

*The Era of Linkages  
among Asia and across the Pacific Ocean*

Keynote Address at the Conference on Asian banking and Finance

“Challenges in Global Finance: The Role of Asia”

held by the Federal Reserve Bank of San Francisco

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Governor of the Bank of Japan

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# Early Days of Trans-Pacific Linkages



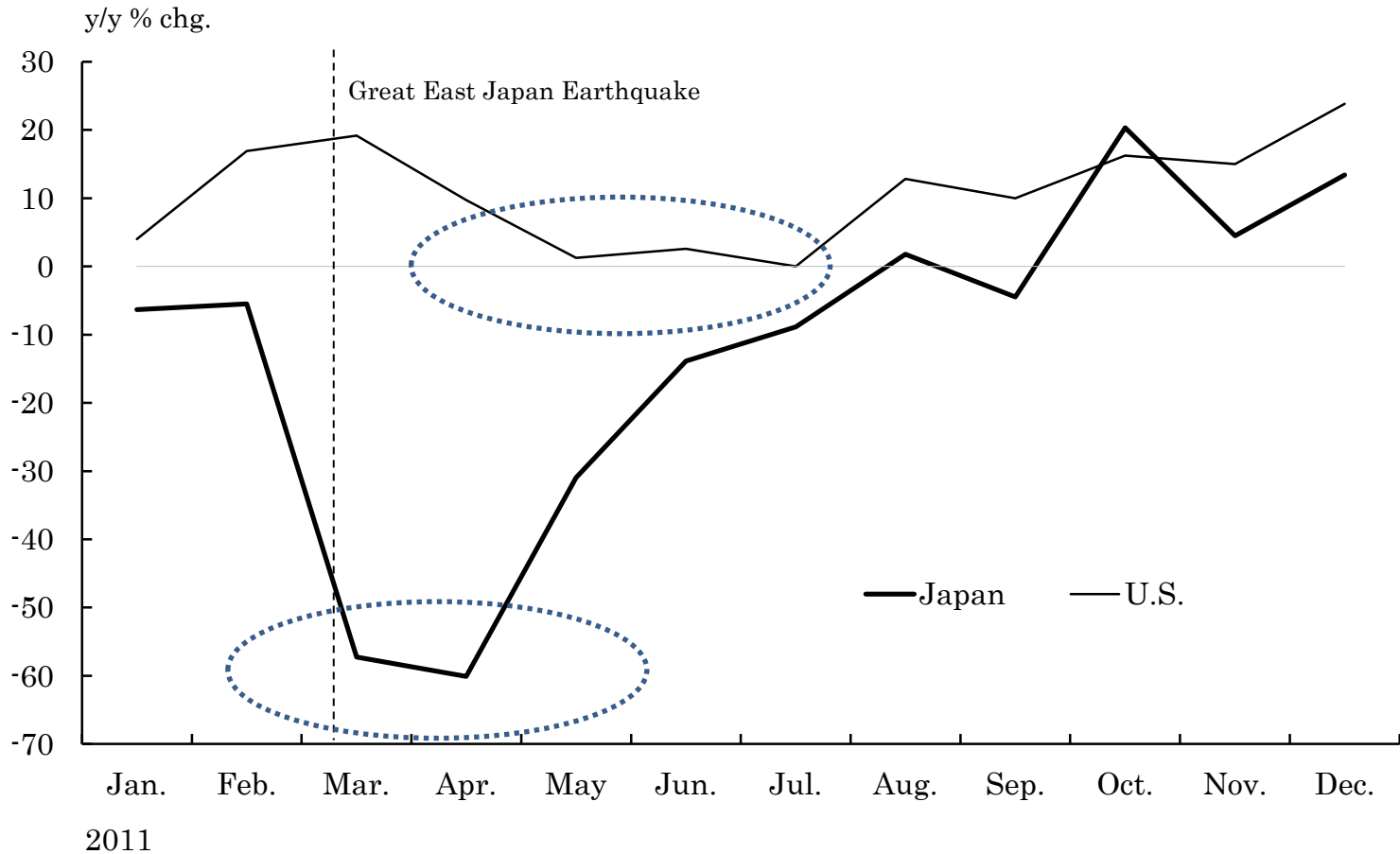
A Spanish galleon.

(Chart 2)

# Boeing 747 “Jumbo Jet” in 1970s

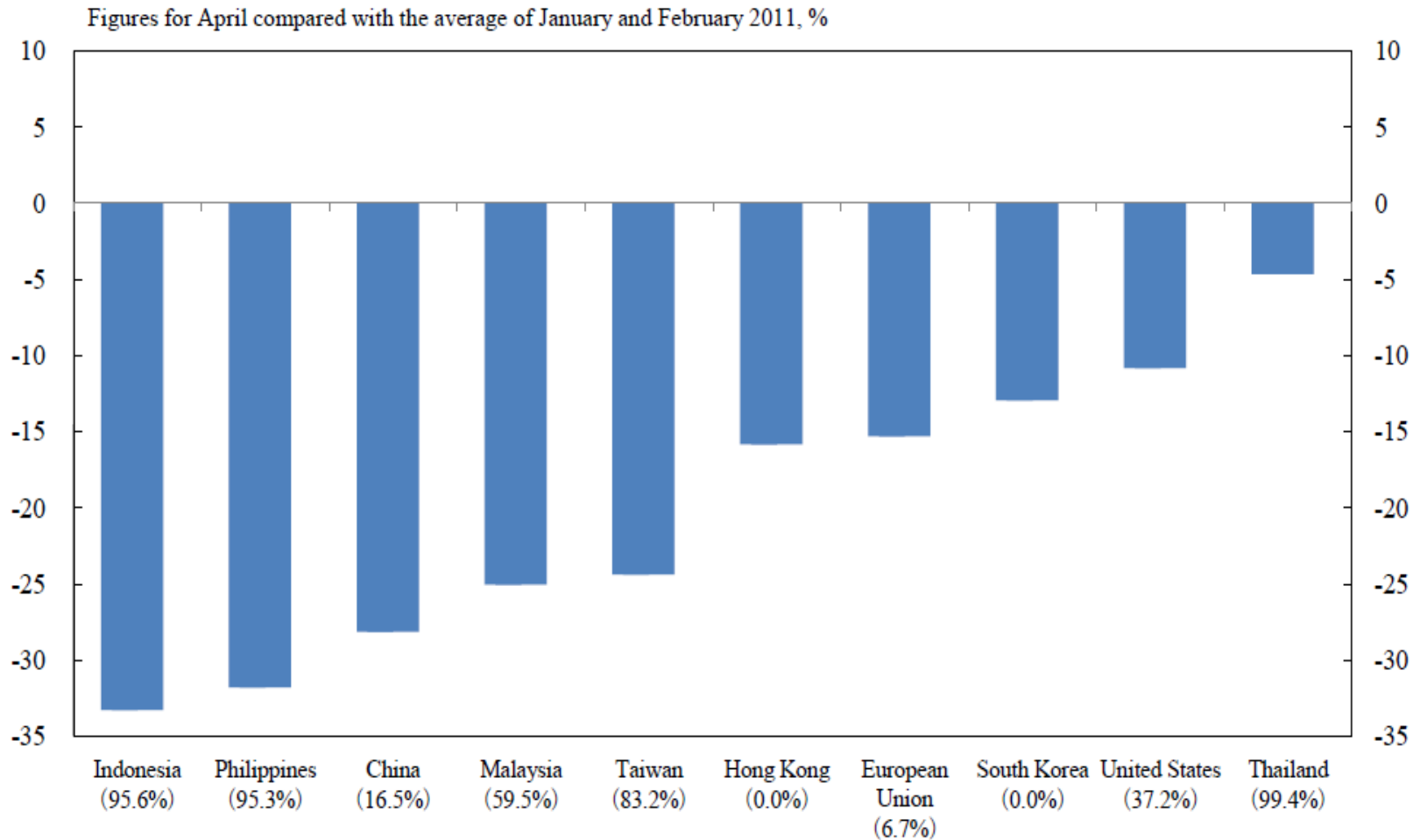


# Automobile Production in Japan and U.S.



Source: Japan Automobile Manufacturers Association, Inc., FRB.

# Decline in Japan's Exports of Automobile Parts After the Great East Japan Earthquake



Note: The parenthesized figure is the share of Japanese automakers in individual economies' automobile production.

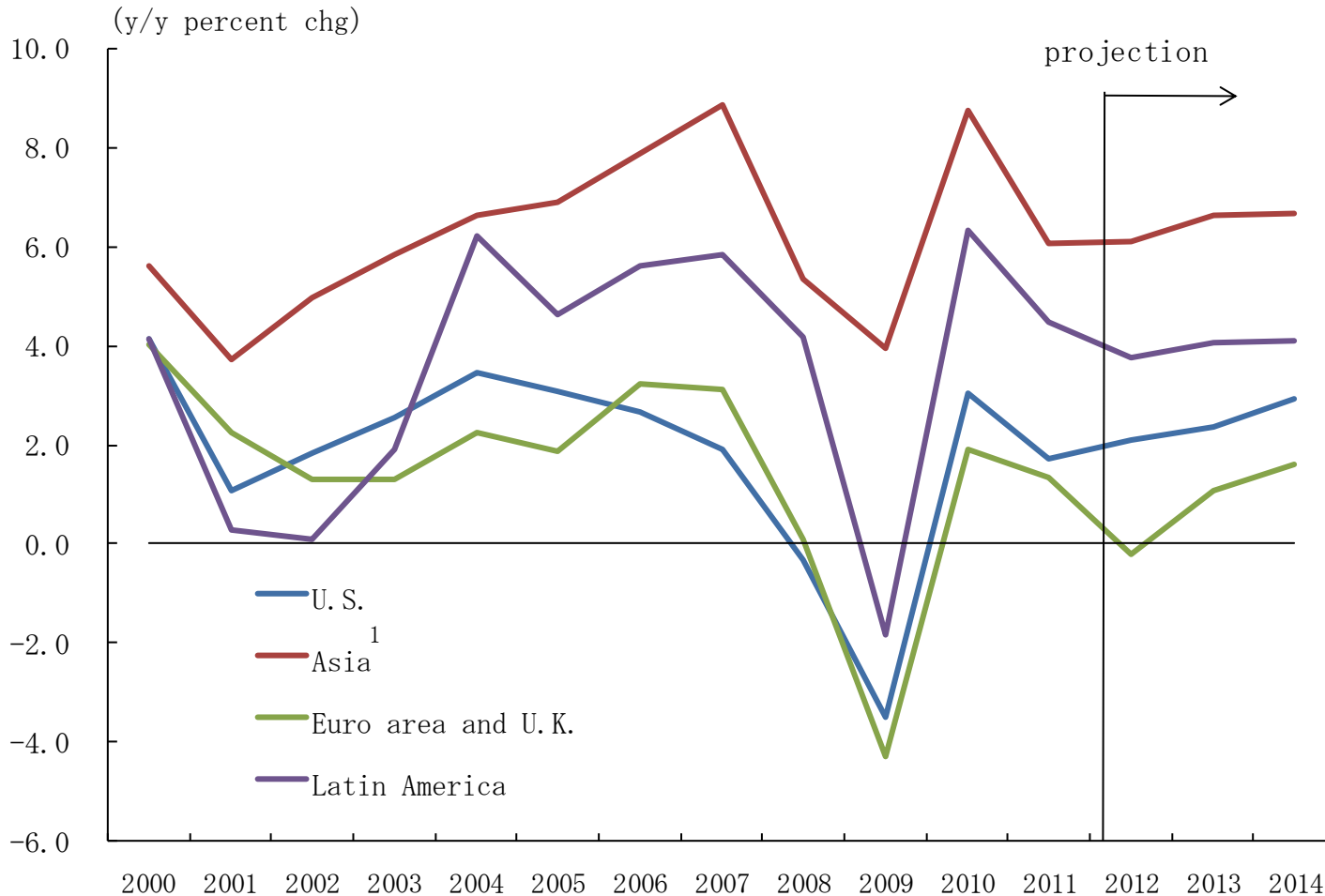
# iPhone Production Costs

Components	Major suppliers		Amount of money per unit (U.S. dollars)
	Japanese-firms	Non-Japanese firms	
NAND Flash Memory	Toshiba	Samsung (Korea), Hynix (Korea)	19.2
DRAM	Elpida	Samsung (Korea)	9.1
Display	Toshiba, Sharp	LG (Korea), Chimei (Taiwan)	23.0
Application Processor		Samsung (Korea)	15.0
Camera Module	Sony		17.6
Bluetooth/WLAN and other communication equipment	Murata	Qualcomm (U.S.), Avago (U.S.), Broadcom (U.S.), TriQuint (U.S.)	30.0
Battery	Sony, TDK	Samsung (Korea), LG (Korea)	5.9
Mechanical/Electro-Mechanical	Ibiden		33.0
Cost of other components			35.1
Total cost of all components			187.9
Manufacturing cost			8.0
Gross profit margin			453.1
Retail price			649.0

Note: The costs and prices are for the iPhone4S (16GB) in 2011. The retail price is SIM-free and without contracts.

Sources: iSuppli; Nikkei Electronics.

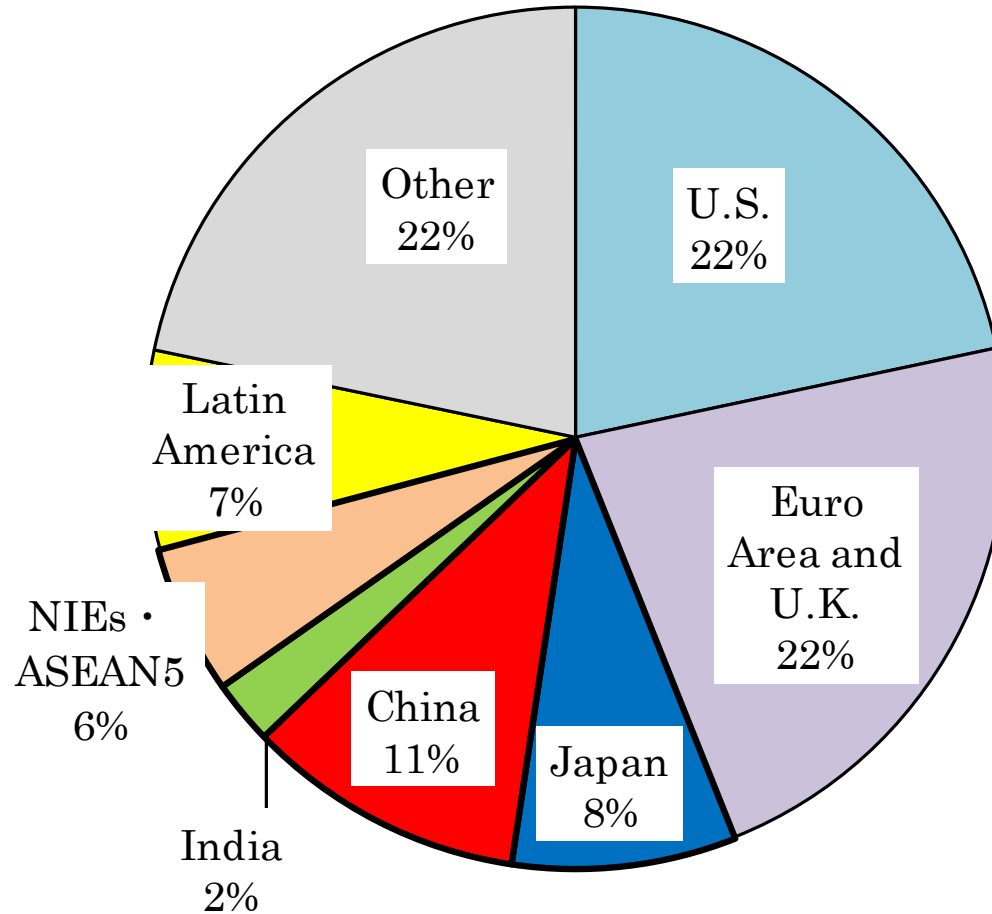
# The World Economic Outlook Projections



Note1 : Japan, China, India, NIEs and ASEAN5.

Source: IMF

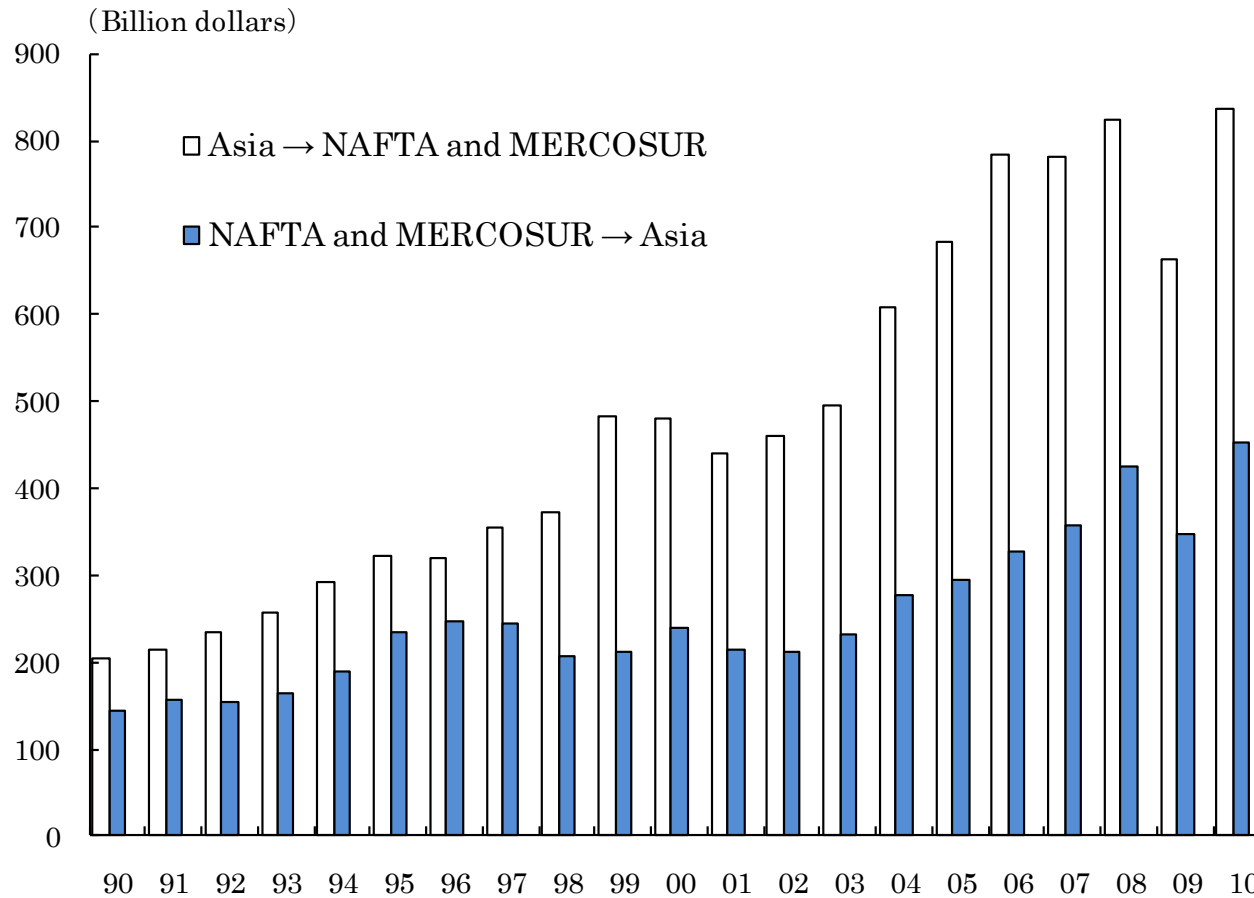
# Nominal GDP Share (2011)



Source: IMF



# Amount of Trade across Pan-Pacific



(Note) Asia includes Japan, China, Australia, South Korea, Taiwan, Singapore, Hong Kong,

Thailand, Indonesia, Malaysia and Philippines.

NAFTA includes United States, Canada, Mexico.

MERCOSUR includes Argentina, Brazil, Paraguay, Uruguay and Venezuela.

(Source) RIET-TID 2011

# Increase in the Share of Asia-Pacific Trade

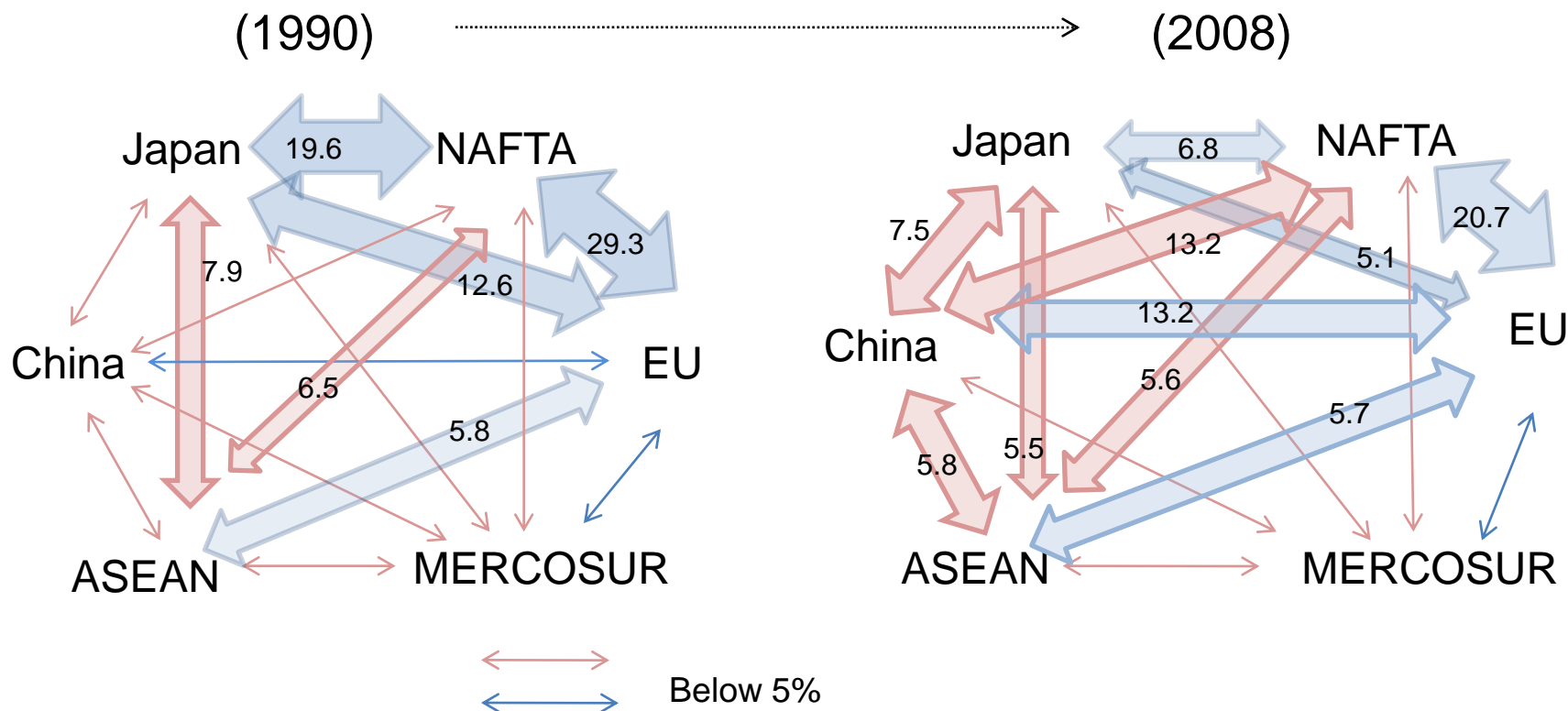
Share of bilateral and regional amount of trade accounting for the total amount of trade among the six poles (%)

(1990)			(2000)			(2008)		
Rank	Country/Region	Share	Rank	Country/Region	Share	Rank	Country/Region	Share
1	NAFTA-EU	29.3	1	NAFTA-EU	27.0	1	NAFTA-EU	20.7
2	NAFTA-Japan	19.6	2	NAFTA-Japan	14.0	2	NAFTA-China	13.2
3	EU-Japan	12.6	3	NAFTA-ASEAN	8.5	3	EU-China	13.2
4	Japan-ASEAN	7.9	4	NAFTA-China	8.2	4	Japan-China	7.5
5	NAFTA-ASEAN	6.5	5	EU-Japan	7.8	5	NAFTA-Japan	6.8
6	EU-ASEAN	5.8	6	Japan-ASEAN	7.3	6	China-ASEAN	5.8
7	NAFTA-MERCOSUR	3.9	7	EU-ASEAN	6.1	7	EU-ASEAN	5.7
8	EU-MERCOSUR	3.5	8	Japan-China	5.5	8	NAFTA-ASEAN	5.6
9	NAFTA-China	3.3	9	EU-China	5.5	9	Japan-ASEAN	5.5
10	EU-China	3.0	10	NAFTA-MERCOSUR	4.0	10	EU-Japan	5.1
11	Japan-China	2.5	11	EU-MERCOSUR	2.8	11	NAFTA-MERCOSUR	4.2
12	China-ASEAN	0.9	12	China-ASEAN	2.3	12	EU-MERCOSUR	3.6
13	Japan-MERCOSUR	0.8	13	Japan-MERCOSUR	0.5	13	China-MERCOSUR	2.1
14	MERCOSUR-ASEAN	0.3	14	China-MERCOSUR	0.3	14	MERCOSUR-ASEAN	0.5
15	China-MERCOSUR	0.1	15	MERCOSUR-ASEAN	0.2	15	Japan-MERCOSUR	0.5

(Source) White Paper on International Economy and Trade (2011)

# Increase in the Share of Asia-Pacific Trade

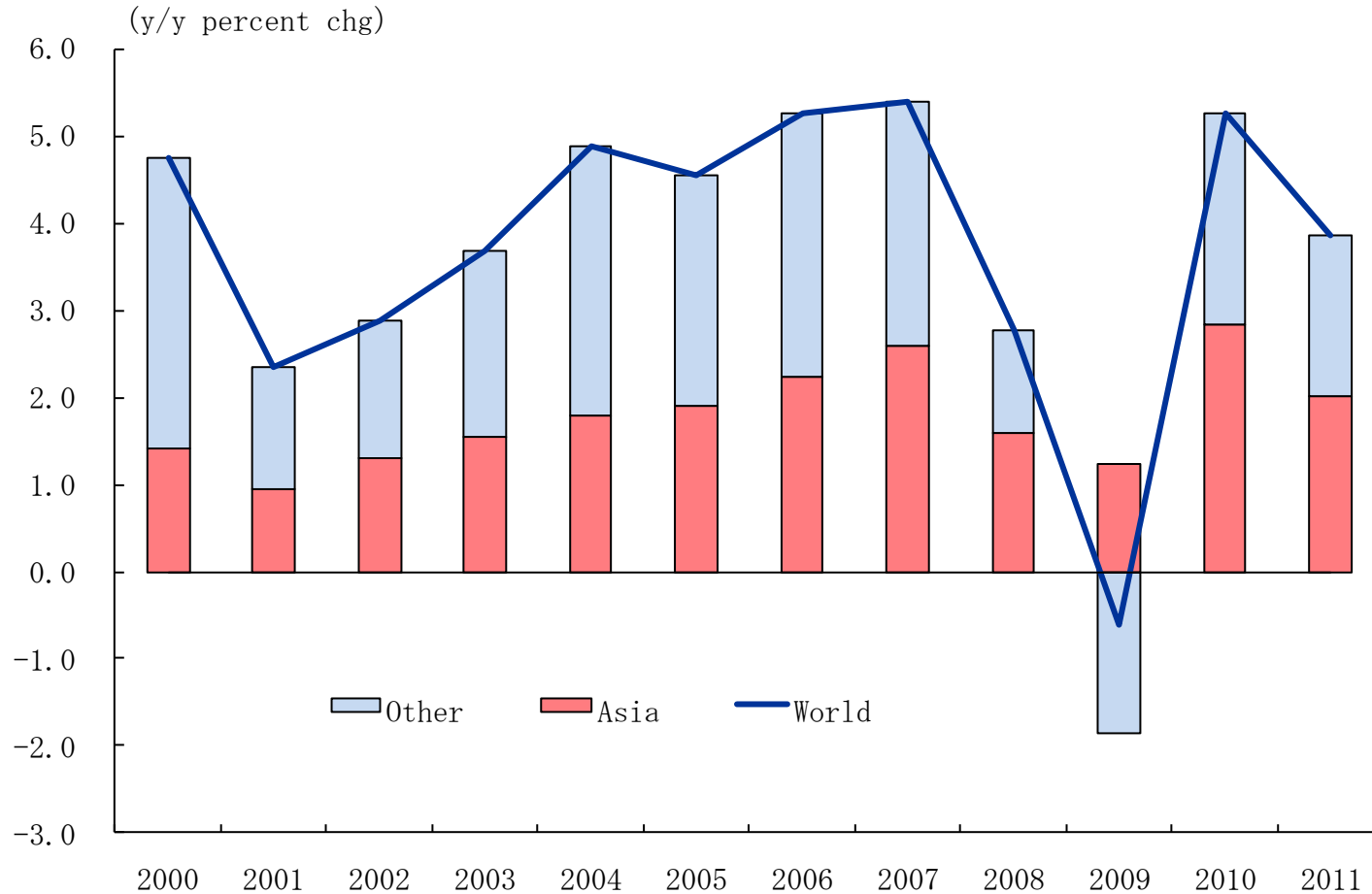
Trade among six poles



(Note) Share of bilateral and regional amount of trade accounting for the total amount of trade among the six poles

(Source) White Paper on international Economy and Trade (2011)

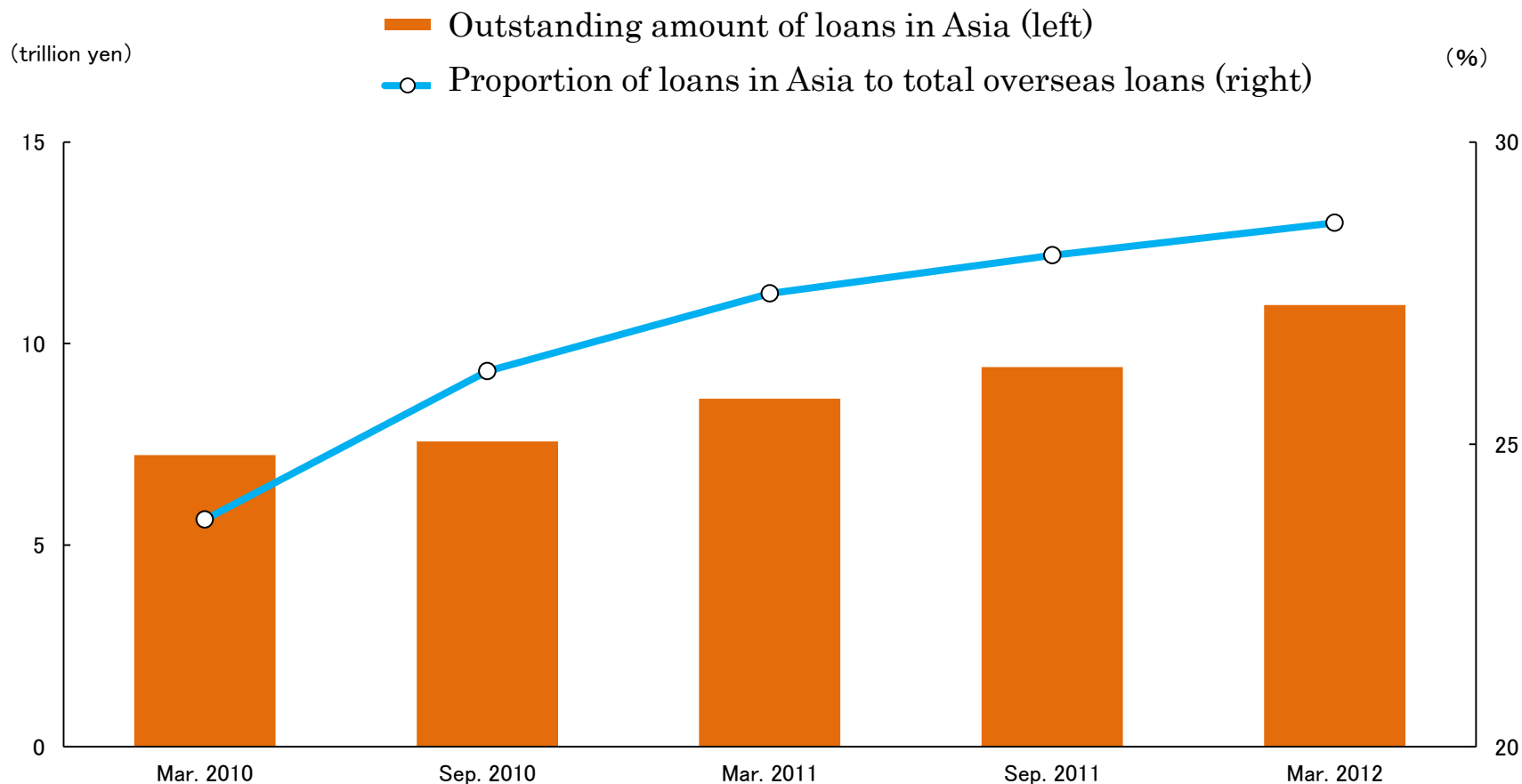
# Asian Contribution to Global GDP Growth



Note1 : Japan, China, India, NIEs and ASEAN5.

Source: IMF

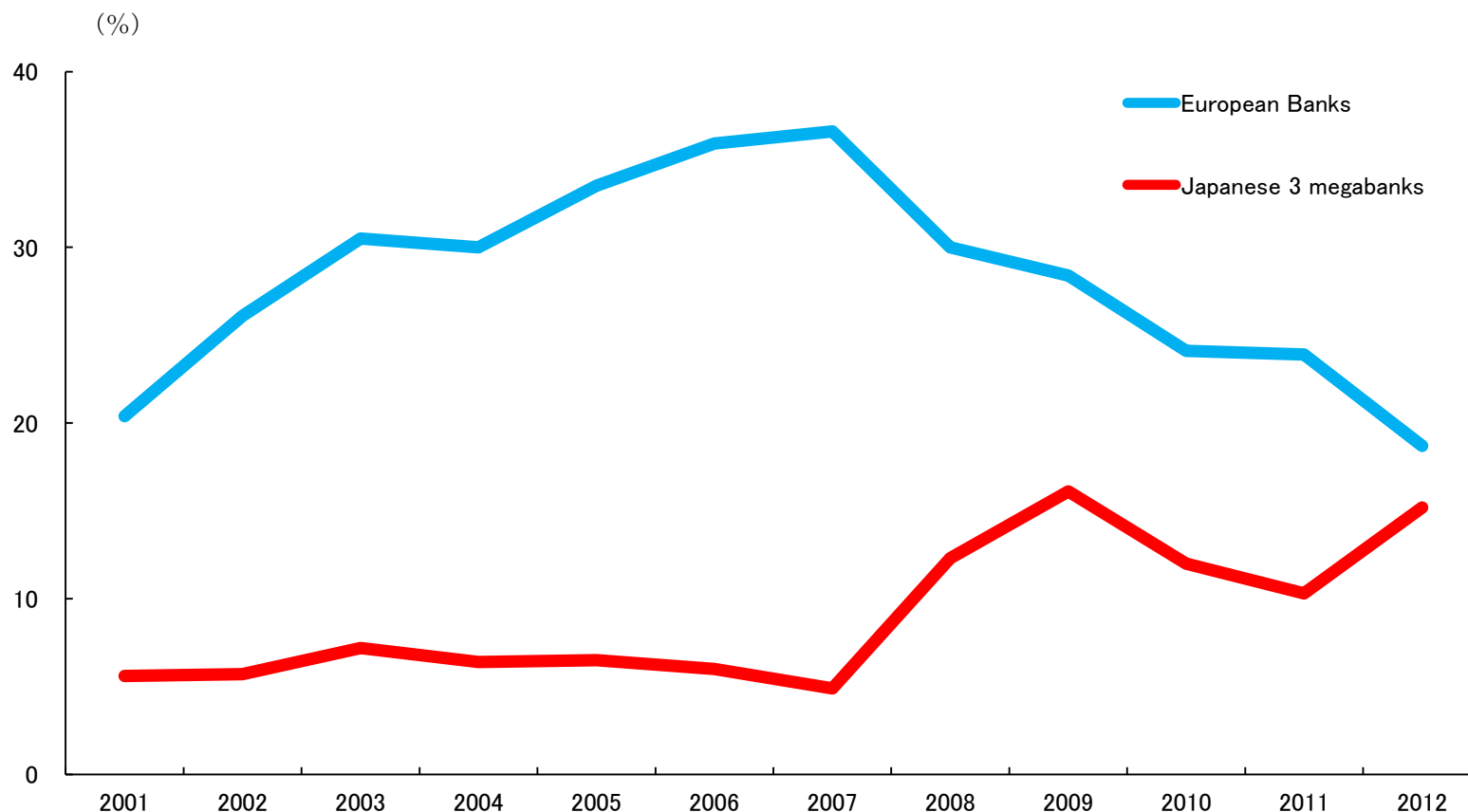
# Loans in Asia Made by Japanese “Megabanks”



Note: Japanese megabanks comprise the Bank of Tokyo-Mitsubishi UFJ, Mitsubishi UFJ Trust and Banking Company, Sumitomo Mitsui Banking Corporation, Mizuho Bank, Mizuho Corporate Bank and Mizuho Trust and Banking Company.

Source: Financial reports of Japanese megabanks

# Share of European and Japanese Banks in Terms of Syndicated Loan Arrangement



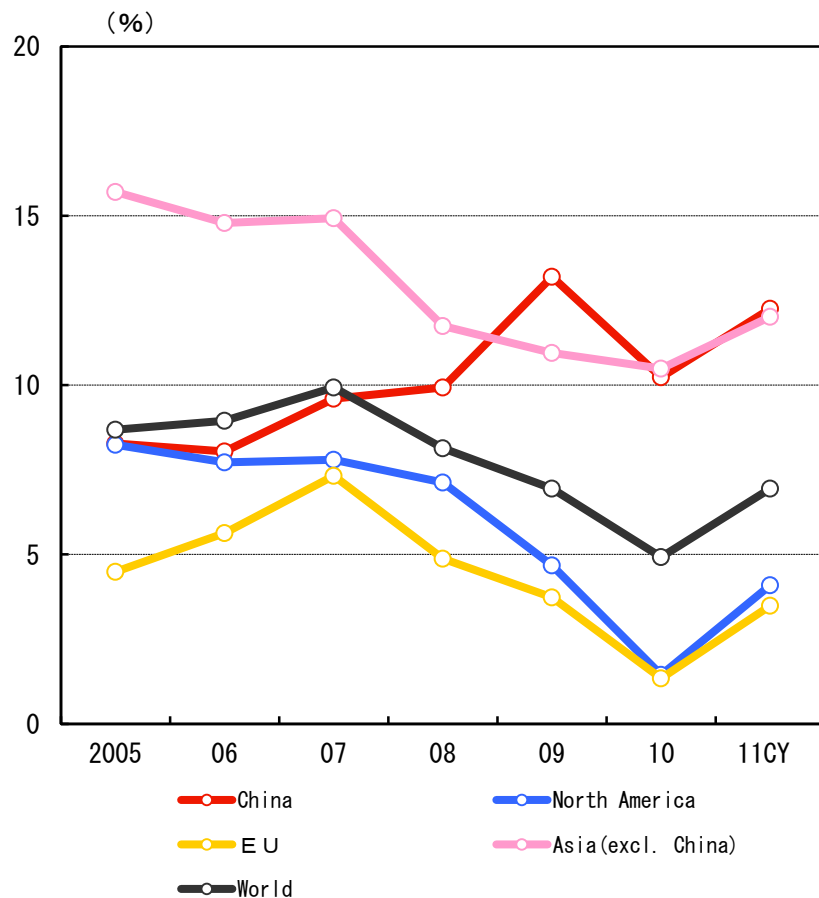
Note 1: The share is based on the amount of arrangement in global markets.

Note 2: The figure of 2012 is based on the available data figure on June 7, 2012.

Source: Thomson Reuters

# Japan's External Direct Investment

(1) Rate of Return on Direct Investment<sup>1</sup>



(Note 1) Figures of 2011 are annualized figure of the first half of 2011

(Note 2) At the end of the year

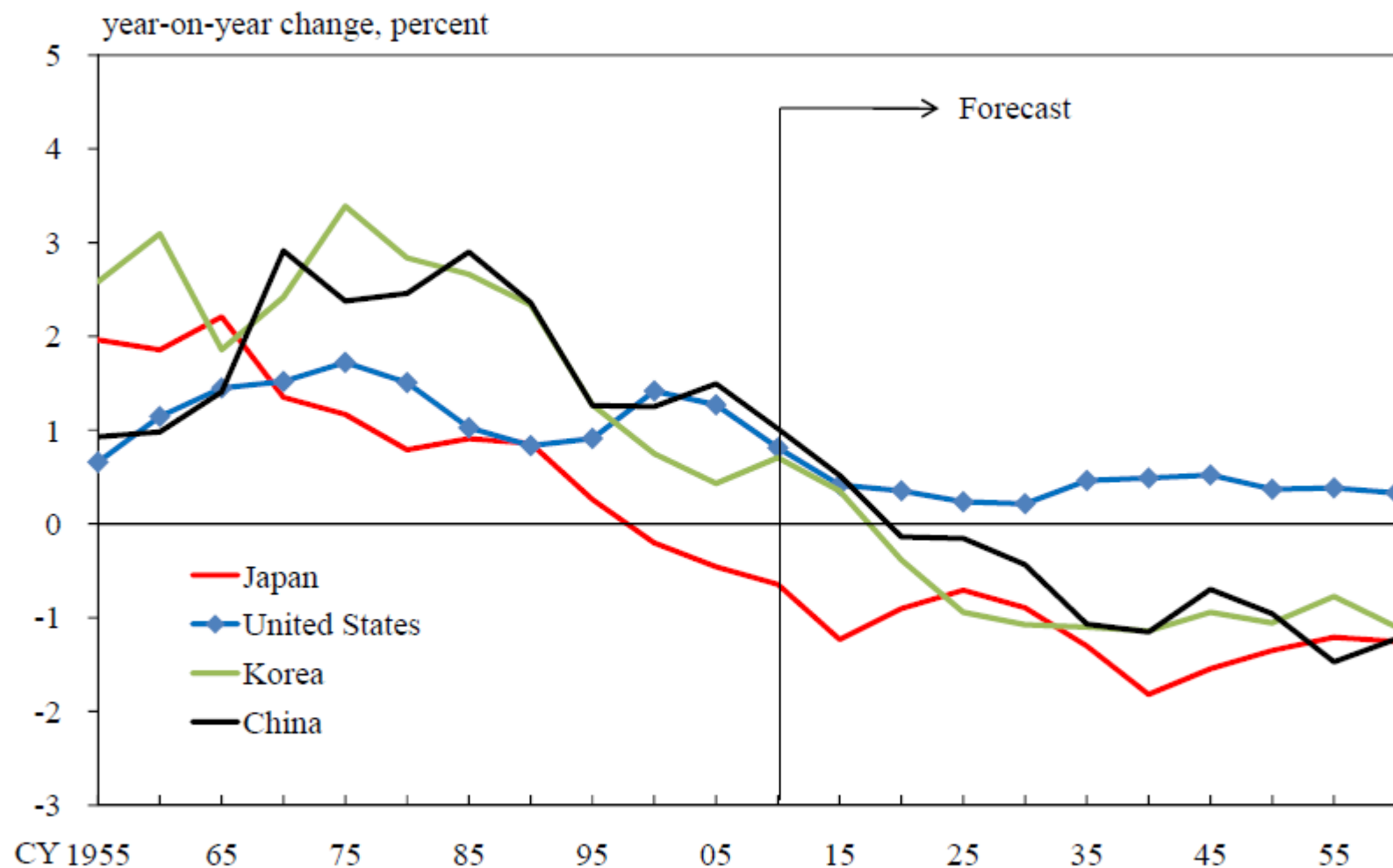
(Source) Bank of Japan

(2) Amount Outstanding of Japan's External Direct Investment<sup>2</sup>

(tril. JPY)

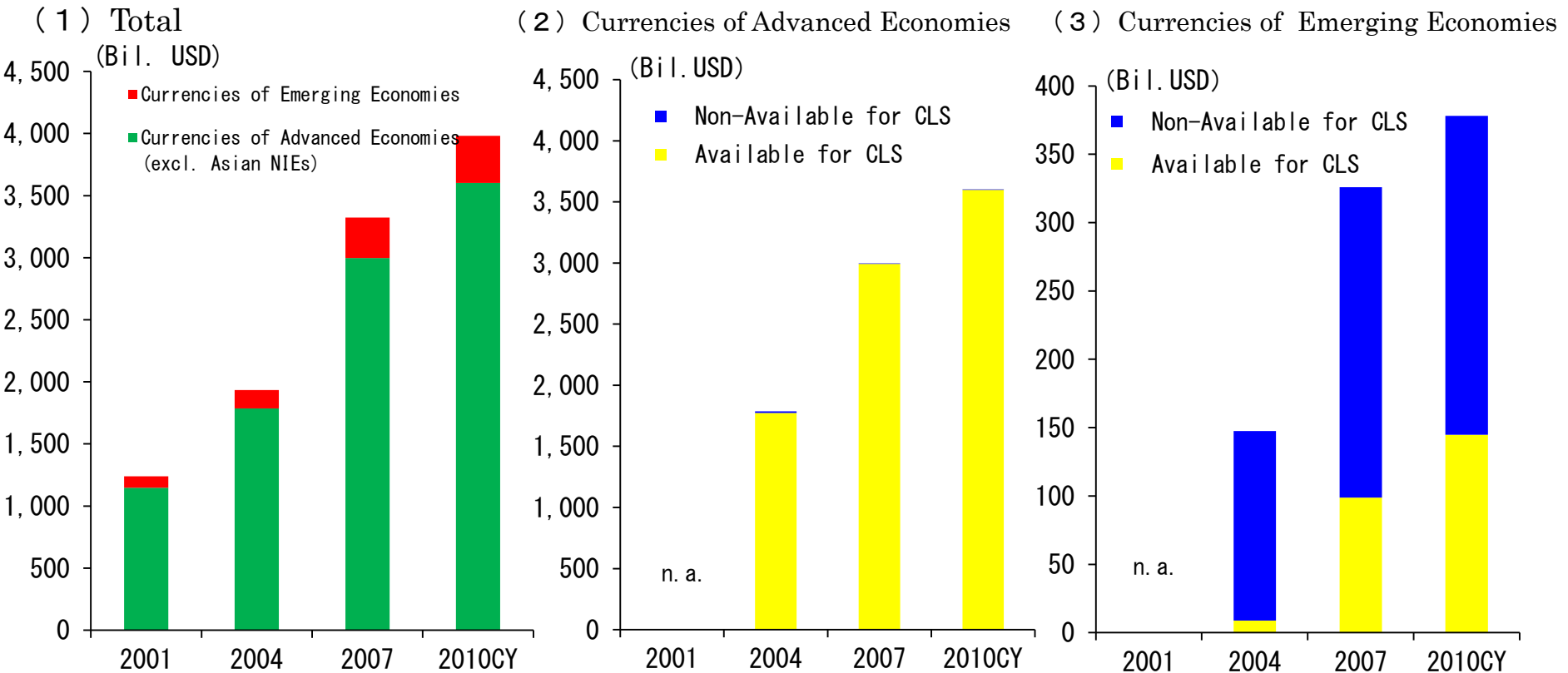
	2005	2010CY
China	2.9	5.4
Asia (excl. China)	7.5	11.9
North America	18.3	21.4
E U	10.8	14.9
Other	6.1	14.1
<b>Total</b>	<b>45.6</b>	<b>67.7</b>

# Growth Rate of Working-Age Population





# Volume of Foreign Exchange Transactions



(Note) Aggregate Transaction Volume divided by 2

(Source) BIS "Triennial Central Bank Survey"

Thank you for your attention