Business Expansion

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Discussion

The country chosen for the sake of this discussion was Japan, considering the fact that it has one of the world’s largest financial centers, Tokyo. The regional bank wants to open an office overseas to facilitate international transactions and offer numerous service to businesses expanding internationally. The foreign branch of the bank in Japan will offer a number of services such as facilitating international transactions, international cash management, letter of credit and payments, etc. The previous discussion involved an analysis of the cultural, economic, social, educational, and political and legal system of Japan. This paper seeks to dig deeper into the discussion about Japan’s suitability for the commencement of operations of a foreign bank.

Japan is one of the most flourishing economies of the world which makes it most attractive for international ventures. Due to this number of US business have their functional business contracts with Japanese enterprises. The country indulges in international trade and has international trade relations with the US, China, Australia, and many other countries. The importers and exporters in Japan need the international business related services of foreign banks. This will uncap business opportunities for the regional bank in the developing nations. Japan also plays an essential role in East Asia and after the robust economic growth in 2005, the GDP represented a constant growth in which Japan played an essential role. Numerous consumer goods that gain fame in Japan also become famous in East Asia, which promotes foreign trade. Rise in foreign trade results in more interaction among international business players and the rise in international transactions, which gives a boost to the bank services and operations. Considering the magnitude of international trade, the regional bank can also decide about the country in which the bank can further expand its operations. This will make the bank familiar with the magnitude of international business operations of Japan with the developing countries that are helpful in perusing international expansion.

Regional integration is a procedure to make bordering states enter into a contract to elevate assistance through common traditions and instructions. The assimilation of these 3 activities has several benefits; like promoting universal compensations for businesses. Local assimilation permits nations to combined and create mutual bazaars. It will generate bigger arcades by opening up boundaries, eradicating levies and import/export rates among the fellow countries. Japan has raised economic assimilation inside East along with Southeast Asia, and yonder in the extensive Asia-Pacific region. This has headed to dense financial and corporate connections in the expanse, also including profound manufacture systems besides the value chain.

The country formed several common trade agreements, for example, Economic Partnership Agreements (EPA) and Free Trade Agreements (FTA), mainly with states in the Pan-Pacific constituency and Southeast Asia. The country has FTAs/EPAs with fifteen nations and states, largely in Asia. FTAs/EPAs at present cover 22.3 percent of the entire worth of Japan´s occupation. Japanese innovativeness vigorously continues to advance more occupation connections and investment schemes (“Regional economic integration of Japan and Asia | Aktuelles - Germany - JETRO,” n.d.). It can be stated that Japan donates rather meaningfully to the financial growth of the Asia-Pacific zone by nurturing financial incorporation. The Trans-Pacific Partnership (TPP), of which Japan is an establishing participant, could carry the portion of FTA/EPA-covered occupation of Japan to around 40 percent, which would excavate Japan’s incorporation inside the Asia-Pacific expanse even more. At the time when TPP talks were effectively settled in beginning of 2016, the latest US governmental elections have headed to misgivings regarding its endorsement. Yet, other devices to nurture unrestricted trade in the Asia-Pacific extent might fill this kind of a void.

Japan was selected to open the regional office abroad for serving those businesses that are growing internationally owing to the increasing international trade activities in Japan and the opportunities for the foreign businesses to expand their business operations in Japan. Since Japan is one of the most prospering economies, and it welcomes international trade operations. In addition, the government of Japan also creates more business opportunities which make the business environment of the company more feasible for foreign financial institutes. Though opening an office in Tokyo, Japan is very expensive and involves high investment due to the high cost of labor and business requirements, it offers great opportunities for the businesses. Moreover, the culture of modern Japan is highly influenced by Western culture and contains a lot of characteristics of Western culture. So it is estimated that the financial risks will be worth taking for the regional bank.

The entry of foreign banks in financial sectors has implications for all the stakeholders. The impacts of opening a bank into a financial sector like Japan are as follows. It promotes competition and efficiency as the differences have been witnessed concerning the impacts on banking efficiency in (emerging market economy) EME and in industrialized countries. While we open the subsidiary there, we can enjoy higher margins in the interest rate and profitability in comparison with the banks which are domestically owned. Diversification and stability are benefits which a host country can enjoy, which in our case is Japan. The pace at which the financial markets are being globalized, foreign bank subsidiary can serve there as a basis of stability if the local market of that country is stressed. SMEs can be profited from the subsidiary of a foreign bank as the most crucial factor for the survival of SMEs is access to credit. So emerging market economies in which SMEs play a pivotal role can be promoted through foreign bank subsidiaries or in a broad sense, through the commercial banking system.

The most preferred form of presence for our bank to operate in the financial sector like Japan would be the subsidiary type. The arguments to support this type of presence in Japan are following. Japan is a country which imposes lower regulatory restrictions on the bank entry or on foreign bank branch and has higher corporate taxes. The subsidiary would have an edge over other types of the presence of foreign banks, as it seeks to penetrate the local economy owing to the establishment of retail operations. Risks attached to the economic and political activity of the host country influence the organizational form. Subsidiary type of presence is most suitable as it would adapt to the changes in the local market and politics of the host in relation to the degree of parent bank responsibility.

In the light of information gathered on Japan as the financial center for business operation of the regional bank, numerous factors highlight the suitability of Japan to be considered as the location for expansion of banking operations. The economy of the country is viable for opening the new office owing to its prospering nature, involvement in the international business and trade activities and opportunities for trade and investment. In addition, the culture and business environment also seems very suitable for foreign bank operations. The opening of the office will also help the bank to uncap business opportunities in the countries with which the Japanese businesses are involved. In addition, it will also help the expansion of operations in East Asia. It will also be beneficial for all stakeholders. However, opening a bank office in Japan will be very costly but it will open ways for the online banking sector for the bank in Japan as part of the changing global banking trends.

# References

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