Challenges for Supporting Overseas Market Development of Japanese SMEs via Foreign-trade Ports
: Case Studies of Japanese Foreign-trade Ports Supporting Market Development to Far East Russia

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Aim of the Paper

It is necessary for Japanese SMEs to expand overseas market such as developing countries in where economic growth is remarkable while domestic demand of Japan declines. Although the Japanese government is strengthening its support of SMEs, the overseas development of SMEs is not very active. In Japan economic situation is more stagnant on the Sea of Japan side rather than the Pacific side due to the population decline. Therefore Japanese prefectures or cities on the Sea of Japan side try to strengthen market development to Far East Russia via foreign-trade ports by taking advantage of geographical proximity across the marginal sea. Then they expect to develop the market from Far East Russia to western Russia such as Moscow by rail shipment.

Japanese port policies are operated by the principle of ‘selection and concentration’. For example, Ministry of Land, Infrastructure, Transport and Tourism (MLIT) selected nineteen ports along the Sea of Japan in 2011 in order to concentrate its policy support on those ports. However competition among those hub ports for shipment toward Far East Russia is increasing these days. So it is necessary for those ports to clarify efficient support measures in order to develop overseas market via foreign-trade ports.

On the basis of those backgrounds this study focuses on support measures for SME’s market cultivation via foreign-trade ports. Specifically extant theory and empirical evidence

from case studies of four hub ports along the Sea of Japan and case studies of Japanese SMEs which support SME's market development to Far East Russia via Port of Hamada are employed in order to investigate one primary research question. What is necessary for supporting SME's overseas market development via foreign-trade ports?

Back ground Literature

(1) The current status of overseas expansion by Japanese SMEs

According to White Paper on Small and Medium Enterprises in Japan in 2012, most important tasks for SMEs to begin exports are finding customers and the second-most important tasks are having reliable partners. And the biggest business challenges for starting export are identifying local needs and the second-biggest challenges are marketing overseas. These previous studies teaches that knowledge about export and the market trend of the exporting countries are necessary for SMEs' overseas expansion and that many SMEs have challenges for finding customers or reliable partners.

(2) Supporting SMEs' overseas market development

According to White Paper on Small and Medium Enterprises in Japan in 2014, important advisers for SMEs to develop foreign markets are Japan External Trade Organization (JETRO), client companies, or trade companies. And many SMEs tell that they do not have advisers for foreign market development. These previous studies teach that many SMEs receive support not only from public institutions but also from private enterprises and that it is necessary to strengthen support measures toward SMEs which cannot find advisers for foreign market development.

(3) SMEs' needs for foreign-trade ports

According to the survey on challenges for using foreign-trade ports of SMEs in February 2011 by Shimane Prefecture, main challenges are high cost, luck of shipping routes or of number of services, lead time, conditions for warehouses, and convenience of less-than container load cargo (LCL) services.

On the basis of these previous studies this study focuses on functions of foreign-trade ports. Especially this study focuses on who are the main players for promotion of port utilization or what kind of support measures are implemented in order to support SME's overseas market development.

Methodology

This paper mainly draws on evidences from three qualitative research projects below.

(1)Interviews with four hub ports along the Sea of Japan

Firstly, in this study, interviews focusing on support measures for SME's overseas market development were carried out for four ports out of nineteen ports along the Sea of Japan selected by MLIT as hub ports. Each name of four ports is Port of Hamada, Port of Sakai, Port of Fushiki-Toyama, and Port of Niigata (Figure1). The reasons are as follows.

A. Each port is located on the north side of the island of Honshu.

B. Each port has direct shipping route to Far East Russia.

(2)Interviews with core enterprises which support SMEs' overseas development at Port of Hamada

Figure 1

The location of the four Japanese case ports

Secondly, interviews focusing on utilizing Port of Hamada were carried out for seven SMEs that export those products to Far East Russia. Five SMEs out of seven are cargo owners one is a port transport enterprise and one is a trade company for Russia named LIB Corporation.

LIB Corporation began to export used cars to Far East Russia in 1997. Due to a decline in export of used cars triggered by Lehman's fall and tariff hikes in 2008, this enterprise shifted its business model from the used car exporter to the trade company which exported high value-added Japanese products, such as food, building material, and cloths to Far East Russia. This enterprise got a contract for operation of business support desk from 'Hamada Port Russian Trade Expansion Project' launched by government (Shimane Prefecture and Hamada City), economic associations, and providers of international logistics services.

(3)Researching Russian market needs

Thirdly field works in Russia were carried out in order to figure out the movement of

Russia's market demand. The first field work focusing on importation of Japanese products and methods of accumulating information was carried out in October 2012 in East Russia, such as Khabarovsk and Vladivostok. The second field work focusing on assessing the possibility of developing the market from Far East Russia to western Russia was carried out in October 2013 in Moscow.

Results and implications

From the above-mentioned researches, two challenges for supporting overseas market development of SMEs via foreign-trade ports are shown clearly.

(1) Improving less-than container load cargo (LCL) service

LCL services are not enough for SMEs because there are not enough local trade companies which introduce LCL services except for LIB Corporation at Port of Hamada (Figure2).

Figure 2
Comparison of the four ports

	PORT of HAMADA	PORT of SAKAI	PORT of FUSHIKI-TOYAMA	PORT of NIIGATA
The amount of sea freight in 2013 (thousand ton)	715	3,767	7,713	33,480
Type of support offered to SMEs				
Subsidized charge for new users	○	○	○	○
Subsidized charge for expanding users	○	○	○	○
Subsidized charge for LCL services	○	○	－	－
Existence of local trade companies	○（LIB Corporation）	－	－	－

From the research, it is shown that trading companies in Japan and Russia are seen as potential partners. However there are few companies which can be contact points between Japan and Russia and there is lack of business links between the two countries.

Therefore, it is necessary for local governments to conduct their policies in order to form cooperation between companies by identifying partner business and promoting contact.

(2) Cooperating for promotion of port utilization

From the research, main players for promotion of port utilization were officials of prefectures or cities from public-sector and sales representatives of port transport enterprises from private-sector. However the ways of promotion are different between both sectors. So it is necessary for both sectors to share information about SME cargo owners.

Besides it is not effective for collecting shipments if prefectures and cities implement support measures discretely.

For example, Port of Hamada established ‘promotion center’ as one-stop service center in 2013 and prefectures and cities cooperate for promotion of port utilization. At Port of Niigata the private port management company plays an important role as connecting hub among public-sector, port transport enterprises, and SME cargo owners. Therefore it is necessary to cooperate between public-sector and private port transport enterprises or prefectures and cities. And it is also necessary to cooperate among multi-transport enterprises or multi-prefectures for effective promotion of port utilization.