9901=1200&9902=1&9903=200#reqid=99&step=11&isuri=1&9993=levels&9936=-1&9935=-1&9934=5&9995=beastandard&9904=naics&9905=1&9907=2015&9990=99&9901=1200&9902=1&9903=200>, Bureau of Economic Analysis, "Gross Domestic Product by State", accessed July 19, 2017
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