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AE MicroMacro - Japan

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Japanese firms leave UK

What happened? With [the appointment of Boris Johnson as the 55th Prime Minister of Great Britain](#) [the wisdom of a no-deal Brexit grows](#) - especially after [the last decision](#). There's no surprise, that due to many reasons this scenario is the worst for the UK based Japanese companies. [Even though a few of them were preparing to leave UK anyway](#), the "hard Brexit" could create [a snowball effect](#) - mainly for the automobile industry. Bigger companies like Honda ([fourth largest Japanese employer in UK](#)) already [decided to move their operations](#), but they could be a part of a real wave after the no-deal Brexit. Hard Brexit will not be the only factor, but it's certainly a significant one. UK should leave UE till October 31st, 2019.

Who is who? Japanese auto-industry in UK [employs more than 60,000 people](#) (manufacturing and sales jobs). Among the 'big three' (Honda, Nissan, Toyota) only the first one decided to leave UK permanently - Toyota is watching the situation and Nissan has already made plans [to cut potential investments](#). It must be mentioned that Brexit (focusing only on Japanese firms) plays mostly in favor of the Netherlands. Several major Japanese companies like [Sony and Panasonic](#) have already decided to move their European HQ from London to Amsterdam. The situation also benefits for Germany. If [Sumitomo Mitsui Banking Corporation obtains the UE license, it will invest in Frankfurt instead of London](#).

Why it matters? Focusing on the automobile industry and taking Honda as an example - data shows that only in 2018 [Japanese manufacturer produced more than 160,000 cars](#) which accounts for approximately 10% of UK total output. The automobile industry fear several crucial factors connected to the no-deal Brexit such as: higher tariffs on vehicles, delays related to the new status of UK and increased bureaucracy. All those issues will disappear when a production cycle is moved to European Union. For UK not only current



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workplaces are at stake - [Japanese companies have invested over 60 billion GBP in UK](#) and even if (most likely scenario) most of them will stay, the current amount of investment will not grow significantly.

Bigger picture. Japan has always recognized United Kingdom as a pro-business, liberal gateway into the European Union. 1/3 of all Japanese investment in Europe (even more if counting only EU countries) has been placed in UK. [Japan's cumulative investments into the UK totaled 158 billion USD and 634 Japanese firms reported annual sales of 68 billion USD and employed 150,000 workers as of the end of March 2017.](#) As for the automobile industry, data shows that because of Brexit [investment has dropped by 80%](#) (since referendum in 2016). Last, but not least - after leaving European Union UK won't be able to capitalize on the potential advantages related to [the EU - Japan Economic Partnership Agreement](#). Taking all these factors into account, the British "disadvantages" should be recognized as a zero-sum game mostly for a vulnerable auto-industry.

Why it matters for Poland?

Poland plays a significant role among East European countries for the Japanese enterprises, [whose number present in Poland is constantly increasing \(especially in Special Economic Zones\)](#). What's more important, currently in Poland several Japanese auto-industry companies are present and they [steadily invests](#). The question is if Poland could capitalize on the retreat of Japanese companies from automotive or other industries due to Brexit? The director of Japan Institute for Overseas Investment (JOI) Mijamoto Hiromichi offered some hints [Poland will certainly play a significant role as an industrial base for Europe after Brexit \[i.e. Nissan, Honda\] but has to show up a strategy with 'favorable incentives', i.e. tax breaks, renting costs, infrastructure development, etc.](#) Ongoing data shows that none of "Japanese-British expatriates" has decided to move to Poland - what can be misleading in terms of Polish lobbying.