

Next phase for the competitiveness of trade in services
— referring to analyses in Japan—

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ABSTRACT

Web technology or applications are changing the competitiveness of business globally and the leading countries began to add their target areas not only the industrial products but also cross-border trade in services. The next stage struggle will be also competed by trade in services fields. This paper tried to make analysis of the case Japan. The world leading countries have the language advantage of the English. It is important to make cross-border interactive communication by mutual languages between countries in the coming ubiquitous world. Japan has to increase external communications by other languages from the outstanding Japanese only.

Keywords

Broadband, Cross-border communication, Trade in services, e- commerce

Introduction

Japan is just in a turning point to cultivate cross-border trade in services. It was found that Japan has unbalance trade deficit in cross-border IT service business. To cope with the lags of IT business in Japan, Japan tried to make new infrastructure arrangement in the broadband, and gradually acquired the leading edge broadband infrastructure after the “e-Japan” policy since 2001. Towards the next step, the ubiquitous society is coming into existence up to 2010 by a policy of the “u-Japan”.

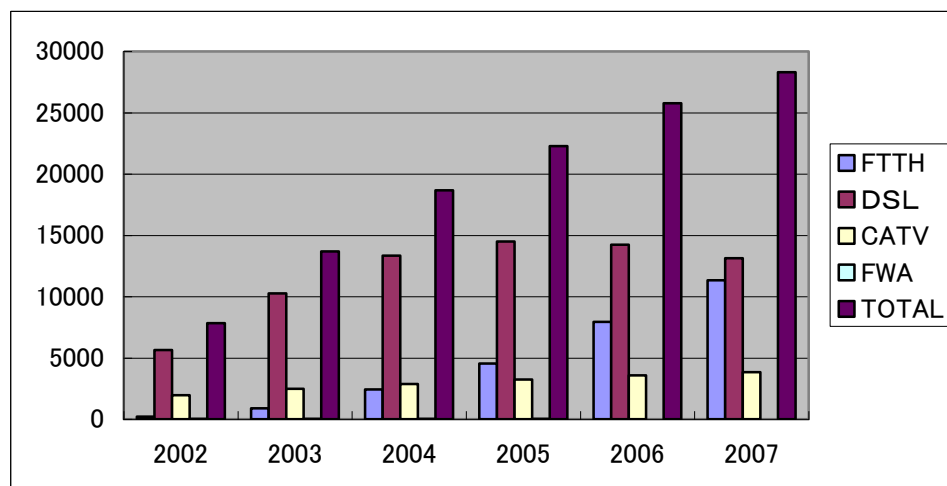
Under the newly acquired advantage of living in the superior broadband circumstances, this paper tries to analyze the unbalanced trade in services business. What are the distinct defects in the ubiquitous IT business development in Japan?

01. The broadband expansion policy

The broadband business is divided into 4 types in Japan. The first is the FTTH (Fiber to the home), the 2nd is the DSL (Digital subscriber Line), the 3rd is CATV (Cable TV) and the last is the FWA (Fixed Wireless Access).

The figure-1 shows the increase of the broadband installation in Japan after 2002 to 2007. The type DSL increased from 2003 to 2005 and the type FTTH gradually increased from 2003 to 2007.

Figure-1 broadband contract numbers in Japan (in thousand)



The total rate of increase is over 10% annually since 2002, and the type FTTH increase rate took over the DSL increase rate after 2005. This fact shows that Japan improved the IT business circumstances to be a helpful and faster for IT business. Japan acquired an enjoyable infrastructure in the past 6 or 7 years for internet users. Further, Japan has positive policy towards 2010 for another infrastructure arrangement of the broadband. This policy is mainly for the broadband completion of the remained remote rural areas in Japan.

Then what is going on the other trends in the area of IT business ?

02. Contracts in the world

Firstly, how is the outstanding user status of the broadband usage in the world? あつ According to the broadband infrastructure improvement, do the numbers of broadband connection contract have been increased? The following table-1 is the broadband contracts numbers from the report of “Joho Tsushin Hakusho” by the Japanese government. Japan has major 3 broadband providers, NTT, Softbank and the KDDI on the table.

Table-1 World top 12 communication companies contracts numbers at the end of 2007

broadband contract number		
	country	thousand
China telecom	China	35,650
AT&T	USA	14,160
Deutsche telecom	Germany	13,930
NTT「Japan」	Japan	12,960
France Telecom	France	11,650
Telecom Italia	Italy	11,030
Telefonica	Spain	10,320
Verizon	USA	8,240
KT	Korea	6,520
Softbank「Japan」	Japan	4,940
KDDI「Japan」	Japan	3,970
Qwest	USA	2,610

Source: modified from “情報通信白書 p.48 2008 “ Japan government

To make it clearer the table-1, the table-2 is classified into country- wise broadband contract numbers.

Table-2 Contract numbers by countries (2007/Dec.)

China	35,650
USA	25,010
Japan	21,870
Germany	13,930
France	11,650
Italy	11,030
Spain	10,320
Korea	6,520

Source: modified from “情報通信白書 p.48 2008 “ Japan government

The 1st is China, the 2nd is the U.S.A. and the 3rd is Japan from the table-2 in the world. China and the U.S.A. had more broadband contract numbers. Japan needs to catch up by increasing contract numbers.

03. The trend of trade in IT services Japan among the world

Japan was very successful on cross-border trade in goods after the world war the second. In the 1980's, big industrial trade balance of Japan was a problem. Since the 1980's, the U.S.A. began to suggest the idea of cross-border trade in services. The WTO was established in 1995 and made 4 modes of trade in services. The U.S.A. is very good in the balance of the trade in services.

Table-3 Cross-border trade in export (credit) services, import (debit) services and the balance

cross-border trade in services credit & debit

Japan millions\$

year	1980	1985	1990	1995	2000	2005	2006	2006/1980
credit	20,240	21,648	41,384	65,274	69,238	110,210	117,298	5.80
debit	32,360	31,252	84,281	122,626	116,864	134,256	135,556	4.19
balance	-12,120	-9,604	-42,897	-57,352	-47,626	-24,046	-18,258	1.51

Germany millions\$

year	1980	1985	1990	1995	2000	2005	2006	2006/1980
credit	32,817	30,399	62,662	80,231	83,150	155,894	173,115	5.28
debit	45,110	35,929	85,052	132,382	137,254	202,684	215,020	4.77
balance	-12,293	-5,530	-22,390	-52,151	-54,104	-46,790	-41,905	3.41

U.S.A millions\$

year	1980	1985	1990	1995	2000	2005	2006	2006/1980
credit	47,550	73,093	146,460	217,353	295,965	384,612	418,848	8.81
debit	40,970	72,030	117,050	141,410	223,739	315,632	342,818	8.37
balance	6,580	1,063	29,410	75,943	72,226	68,980	76,030	11.55

[source:http://www.iti.or.jp](http://www.iti.or.jp)

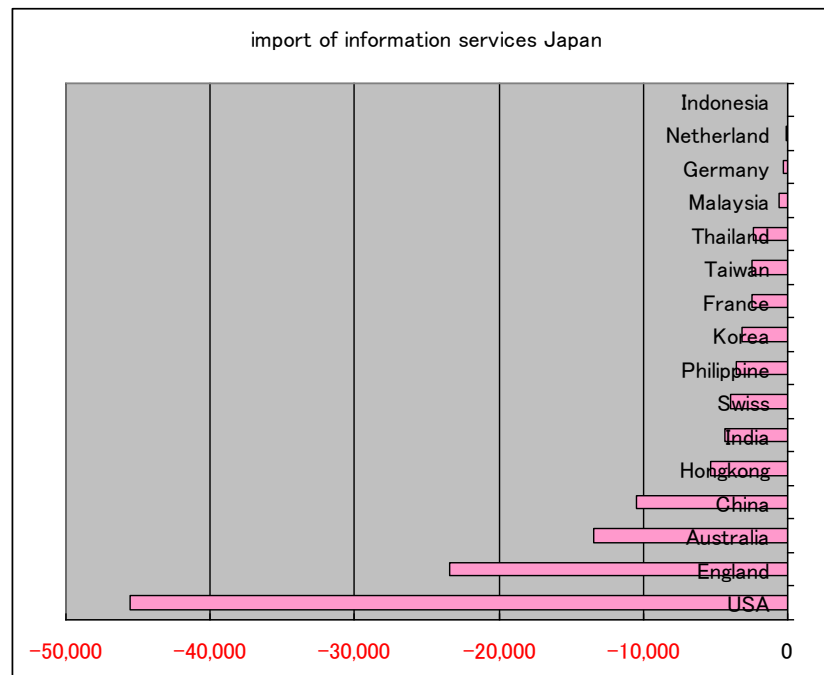
Modified from <http://www.iti.or.jp>

The table-3 shows the constant growth of the U.S.A. both the export (credit) and the import (debit) of trade in services from 1980 to 2006. The case of Japan, the balance is always in the negative. The credit increasing ratio is 5.80 times in the case of Japan, the U.S.A. is 8.81 and Germany is 5.28 from 1980 to 2006. The debit ratios are 4.19%, 8.37% and 4.77% respectively. The U.S.A. has the biggest increasing ratio both the credit & debit. Germany is also successful in the trade on goods same as Japan but not so successful on the trade in services. Compared to Japan, Germany had a larger debit increase ratio from 1980 to 2006. This table clearly indicates the shortage of the Japan's credit. Japan is required to make the balance match by acquiring export business or increasing credit.

What type of the service is not balancing in Japan? One of the data of the import of information services is reported by the Institute for International Trade and Investment

by the figure-2. Japan makes deficit balance from 15 countries in the year of 2002. And the 6 countries out of 15 countries, are English speaking countries. This may certify the advantage of the programming or IT business with the English. Japan has the disadvantage of the Japanese language or without the English.

Figure-2 Big deficit partner country of information services of Japan 2002 (in million¥)



Source: modified from “IT サービス貿易の概念整理と国際比較 Institute for International Trade and Investment p.100 2005”

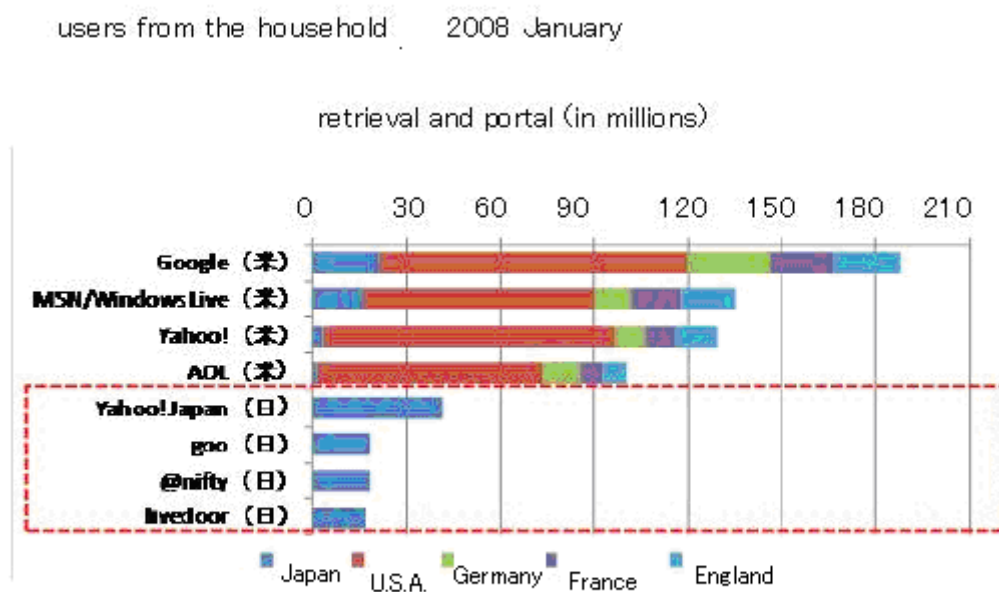
The top deficit is to the U.S.A. in the amount of 45,600 million yen, the second is to England 23,400 and the third is to Australia 13,400. The top 3 total amount is 128,000 million yen, the amount makes 76% of the total deficit of information services deficit balance of 167,300 million yen. Japan has to reduce deficits to keep trade balance for the information services by the cultivation for service import substitution.

04. Another problem in Japan

The internet is conveniently used and spread over the world in the past 15 years. In the Internet sphere many users enjoy information by searching with portal sites and retrieval search engine. The figure-3 shows the usage of each portal site with retrieval engine. The U.S.A. has the Google, the MSN, the Yahoo and the ADL. Japan has the

Yahoo Japan, the goo, the @nifty and the livedoor. There is a definite difference of the portal sites between the U.S.A. and Japan. The U.S.A. portals have mixed users over countries like the U.S.A, Germany, France, England and Japan. On the other hand, the Japanese portals have only the Japanese users. The Japanese visits to foreign portal sites, but no foreigners visit Japanese portal sites. In terms of access, the Japanese users make debit access to foreign sites and no credit access from foreign users.

Figure-3 Populations of households of major internet portal site

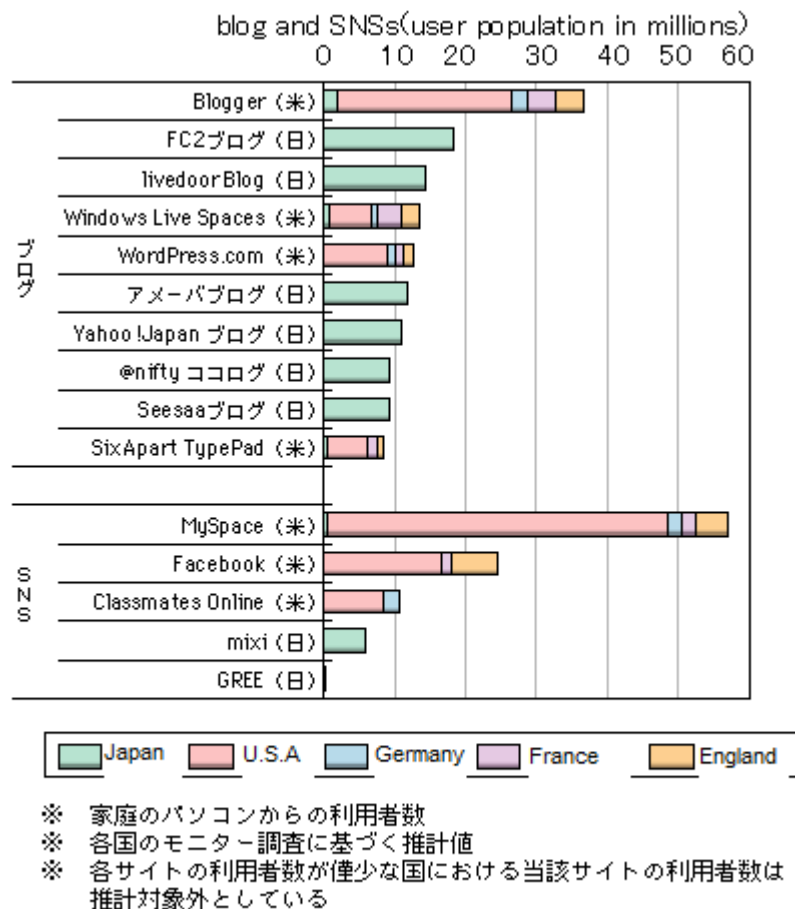


Source: modified from “情報通信白書 p.49 2008”

That is, the Japanese mostly use portal sites in Japan in Japanese, and some Japanese use foreign portal sites in foreign languages. However, few foreigners use Japanese portal sites. So the Japanese homepages are only for the Japanese. The Japanese have to make efforts to be opened page views and to obtain more cross-border access.

Today, blogs or SNSs are popular in the Internet world. The next figure is about the blogs and SNSs.

. Figure-4 User population of major blogs and SNSs



Nielsen Online資料により作成

Source: modified from 情報通信白書 2008 p49 総務省

The U.S.A. has “Blogger” of the top ranked with user population from Japan, the U.S.A, Germany, France and England. Japan has the 2nd ranked “FC 2” with the Japanese users only. The case of Japan, not only portal sites and retrieval engines but also blogs and SNSs, are negatively affecting the service business trade balance. Japan has surely portals and blogs but those are closed to the only the Japanese world and not in use to the other countries’ users.

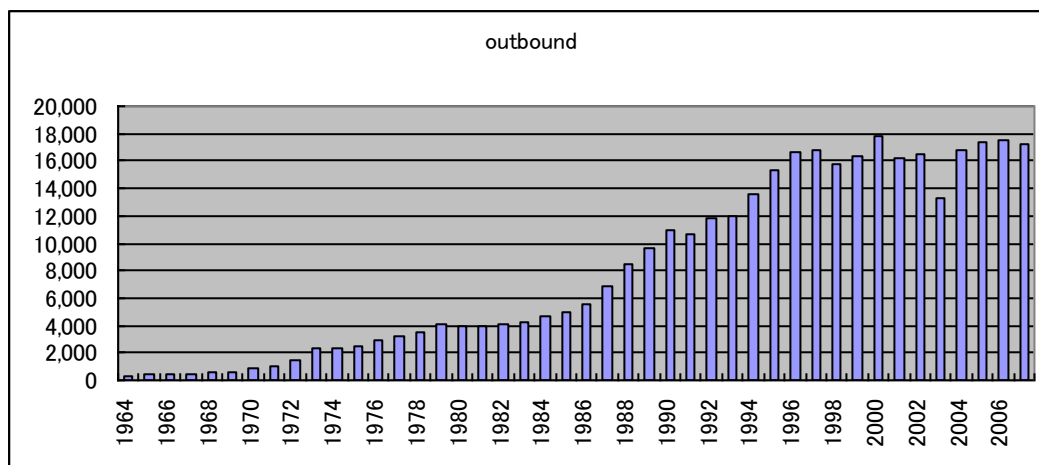
These evidences indicate that Japan is isolated and also exclusive in the IT business towards the external world. Is there any change or movement in Japanese services world?

05. One of the findings in Japan

The next figure is the tourist populations of outbound from Japan. The population was

very small numbers in 1960's. But the population increased in 1970's and 1980's. The rate of increase was accelerated and it continued increasing during 1990's in Japan. Finally, after 1996 the population matured with the ceiling about 16 millions of the outbound Japanese travelers. They continued creating debit outbound travelers activity almost 30 years in Japan.

Figure-5 Outbound travelers in Japan (in thousand)

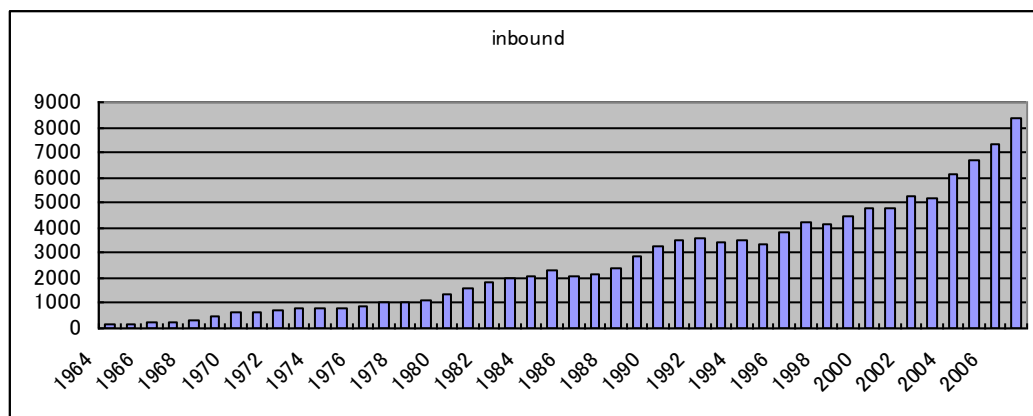


The figure-6 is travelers inbound from overseas to Japan. They were small numbers in 1960's. They were flat in the 1970's and they began to increase from the 1980's. The rate of increase began to be larger in 1990's, and now they are coming close to 10 millions in Japan. The case of outbound, 10 millions populations were accomplished in 1990 about 18 years ago. If we are able to keep the increasing rate as same as the outbound case, we will be able to keep the balance even in 20 years. We are maturing the outbound debit activity. Now we are to increase the inbound credit activity in the future. We have to watch to keep the inbound activity increase ratio to make balance against outbound continuously. If the case is one of the success models of trade in services, it can apply to a variety of trade in services business in Japan.

Japan held joint world cup of the soccer in 2000 with Korea. There was no such international event in Japan ever before. Japan noticed for the first time the resources of sightseeing in Japan. Many foreigners especially from the Europe for the first time knew the difference between the Korean and the Japanese. On the other hand, over 10 millions of the Japanese traveled to other countries after 1990 yearly. Many Japanese

became familiar with the foreign major famous cities and towns through the tours. Many people in Japan heard the topics or lives of foreign countries from the outbound tourists of Japan.

Figure-6 Inbound travelers in Japan (in thousands)



Now the mode was changed to the reverse side. The Japanese welcome inbound tourists from many countries. Many Japanese have their experiences of the foreign countries and learned the lives of foreigners by their outbound tour. The Japanese are able to exchange their experiences to each other within Japan. Also there are many McDonald's and Starbucks coffee shops, or convenience stores in Japan. Many foreign travelers from other countries are a bit familiar with the Japanese life style. The Japanese began to have many opportunities to make communications with foreigners. Traditions or circumstances of all Japanese environments began to change slowly.

Comments

Japan was successful by industrialization making automated mass production over 50 years. Gradually, the products are enhanced these 30 years, and then the trade in services followed after 1980's. Contrary to the goods trade, now Japan is making big deficit on the cross-border trade in services. By learning the case of outbound travelers of Japan and inbound travelers from other countries, Japan will have to make the next breakthrough in the area of the trade in services.

The newly emerging seeds for Japan are the business like the animation or the computer games. These are classified as a new IT contents business based on the

internet infrastructure. Japan is under the process of developing wide broadband infrastructure by the name of “u-Japan”.

Another problem for the Japanese is how to increase communications with foreign countries. Japan is required to increase the intercourse to foreign countries both trades and services. In the area of the art, another emerging seeds are starting like the music named J-POP or the comic. Traditional music was newly named J-POP and started in the early 1990’s to the world. The Japanese comic is becoming popular in Europe, in the U.S.A. or in Asia. These are based on communications and different type of trade in services for Japan.

As a first trial, how to be successful of inbound tourists business from foreign countries will be a big challenge for the trade in IT services business in Japan.

These new seeds for trade in services will be common to all of the countries in the 21st century.

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