Special Feature

Survey of Overseas Direct Investment by Japanese Companies
- Rethinking Supply Chains -

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Survey of Overseas Direct Investment by Japanese Companies
- Rethinking Supply Chains -

After China and India, Vietnam remains popular. What the future holds for globalized production networks

Since 1989, JIIC has conducted a survey of Japanese manufacturing companies every year on their overseas business operations and reported its results. The objective of the survey is to understand the current trends, agenda, and future outlook of the overseas business operations of internationally active Japanese manufacturing companies. Many companies cooperated in the FY2020 survey and shared the impact of the COVID-19 pandemic on the supply chain and corporate activities. The survey also covered the special themes of the promising countries/regions this year, in addition to the regular themes of business performance evaluation, business environment, and overseas production activities of Japanese manufacturing companies. The companies targeted in this survey are Japanese companies which have three or more overseas affiliates (including at least one production base).

COVID-19 affects many companies’ production activities: ‘growing for China, restricting for others’

In FY2020 JIIC Survey Report on Overseas Business Operations by Japanese Manufacturing Companies, the Survey of Overseas Direct Investment by Japanese Companies, in addition to the regular themes such as corporate activities and production developments in overseas bases, surveyed the impact of COVID-19 on the supply chain and companies’ efforts and future outlook toward the SDGs. While annual survey items are positioned around specific overseas regions, their special themes are positioned as a reflection of the current status and future trends of themes of particular interest.

Ever since it emerged, the COVID-19 pandemic has wreaked havoc around the world, but the epidemiological situation and preventive measures being taken vary from country to country, and the impact on corporate activities also varies. Exacerbating its already troubling economic situation, moreover, two votes separated China and India. Although this reversal in the top rankings is important, even more notable points are the extent to which these two countries have pulled ahead of the third-ranking and lower countries/regions, the continued high expectations for ASEAN member states in the overall rankings, and, on the other hand, the decline in expectations toward Vietnam over the past several years.

Particularly worthy of attention is Vietnam, which has consistently placed high in the ASEAN region before re-exporting its products to other countries. However, that perception has changed significantly in the past 10 years or so. The red line in the graph shows the trajectory of Vietnam’s overseas production, indicating the extent to which Japan has captured overseas markets. This figure started increasing in 2011, but subsequently suffered from a protracted lockdown, exacerbating its already troubling economic situation.

In the past, China and India have been called as the ‘giant manufacturing hub’ and ‘giant market’ of the world’s manufacturing industry. While China has continued to be seen as promising, India, which has consistently placed high in the previous survey, is falling back to third from the top spot, appears to have become less of a production base at the expense of these two countries’ responses to the pandemic. While China was quick to resume economic activity, Vietnam has suffered from a protracted lockdown, having its overseas production shifted to China. The forecast of future recovery, however, has raised concerns that expectations for Vietnam may decline significantly.

Countries Attracting Attention for Overseas Business Investment

From production base to giant market: Shift in China’s positioning

Data on overseas production ratios have been collected since 2001. This figure indicates the involvement of Japanese companies in China. 2011 is the year when China joined the WTO, and it was also around that time that the Japanese manufacturing industry began to consider China as a factor of the world. Japanese companies started manufacturing overseas in earnest in the 1990s. This trend was further spurred on by the presence of China, with the overseas production ratio increasing to more than 35% in 2015 and climbing as high as 43.8% in 2018. China’s position has changed significantly over the past 20 years. When Japanese companies first ventured into China, while some production was for local sales, their main intentions were: to export the goods they produced in China to Japan and the United States, or to assemble them in the ASEAN region before re-exporting them to other countries. However, that perception has changed significantly in the past 10 years or so. The red line in the graph shows the trajectory of overseas production, indicating the extent to which Japan has captured overseas markets. This figure started increasing in 2011, but subsequently suffered from a protracted lockdown, exacerbating its already troubling economic situation.

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This is when Japanese companies started to see China as a market. In other words, the graph shows that, for Japanese companies, China was a production base until the early 2000s, but in the following decade, their positioning of China changed to a market for them to sell their products.

The impact of COVID-19 can also be seen in this graph. Overseas production ratio rose as high as 36.8% in 2018, but fell to 33.9% in 2019, which was the largest decline in history. Based on extremely rough calculations, if we were to divide this decline by 12 months, it represents a decline of about 3.5% per month. In other words, from a macro-economic perspective, it can be assumed that, overall, COVID-19 and the accompanying lockdowns had the impact of suspending overseas production by Japanese companies for about a month.

Views on the outlook for future recovery vary depending on the industry. In the summer and autumn of 2020, when the questionnaires were sent out, many observers at that point in time were predicting a recovery to about 34% would be achieved by the end of fiscal 2023. However, with the Chinese market showing a stronger recovery than expected, some companies are now aiming to recover during fiscal 2022.

In general, the overall view of the manufacturing industry is that it is a higher sector’s dependence on the Chinese market, but the earlier sector is expected to recover. For example, at the time of this survey, there had been a large drop in the automotive and general machinery sectors, but these two sectors are now riding the wave of China’s recovery. Hence, it is expected that some companies will see their business performance achieving better results than expected in the future. Respondents from all industries, regardless of sector, commented that their business in China has recovered. While this is certainly a promising sign amid the COVID-19 pandemic, for this very reason, the concerns expressed about what would happen in the event of a slowdown of the Chinese economy are certainly understandable. Continuing to diversify their markets, in other words, developing markets other than China could be described as a common challenge for all industries.

Countries Attracting Attention for Overseas Business Investment

Germany

Germany business for the largest concentration of industry in Europe and demonstrates a major presence as a gateway to the continent/Europe and as a country of technological innovation. With railway connections between Germany and China being developed in recent years, Germany’s role as a European base for exports to China is also attracting attention.

Bangladesh

Bangladesh rose in the rankings from 31 to 1 in the previous survey in 13 to FY2020. In addition to expectations that the market will expand again against the backdrop of its rapidly growing population, many companies seem to be increasing their production by Bangladesh as a production base for automotive components due to its reasonable labor costs. Its future development is also expected, especially in a geographical perspective, with hopes for future cooperation with neighboring countries such as India and Thailand and also growing.
Supply Chain Overcoming Pandemic and Growing Increasingly Resilient

COVID-19 has brought issues in production networks to light. Supply chains are shifting from cost-consciousness to improvement of reliability. SDGs are also showing signs of spreading through supply chains.

Limitations of supply chains developed with an emphasis on cost Goal now is reliability as represented by Just-In-Time

The FY2020 survey has revealed anew the high degree of dependence on China and ASEAN member states by Japanese companies’ supply chains and their vulnerability to external shocks, notably the pandemic. However, the signs of any reputation to Japan are weak, with few companies considering withdrawing from overseas. Not many companies are choosing to relocate or reorganize their bases. The overall direction is to first secure and increase their working capital and work on areas such as strengthening local procurement, before engaging in qualitative improvement of the supply chain.

Of particular note is the rise of factory automation. In the FY2019 survey, when asked about automation of production processes, labor saving, and IT-based optimization, a third of the respondent companies expressed some interest. In particular, they have already been considering factory automation in China, Thailand, Indonesia, and Vietnam, and the pandemic could also be thought of as a trigger that will further encourage such trend.

Based on the results of the survey, when we asked experts, a common response was that, until now, Japanese companies have sought out locations with cheaper labor for their supply chains from an emphasis on local costs, but it appeared that, since the pandemic, their awareness has started to change toward making “relational” a symbol of competitiveness. There is a tremendous sense of trust in Japanese companies that pursue “Just-In-Time” operations, so that is likely to become a key point in their competitive advantage.

In fact, some companies are starting to consider increasing the reliability of their supply chain, even if it means incurring certain costs. Their intention is to treat the symptoms through responses such as multiple streams of procurement and building-up of inventory, while, at the same time, strengthening the quality of the supply chain itself and improving reliability to make it more resilient. It is becoming more difficult for Japanese companies to continue to compete successfully with China and emerging countries by cost competitiveness alone, and the manufacturing capabilities of emerging countries are also progressing dynamically. Because the COVID-19 pandemic occurred in this kind of competitive environment, it may be only natural for Japanese companies to reflect on their development of bases from a single-minded pursuit of lower costs and to start re-thinking their supply chains on the basis of competitiveness in terms of resilience, that is, their ability to recover from external shocks.

The friction between the U.S. and China and the COVID-19 pandemic have led to the realization that globalization is not all good. Ensuring resilience against various external shocks in the future, including climate change, appears to have emerged as an important theme.

Decoupling already underway even before US-China friction

Trend in optimization of production locations will continue

Companies with business bases in both the United States and China were asked about how they were handling the debate about US-China decoupling, referring to the separation of their US and China businesses. The most common response, as expected, was “no discussion”, but a considerable number of companies responded that they had already decoupled their US and China businesses. A surprising result was a large number of companies that responded that they were in the process of decoupling.

In interviews, we also received several comments along the lines of “US-China decoupling took place naturally.” China as a production base ended around 2010. As China’s working-age population has peaked out and production costs are rising, our production bases have been transferred to the ASEAN region. These responses could lead to the assumption that the relocation of business bases had already started even before the rise of US-China friction.

Companies that responded that they were in the process of decoupling or that they were considering decoupling but had not yet started appear to sense the risks in their supply chains sharply. The two biggest market areas of US-China friction and the COVID-19 pandemic. Examples of such risks are the possibility of customs clearance procedures being disrupted due to the pandemic or the need to check whether or not a product is affected by the US-China dispute. For those kinds of reasons, it appears that some companies, rather than unreasonably maintaining supply chains that involve multiple markets, are starting to change their supply chains to a form in which local production and local consumption can be completed in separate individual markets.

The important point is that US-China decoupling is not an objective, but the result of optimal business development by companies. This means that decoupling is one optional outcome of the process of reviewing and optimizing production frameworks, and that the US-China dispute and COVID-19 have served as a promoter or a catalyst leading to that action.

Rising expectations for Japanese companies’ potential SDGs initiatives expanding through supply chain

Japanese companies’ interest in the SDGs was thought to be low, but in this survey, approximately three-quarters of all respondent companies answered that they were either working on or considering the SDGs in some way or another.

The analysis by company size was particularly interesting. Company size was irrelevant in the top two motivations for efforts toward the SDGs, but there was a clear difference in the third motivation, with large companies citing “relationship management with stakeholders” whereas SMEs cited “Requests from procurement sources/delivery destinations.” For this reason, it could be said that large companies dealing with investors on a daily basis are taking the initiative in their efforts toward the SDGs and that the SDGs are starting to spread among SMEs through actual business (namely, the supply chain).

By industry sector, growing awareness of the SDGs through supply chains can be seen in the automotive industry in particular. Requests from business partners are very influential. A certain SME was even told by its European partner that it would be excluded from the partner’s supply list if it did not make efforts toward the SDGs. In Japan as well, it is evident that awareness of SDGs is increasing particularly among large companies.

There are 17 goals in the SDGs, and it is quite understandable that they may seem too lofty to feel any affinity toward them.

Therefore, in order to make them seem more real to the respondent companies, JBIC prepared a list of examples of efforts being made overseas to achieve the 17 goals and attached it to the survey as a reference. Our hope is that Japanese companies will refer to that list as they reflect on their business activities and become aware of their potential.

<table>
<thead>
<tr>
<th>Country/Area to introduce factory automation technology/facilities</th>
<th>Already introduced</th>
<th>Now considering</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>62</td>
<td>34</td>
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<tr>
<td>Indonesia</td>
<td>28</td>
<td>17</td>
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<tr>
<td>Malaysia</td>
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<td>17</td>
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<td>Vietnam</td>
<td>18</td>
<td>8</td>
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<tr>
<td>Thailand</td>
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<td>10</td>
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<td>India</td>
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<td>9</td>
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<tr>
<td>Philippines</td>
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<td>7</td>
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<tr>
<td>South Korea</td>
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<td>12</td>
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<tr>
<td>Singapore</td>
<td>12</td>
<td>12</td>
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<tr>
<td>Other</td>
<td>20</td>
<td>19</td>
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Percentage by industry

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<tr>
<th>Percentage by industry</th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
<th>60</th>
<th>70</th>
<th>80</th>
<th>90</th>
<th>100</th>
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<tbody>
<tr>
<td>Automobiles</td>
<td>23%</td>
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<tr>
<td>Other Automobiles</td>
<td>23%</td>
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<td>Electrical &amp; Electronics</td>
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<td>38%</td>
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<td>Machinery</td>
<td>12%</td>
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<tr>
<td>Other</td>
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Motivations behind Efforts towards SDGs

- Increased interest from consumers, buyers, and professional federations
- Self-motivated
- Relationship management with investors
- Relationship management with financial institutions
- Request from procurement sources/delivery destinations
- Influence from competitors
- Parent company, group company
- Requirement from local authority

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<th>Motivations</th>
<th>0</th>
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<th>80</th>
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<tbody>
<tr>
<td>Self-motivated</td>
<td>55.8%</td>
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<tr>
<td>Relationship management with investors</td>
<td>56%</td>
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<tr>
<td>Relationship management with financial institutions</td>
<td>56%</td>
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<tr>
<td>Request from procurement sources/delivery destinations</td>
<td>59.9%</td>
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<td>Influence from competitors</td>
<td>45.3%</td>
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<tr>
<td>Parent company, group company</td>
<td>36.4%</td>
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<tr>
<td>Requirement from local authority</td>
<td>29.9%</td>
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US-China Decoupling Response of Companies with Bases in Both U.S. and China

There has also been another key development relevant to US-China decoupling. In February this year, U.S. President Joe Biden signed an executive order to strengthen U.S. supply chains. The United States will work on measures to strengthen the resilience of U.S. supply chains over the next three months to a year, while at the same time promoting close cooperation with allies and partners of the United States. We should continue to bear in mind that global interest in supply chains is expected to remain high.

JBIC Survey Report on Overseas Business Operations by Japanese Manufacturing Companies can be found from the following website.


Survey of Overseas Direct Investment by Japanese Companies - Rethinking Supply Chains -
NAKANISHI Eisuke
General Manager, Overseas Industrial Park Department, Sumitomo Corporation

— I imagine the COVID-19 pandemic has impacted overseas industrial parks in various ways. NAKANISHI

Since the development of our first industrial park in Indonesia in 1990, Sumitomo Corporation has developed eight industrial parks in six countries. There are 552 tenant companies in those parks in total as of March 2021. The distinctive feature of our business is well expressed in the catchphrase “export and technology,” which means we support manufacturers for about 30 years. This is the business model we inherited from our parent company, Sumitomo Corporation.

As for the signs of change that only a company that has supported manufacturers for about 30 years can sense, I imagine the COVID-19 pandemic has impacted overseas industrial parks in various ways.

— What is your view of the results of the Survey of Overseas Direct Investment by Japanese Companies conducted during the pandemic?

IOTH

In the global economy, trends are decided by major turning points, such as the global financial crisis in 2008. The COVID-19 pandemic is also likely to become such a turning point. In that regard, the results of the survey give us quite a lot to think about. Information such as what individual companies were thinking, how they acted, and what their awareness of the issues was like is current and important. This is not something that is due to the pandemic, not all of them were actually caused by it. In my view, the pandemic accelerated some changes that had already started, and brought changes that had already occurred into the light.

Are you saying that these changes did not happen spontaneously, but that they occurred as part of an ongoing process or based on a build-up of things that had occurred previously?

IOTH

That’s right. Events that occurred around the time of the fall of the Berlin Wall in 1989 are believed to be the turning point that led to the globalization of the world economy. At around that time, globalization started to accelerate. The economy really started to take off. Today, more than 30 years later, some people describe the developments of those days as “hyper-globalization.” This term does not enter into the discussion about the increase in the volume of trade. It also includes globalization phenomena such as the division of labor beyond national borders and supply chains. However, it should be noted that China has been growing rapidly over the past 30 years, and particularly since it joined the WTO in 2001. While China’s growth in itself is not a bad thing, it has had no small impact on international politics and international organizations. The deterioration of the functions of the WTO is a typical example. I think this has led to a division of labor with the United States, and I think it could affect the performance of individual companies.

Could you give us your opinion on the SDGs?

IOTH

Among the 17 goals of the SDGs, I am focusing on green-related issues such as climate change and environmental conservation. This is not a direct result of the pandemic, nor is it an effort to reinvent economies that have cooled due to the pandemic. My view is that more attention is being given to the environment—issues that have been the subject of various activities for some time, including citizen’s movements. While I would not say that it is directly related to the hyper-globalization that I mentioned earlier, I do think that it is precisely because there are concerns about excessive globalization that it is attracting attention.

What changes will happen to international activities such as the SDGs going forward? How will the companies surveyed assess the magnitude of those changes? I think the survey was quite significant in that it has prompted us to think about these kinds of questions.
Operating Automotive Components Factories in Three Asian Countries outside Japan
Demonstrating Our Strengths in the World by Instilling the Spirit of “Wa (Harmony)”

Shinko Kogyo Co., Ltd.

Shinko Kogyo Co., Ltd. manufactures automotive components at three factories in Okayama Prefecture’s Soja City in Japan and at four factories in Thailand, China, and Indonesia. The company’s low cost and high quality by transferring Japanese manufacturing technology to factories in other countries has demonstrated the company’s original automatic production systems at its locations outside Japan as well.

Our Global Challenges

President Shinko Kogyo Co., Ltd. manufactures automotive components at three factories in Okayama Prefecture’s Soja City in Japan and at four factories in Thailand, China, and Indonesia. It has manufactured and marketed a wide variety of automotive components, responding to the trend toward local procurement of client companies that have ventured into overseas markets, including major automotive manufacturers.

Shinko Kogyo is one of Japan’s largest producers of propeller shafts, its core product line. It also handles some of the most important components involved in the motion, namely driving, turning, and stopping. They include transmissions, engine components, power steering components, brake components, wheel hubs, and engine connecting rods.

The company’s origins date back to 1948, when SASANUMA’s grandfather founded Shinko Kosakusho and started trading with Mitsubishi Heavy Industries, Ltd. (Mitsubishi Motors Corporation since 1970), which was located in the Mizushima Complex in Kurashiki City, Okayama Prefecture. Initially, its business was the machining of various types of screws, bolts, and gears. The company subsequently changed its name to Shinko Selsakusho and expanded its business into sheet metal parts manufacturing and welding assembly. In 1966, to further develop the company in response to increases in orders, the company split up its sheet metal processing division and machining division into separate companies. Shinko Kogyo came into being as the machining division, and, since then, it has built up its history as a supplier to Mitsubishi Motors Corporation.

A turning point in that history arrived when Mitsubishi Motors formed a capital alliance with DaimlerChrysler in 2000. SASANUMA recalls, “Under DaimlerChrysler’s policy, Mitsubishi Motors clarified its own direction toward global procurement. Hopping to overcome this situation, we broadened our product range, while expanding our business with major components manufacturers and major automotive manufacturers, a move that ultimately became very fruitful for Shinko Kogyo.”

Shinko Kogyo’s strength in manufacturing is its ability to produce high-quality products at low cost. What makes this possible is the advanced automatic production system that it has designed and built in-house. This system makes it possible to perform highly productive, flexible manufacturing that accommodates a wide variety of products. It also enables the company to recover quickly of its own accord in the event of a disaster or other emergency situation.

In the construction of the automatic production system, to keep costs down, Shinko Kogyo uses inexpensive general-use components on which it internally designs. It also enables the company to recover quickly of its own accord in the event of a disaster or other emergency situation.

With the wave of “CASE (Connected, Autonomous, Shared & Services, Electric)” sweeping across the automotive industry, the times are predicted to become even more turbulent. ‘We want to learn new technology and take on the challenge of manufacturing the kinds of components that are required to have high-provision functions. We also hope to make use of our cutting technology in the fields of welfare and agriculture.’

Shinko Kogyo has placed great importance on the “Spirit of Wa (Harmony)” embodied in its company credo. Shinko Kogyo says, “The most important thing is people working together in their work. People might lack ability, but we place more importance on their working dependably in accordance with our company credo. Shinko Kogyo is one of those veteran craftsmen serves as the principal.”

Building automatic production system even in Asia, a region of cheaper labor

SKK received a co-financed loan from JBC and Chugoku Bank. ‘We were introduced to JBC by Chugoku Bank and were able to take advantage of a loan from JBC for the first time to instill machinery at the plant. The loan is offered at a long-term fixed interest rate and can be funded in local currency, which allows us to avoid both interest volatility risk and foreign exchange risk. I feel that this loan is supporting our business in Indonesia on the financial front. What we would really like going forward is a system that could be accessed easily for working capital loans,’ said SASANUMA, hopefully.

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With the wave of “CASE (Connected, Autonomous, Shared & Services, Electric)” sweeping across the automotive industry, the times are predicted to become even more turbulent. ‘We want to learn new technology and take on the challenge of manufacturing the kinds of components that are required to have high-provision functions. We also hope to make use of our cutting technology in the fields of welfare and agriculture.’
Significance of project evaluation with anticipation of a post-COVID-19 future

I was in charge of the project financing for long-term FPSO (Floating Production Storage and Offloading system) chartering services to Petrobras Brasil S.A. (Petrobras), a state-owned oil company in Brazil, for the development of an oil field located off the coast of Brazil. An FPSO is a type of floating production facility for oil and gas that uses the hull of an oil tanker. MODEC, Inc. (MODEC) of Japan has the world’s top share in this field. In recent years, oil developing companies in a number of countries have been actively developing offshore oil fields. In Brazil, in particular, abundant offshore oil fields have been discovered, and MODEC has been putting efforts into the FPSO business for Petrobras for some time. The FPSO projects in Buzios and Marlim oil fields are the first 13th and 16th FPSO projects conducted by MODEC in Brazil. These projects involve a cutting-edge technology known as digital twin technology, which enables big data related to FPSO operations conducted more than 150 km offshore from Rio de Janeiro to be collected and analyzed for breakthrough prediction and other purposes. The active commitment of Japanese companies in the energy sector in the development of natural resources overseas and the outstanding track record that they are building up will help enhance Japan’s international competitiveness in this sector. The technologies and expertise that have been cultivated through marine resource development overseas are expected to prove useful in coming years, when mining and production of offshore energy resources such as methane hydrate near Japan begin in earnest. It will also lead to the digitization of the entire oil and gas industry as an example of introduction of cutting-edge digital technology. In fact, MODEC’s efforts have led to its recognition by the World Economic Forum as a Lighthouse of the 4th Industrial Revolution in January 2020, the first Japanese company to receive such recognition. I believe that providing support on the financial front to these kinds of projects that will take us into the future is a significant step for JBIC as well. JBIC has been involved in financing MODEC’s FPSO chartering services for Petrobras since its very first project. In doing so, we had been accumulating diverse expertise with regard to the contemplation of FPSO projects. However, the situation changed completely due to the COVID-19 pandemic. As well as the inconvenience of having to negotiate with the relevant parties online, the turmoil in crude oil prices and other impacts of the pandemic made the business environment unclear, adding to the difficulties in evaluating the project. We conducted verification and deliberation anew several times over to determine the bankability of the projects. In doing so, our emphasis was not on immediate economic and social trends but on the anticipation of energy demand. This was in light of the fact that, even if there is to be a temporary economic slowdown and fall in energy demand, the economy will continue to grow and the population increase in the medium to long term. Being able to take such long-term view and finalize the appropriate project structuring, even in such highly uncertain circumstances, was an invaluable experience for me personally.

The automobile industry in India is growing rapidly. In 2020, the number of cars sold in India was the fifth largest in the world after the United States, China, Japan, and Germany. Japanese automobile manufacturers have built up a majority of market share in India through efforts such as localizing their supply chains as much as possible. This structure is in line with “Make in India,” a key initiative to promote local manufacturing in India led by the Prime Minister Narendra Modi. In 2020, economic activity in India stagnated due to lockdowns caused by the COVID-19 pandemic. JBIC’s Representative Office in New Delhi regularly exchanges opinions with local Japanese companies. On this occasion as well, Japanese automobile manufacturers came to JBIC’s representatives in New Delhi for advice about their local suppliers and dealers and about financial support for sales. They expressed concern that if Japanese automobile manufacturers’ local suppliers, including SMEs, were to suffer serious damage from the lockdowns, it could have a major impact on their automobile production. We started considering what JBIC could do to assist. Usually, we offer export loans and increase investment loans to support Japanese companies, but in this case, the targets of support would be local businesses. The idea that emerged was to use untied loans. Until now, untied loans have primarily been used for purposes such as global environmental preservation. However, with the COVID-19 pandemic, we have recognized anew the need to enhance supply chain resilience and support India’s automobile industry, which has a wide range of supporting industries. As such, we began looking into untied loans as a means of assisting the supporting industries of Japanese automobile manufacturers. There were many challenges, and coordination among stakeholders was not easy. However, after carefully identifying what was needed to assist those supporting industries and holding many discussions about a mechanism to meet those needs with the State Bank of India (SBI), the largest state-owned commercial bank in India with a wide range of customers, the decision was made to provide financing to SBI. During negotiations, our main focus was to create a mechanism that would benefit Japanese companies. From that viewpoint, we asked SBI to talk to the Japanese automobile manufacturers that underpin the automobile industry in India. We hope that the loan will lead to the development of Japanese companies located in India and the country’s automobile industry. It was also good experience for our division to work together with our representative office to structure the project and to execute the loan, based on the needs gathered from the field. Moreover, the concept of support for enhancing supply chain resilience has been incorporated into JBIC’s new facility, which we hope will be used to provide similar support in many countries and regions going forward. We will strive to broaden the scope of our support to meet the needs on the ground, without being constrained by existing frameworks.

Supporting Production and Sales of Japanese Automobile Manufacturers

On October 27, 2020, JBIC signed a loan agreement amounting to up to USD600 million (JBIC portion) with the State Bank of India (SBI). The loan is co-financed with Sumitomo Mitsui Banking Corporation, MUFG Bank, Mizuho Bank, the Shizuoka Bank, and the Bank of Yokohama. The total co-financing amount is USD1,000 million. The portion co-financed by the private financial institutions is guaranteed by JBIC, which is the largest state-owned commercial bank in India. This loan is intended to provide, through SBI, the funds necessary for the manufacturing and sales businesses of suppliers and dealers of Japanese automobile manufacturers, as well as for the provision of auto loans for the purchase of Japanese automobiles. The loan will help promote smooth funding lines for the whole range of business operations of Japanese automobile manufacturers in India, from production to sales, thereby serving to maintain and improve the international competitiveness of the Japanese industry.
Trilateral Infrastructure Partnership Meets with Communist Party of Vietnam Central Economic Commission, State Bank of Vietnam, and Relevant Ministries

Trilateral partners commit to supporting energy infrastructure based on openness, transparency, and fiscal sustainability

In November 2018, the Japan Bank for International Cooperation (JBIC) entered into a Memorandum of Understanding on the Trilateral Partnership for Infrastructure Investment in the Indo-Pacific (Trilateral Infrastructure Partnership (TIP)) with the U.S.'s Overseas Private Investment Corporation (now the U.S International Development Finance Corporation), Australia’s Department of Foreign Affairs and Trade, and Export Finance and Insurance Corporation (now Export Finance Australia).

On October 30, 2020, representatives of the TIP held a virtual high-level conference with senior officials of the Communist Party of Vietnam (CPV) Central Economic Commission (CEC) and Central External Relations Commission (CERC), State Bank of Vietnam (SBV), and relevant ministries.

The trilateral partners noted that Vietnam is planning a number of infrastructure projects to meet its growing demand for energy. They appreciated the recent announcement of CPV Politburo Resolution No. 55 on the "Orientation of Vietnam's national energy development strategy to 2030, vision to 2045" regarding Vietnam’s policy shift of reducing the share of electricity supplied from coal-fired thermal power generation and moving toward greater use of gas-fired power and renewable energies. The trilateral partners highly commended this approach and declared that they would commit to providing financial support based on international standards and principles for development such as openness, transparency, and fiscal sustainability. They agreed to cooperate further to advance Vietnam's development goals.

The trilateral partners reiterated the importance of a bankable Public-Private-Partnership (PPP) scheme for securing private capital flows to Vietnam and promised to continue supporting the development of a strong regime in cooperation with the private sector. According to the CEC, USD150 billion in funding will be needed to meet Vietnam's domestic energy infrastructure demand by 2030. To assist in meeting that demand, the trilateral partners also stressed the importance of flexible and targeted support for the projects developed as an Independent Power Producer (IPP) project, while ensuring projects are developed in accordance with the G20 Principles for Quality Infrastructure Investment.

The aims of the TIP are to strengthen cooperation among like-minded countries in order to drive economic growth and promote sustainable infrastructure investment in the Indo-Pacific region, with the goal of achieving a “Free and Open Indo-Pacific.” The virtual conference was a significant event in terms of further advancing those aims.

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