

Japan's economy contracts as exports plunge

John Watanabe
28 February 2012

Japan's economy contracted in the fourth quarter of 2011 by an annualised 2.3 percent, resulting in an overall yearly contraction of 0.9 percent. The country also recorded its first trade deficit in 31 years, reflecting sharply falling demand in its key exports markets in China, Europe and North America.

Significantly, the trade deficit continued in January. Japan's exports to China took a 20 percent dive compared to last year, recording the fourth straight month of decline on a year-on-year basis. China accounted for 40 percent of January's trade deficit. These results point both to the slowdown in China and its implications for the Japanese and global economy.

Japan's current account remained in surplus, but suffered its biggest yearly loss in history, threatening to undermine the government's ability to service the public debt, which stands at about 230 percent of gross domestic product.

Japanese manufacturing is being hit particularly hard. Falling sales in Europe and North America, the high value of the yen and increasing competition, especially from East Asian rivals, are threatening the very viability of basic industry.

With the yen surging to a post-war high of 75 yen for \$US1 last year and remaining around 78, even the most competitive brand names of core industries such as automobiles and electronics are increasingly unable to cope.

The *Economist* last month reported JP Morgan's

forecast that Japanese car makers will base 76 percent of their output overseas by 2014, compared to 49 percent in 2003. In the latest reflection of this trend, Toyota announced on February 9 that it is moving the production of the Highlander SUV from Japan to its Princeton, Indiana plant—no doubt taking advantage of falling labor costs in the US auto industry.

One industry observer remarked that “hardly a month goes by without an announcement by a Japanese manufacturer of moving production of one model or another from Japan to the United States, Mexico, or Canada.”

Toyota president Akio Toyoda told the BBC in December that it might be time to reconsider Toyota's commitment to produce three million cars per year in Japan. “In terms of the business environment in Japan, it is not really viable,” he said, adding, “it is not possible to produce so much in Japan.”

Mitsubishi Motors president Osamu Masuko concurred. “It is simply not thinkable to increase production in Japan,” he told the BBC. According to the BBC, Nissan has stopped investing in Japan. Its CEO Carlos Ghosn said: “[T]here's not one project that we can justify to base in Japan—not one... we should not export from Japan anymore.”

Massive job losses are expected. Toshiyuki Shiga, chairman of the Japan Automobile Manufacturers Association and Nissan's chief operating officer, told *Bloomberg*: “There are 5.32 million people who work in the auto industry... These jobs will be directly affected by a hollowing out.”

Caterpillar is also shifting production of small tractors and excavators from Sagami, Japan, to a new

\$200 million plant near Athens, Georgia. Caterpillar chief executive Doug Oberhelman said: “We are making a series of significant investments around the world to position Caterpillar to maintain its leadership position.” The company is playing American, Japanese and other workers off against each other to determine who will be the most exploited.

Japan’s electronics industry is perhaps even more seriously affected. Panasonic recently doubled its projected net loss for the fiscal year through March to a record 780 billion yen, or over \$10 billion, the second highest ever for a Japanese manufacturer. It is in the process of shedding 17,000 jobs by the end of next month. As a comparison, the power company TEPCO, the largest in Asia, will suffer a 695 billion yen loss in this disastrous year for it, dominated by the Fukushima nuclear power station catastrophe.

Another electronics giant, Sony, has more than doubled its predicted net loss from 90 billion to 220 billion yen—just under \$3 billion. Both Moody’s and Fitch recently lowered Sony’s credit ratings. Likewise, Sharp expects to lose 290 billion yen for the fiscal year, its biggest loss in history. Nintendo announced its first annual loss in three decades.

NEC said it would post a net loss of 100 billion yen, more than six times the previous estimate, with its shares losing a third of their value in about a year. NEC will slash 10,000 jobs, almost 10 percent of its workforce, with about 7,000 layoffs in Japan. Scandal-hit Olympus also expects a net loss. It remains under investigation for accounting fraud in Japan, Britain and the US, with its market value halved.

Toshiba booked a 72 percent drop in quarterly operating profit, and cut its annual profit forecast by a third. Hitachi took a 21 percent loss in quarterly operating profit, though it expects a profit of more than \$5 billion for the year, following one of the biggest losses in Japanese corporate history, some \$10.33 billion in 2009. Hitachi announced a “reorganisation of operational structure,” seeking to “overhaul [its] operations to boost profitability.” This will inevitably mean mass layoffs for its global workforce of 360,000.

On top of all this, there is a looming electricity price hike of 17 percent, the first since 1980, by TEPCO, which supplies power to some 45 million people in the wider Tokyo area. This could serve as a final, knock-out punch for many of the 240,000 industrial users that will suffer the rate hike in April. It is expected that the household rate increase will be approved by the government for the second half of this year.

According to a survey released last month and published by the *Japan Times*, more than 70 percent of 105 leading Japanese companies predict no growth in 2012. National broadcaster NHK reported that the industrial output is only half of what it was just 10 years ago.

Even before the global financial crisis began in 2008, Japanese industry was increasingly dependent on cutting wage costs and working conditions. This included bogus government “technical internship” schemes for cheaper Chinese workers, and special provisions for Brazilians of Japanese origin, allowing employers to bypass national labor laws. Now Japanese workers face a far-reaching assault on their jobs, conditions and living standards.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact