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## Japan Manufacturing Exodus 'Large' Cause for Trade Concern 2012-01-25 05:03:24.146 GMT

By Cheng Heng Shinn

Jan. 25 (Bloomberg) -- An exodus of manufacturing jobs from Japan may prolong trade-balance concerns after the nation reported its first annual trade deficit in 31 years.

Panasonic Corp., Japan's largest appliance maker, is moving the headquarters of its \$57 billion procurement operation to Singapore in the year starting April 1. Honda Motor Co., the nation's third-largest carmaker, said this month it will build its new NSX "supercar" in Ohio as the company shifts more output to North America.

Manufacturers from Panasonic and Honda to Sony Corp. and Toyota Motor Corp., which helped fuel three decades of trade surpluses, are moving output overseas as the yen trades near a postwar high, making exports less profitable. The shift may have a long-term effect on Japan's trade balance, which was skewed last year in part by higher energy imports following the Fukushima nuclear accident in March.

"Japanese companies shifting production abroad will be a risk and a large cause for concern in the medium to long term,"

Yoshiki Shinke, a senior economist at Dai-ichi Life Research Institute Inc., said by phone today. The impact on future trade balances "will depend on the actions of the corporations," he said.

### 'Fatal Blow'

Japan's exports fell for a third consecutive month in December, capping the first annual trade deficit since 1980.

Shipments dropped 8 percent last month from a year earlier, the Ministry of Finance said today in Tokyo. In addition to the export slump, energy imports rose after an earthquake and tsunami knocked out the Fukushima nuclear power plant, resulting in a 2011 deficit of 2.49 trillion yen (\$32 billion).

The numbers highlight a shift toward imports that helped Tadashi Yanai, president of Fast Retailing Co., become Japan's richest man.

Yanai's Yamaguchi, Japan-based company, Asia's biggest clothing retailer, makes all its clothes overseas and imports them for sale in its home market. In an interview in November, he called the stronger yen a "fatal blow" to domestic manufacturing.

"It's like saying, 'Don't do manufacturing in Japan,'" said Yanai, who was listed by Forbes Asia as Japan's richest man in 2010 and 2009, with a net worth of \$9.2 billion as of last January.

Japan's currency strengthened to a postwar high of 75.35 against the U.S. dollar on Oct. 31 and traded at 77.98 as of 12:38 p.m. in Tokyo. The currency has gained 5.7 percent against the dollar in the past 12 months.

### 'Hollowing Out'

Fast Retailing does about 80 percent of its manufacturing in China and the rest in other Asian countries, said Aldo Liguori, a spokesman.

Carlos Ghosn, chief executive officer of Nissan Motor Co., said in October Japan faces a "hollowing out" of its industrial base should it fail to counter the yen's rise.

Yokohama-based Nissan, Japan's second-biggest automaker, shifted output of the March compact car to Thailand from Oppama, Japan, almost two years ago to offset the effect of the strengthening yen and to cut costs by basing production near suppliers. The company began construction last year of a plant in Brazil and has said it plans a third auto-assembly factory in Mexico.

#### Toshiba, Elpida

Toshiba Corp., the world's second-largest maker of flash-memory chips, is closing three semiconductor factories in Japan by September, the company said Nov. 30. The Tokyo-based company is reorganizing production as a rising yen and the slowing global economy sap demand.

Sony Corp., Japan's largest exporter of consumer electronics, has cut the number of its domestic factories to 23 as of today from 28 three years ago, said Mami Imada, a spokeswoman for the Tokyo-based company.

Panasonic will acquire about 57 percent of its parts and materials abroad in the year ending in March, up from 43 percent two years ago, and intends to expand purchases in Asia in the coming years, the Osaka-based company said in September.

Elpida Memory Inc., the world's third-largest maker of dynamic random access memory chips, said in September it was considering moving almost half of its Hiroshima plant's production to Taiwan.

"At the current exchange rate, there's no question we have to do this," Elpida President Yukio Sakamoto said in Tokyo on Oct. 27. "We want to make it happen as soon as the preparations are in place."

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