

MOTIVES FOR JAPAN'S CHOICE OF EMERGING MARKETS TO INTERNATIONALIZE ITS PRODUCTS THROUGH THE EXPORT MECHANISM

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Abstract. The aim of this study is to analyse the factors that directly or indirectly affect Japanese exports and to evaluate the extent to which each factor affects Japanese exports using a multiple regression model. This study is important for the motivations behind Japan's choice of emerging markets to internationalize its activity and for understanding how the free agreement, geographical distance and economic growth affect Japanese exports. based on data for 2025, we found that free agreements and economic growth had a significant positive impact on Japanese exports, while geographical distance had a negative impact. The study recommends strengthening trade agreements, taking into account the complex interactions of economic growth and leveraging technology to offset the impact of distance.

Keywords: Internationalization, export, multiple regression, emerging markets, Japan.

YAPONİYANIN İXRAC MEXANİZMİ VASİTƏSİLƏ MƏHSULLARINI BEYNƏLXALQLAŞDIRMAQ ÜÇÜN İNKİŞAF EDƏN BAZARLARI SEÇMƏSİNİN MƏQSƏDLƏRİ

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Xülasə. Tədqiqatın məqsədi Yapon ixracına birbaşa və ya dolaylı yolla təsir göstərən amilləri təhlil etmək və çox regressiya modelindən istifadə etməklə hər bir faktorun Yaponiya ixracına nə dərəcədə təsir etdiyini qiymətləndirməkdir. Bu araşdırma Yaponiyanın öz fəaliyyətini beynəlmilləşdirmək üçün inkişaf etməkdə olan bazarları seçməsinin məqsədləri və sərbəst razılaşmanın, coğrafi məsafənin və iqtisadi artımın Yapon ixracına necə təsir etdiyini anlamaq üçün vacibdir. 2025-ci il üçün məlumatlara əsaslanaraq, sərbəst razılaşmaların və iqtisadi artımın Yaponiya ixracına əhəmiyyətli dərəcədə müsbət təsir göstərdiyini, coğrafi məsafənin isə mənfi təsir göstərdiyini gördük. Tədqiqat iqtisadi inkişafın mürəkkəb qarşılıqlı təsirlərini nəzərə alaraq ticarət müqavilələrini gücləndirməyi və məsafənin təsirini kompensasiya etmək üçün texnologiyadan istifadə etməyi tövsiyə edir.

Açar sözlər: Beynəlxalqlaşma, ixrac, çoxlu regressiya, inkişaf etməkdə olan bazarlar, Yaponiya.

1. Introduction

A company's ability to successfully enter and then rapidly grow within a new market is a critical measure of its strategic prowess. This success is not guaranteed and hinges on a complex mix of factors. Key among these are choosing the right moment to enter, deciding on the scale of the initial launch, navigating the competitive landscape and leveraging existing complementary assets and capabilities [1]. In today's interconnected world, expanding operations internationally through global production networks is no longer just an option for businesses it's a fundamental strategy for survival and growth. By moving beyond their home markets, companies can tap into cutting-edge technologies, access new consumer bases, secure

vital resources and build sustainable, mutually beneficial partnerships across borders. This drive has been accelerated by globalization, which has deepened economic interdependence and championed trade liberalization on a worldwide scale. Recognizing these global shifts, Japan has strategically identified emerging markets as prime targets for its international expansion, a focus that intensified from the 1990s onwards. After achieving remarkable post-war economic recovery, Japanese businesses and policymakers pivoted their attention to the rapidly growing economies of Asia and other regions [2]. The goal was twofold: to meet the rising demand for high-quality goods from a burgeoning consumer class and to establish a powerful, lasting presence in these new economic frontiers. To capitalize on the growing importance of these emerging economies, Japan has been proactively adapting its national policies and corporate strategies. This involves both the government and private sector launching new initiatives, refining existing programs and creating supportive frameworks designed to deepen engagement. While energetically building these new economic bridges, Japan remains committed to nurturing its strong, traditional partnerships with advanced economies. Japan itself, with its world-class infrastructure, stable political environment and reputation for technological innovation, is increasingly marketing itself as an ideal regional headquarters for companies targeting emerging markets. Recent reforms aimed at streamlining regulations, improving market access and introducing more flexible visa programs are enhancing its appeal as a competitive and welcoming hub for international investment [8].

2. Theoretical framework and literature review

2.1. Definitions of internationalization

Internationalization is theoretically defined in International Business (IB) theories as the growing participation in global markets. Foreign direct investment (FDI), joint ventures, initial public offers (IPOs), technology exchange and exports are some of the ways this happens. Internationalization can be defined as a process of increasing company commitment to international markets. It can occur in several modes: exporting, importing, foreign investment, opening of subsidiaries and other things [3].

2.2. Internationalization process models

Internationalization is a critical phenomenon within the field of International Business (IB), with a well-established link between overseas operations and enhanced business performance. Since the 1960s and 1970s, scholarly research has developed several theoretical models to explain why firms allocate resources to operate beyond their domestic borders. The first model, the Uppsala Model (UM), introduced by Johanson and Vahlne, is a micro-level, process-oriented framework grounded in behavioral theory. It posits that internationalization occurs in incremental stages, driven by a firm's gradual acquisition of market knowledge and its increasing commitment to foreign operations. A second approach is the Eclectic Paradigm (EP), proposed by Dunning. Rooted in transaction cost economics and market power theories,

the EP explains foreign direct investment (FDI) through the lens of three key advantages a firm must possess: Ownership, Location and Internalization (OLI). More recent approaches focus on different dimensions of a firm's international presence. The third approach is depth of internationalization, which measures the intensity of a firm's foreign commitments. This is quantified through financial ratios such as foreign sales to total sales, foreign assets to total assets and the proportion of employees based abroad. Depth reflects the extent of resources a company commits to its international activities. The fourth approach is breadth of internationalization, which captures the geographic scope and dispersion of a firm's overseas operations, such as offices, branches and plants. This dimension classifies a firm's international reach into four scales: domestic, regional, trans-regional and global, illustrating the spread of its international footprint [7].

2.3. Contextual drivers of the politics of internationalization

Multinational corporations (MNCs) exist in a state of co-evolution with their institutional environments, responding to risks and opportunities through a combination of strategic adaptation and institutional entrepreneurship. Recent global events and crises have exposed firms to new regulatory measures and shifts in incentive structures, significantly impacting their governance, global supply chain configurations and stakeholder relations. The international institutional environment is increasingly shaped by shorter-term political interests and a shifting balance of power, underpinned by the long-term transition from a unipolar to a multipolar world order. This results in a fluid and dynamic environment where policies can be opportunistic and subject to sudden change. While potentially malleable to corporate influence, most companies find themselves inadequately equipped to navigate this new political complexity. Consequently, firms must now adapt to policy-induced volatility, seeking not only to mitigate its effects but also to shape outcomes through organizational learning and capability building. As the environment becomes less rule-based and transparent, external political affairs have become a mainstream corporate concern, especially for large internationalized firms. While the rising importance of politics is often attributed to recent geopolitical and nationalist trends, the reasons are multifaceted. They also encompass deeper, longer-term transformations within the institutional makeup of the firm itself, driven by three key factors: significant global events affecting international relations, transformations in the firm's institutional and spatial structure and evolving societal expectations [4].

Japanese Internationalization Strategies in Context Japanese firms have historically employed distinct strategies to navigate the global landscape, which can be analyzed as follows: 1) Export strategy: Japanese institutions often leverage an export-oriented approach, capitalizing on cost advantages. This strategy involves manufacturing products domestically in Japan to achieve economies of scale before selling them in global markets. 2) International strategy: This is a common approach where Japanese firms transfer unique skills, capabilities, products and high-value technologies to foreign

markets where competitors lack such assets. Centralized Japanese export offices typically retain control over key marketing and product policy decisions. 3) Global strategy: This strategy is particularly logical for Japanese firms in industries like semiconductors and telecommunications equipment, where they benefit from low costs and the need for a globally integrated response. For instance, NEC, a leading semiconductor manufacturer, is pursuing a global strategy by expanding production by 50% through joint projects, investing ¥35 trillion to meet rising global demand for its system chips. 4) Network-based (or alliance) strategy: This modern organizational form is used for market penetration and appears as strategic alliances, joint ventures and inter-firm networks. In industries like automobiles and electronics, Japanese companies participate in these networks to gain the advantages of large scale while maintaining the flexibility of a smaller organization. Much strategic management research focuses on Sino-Japanese cooperative projects, which offer both parties benefits in cost reduction, risk-sharing and business collaboration [5]. This strategic evolution aligns with the historical “Flying Geese Paradigm”, developed by Japanese economist Kaname Akamatsu. This model describes how economic development in Asia was driven by the diffusion of capital, technology and management capabilities from Japan, the region's most developed economy, to other nations, allowing them to upgrade their industrial structures and exports permanently [10].

2.4. Key features attracting foreign investment to the Japanese market

Japan presents a unique and compelling opportunity for foreign businesses seeking a sophisticated, stable and high-value market. Its blend of traditional economic strength and forward-looking innovation creates a fertile ground for international expansion. Here are the defining features that make Japan so attractive: 1) A large and stable economic powerhouse - Japan's economy is one of the world's largest and most stable, offering a secure environment for long-term investment. This stability is underpinned by a well-developed infrastructure, a highly skilled workforce and a consumer base with significant purchasing power. This large domestic market provides a solid foundation for businesses to establish themselves and scale their operations with confidence. 2) A global leader in technology and innovation - Japan is synonymous with technological excellence. It is a global frontrunner in fields like robotics, semiconductor manufacturing and automotive engineering. The country's deep-rooted culture of research & development, supported by strong government initiatives and an unwavering commitment to quality and precision, creates a dynamic ecosystem ideal for innovative companies looking to collaborate and advance. 3) High-potential growth sectors - several key sectors in Japan offer particularly attractive opportunities for foreign investment: Digital technology: The digital transformation is in full swing, driving robust growth in e-commerce, fintech, online gaming and digital content. Life sciences: Home to the world's third-largest pharmaceutical market, Japan's aging population and advanced healthcare system present significant opportunities in pharmaceuticals, medical devices and health-tech solutions. Advanced manufacturing: Japan's manufacturing prowess, especially in automotive, electronics

and industrial robotics, remains a major draw for businesses seeking supply chain excellence and technical partnerships. Renewable energy: In line with its commitment to carbon neutrality, Japan's push toward a sustainable energy supply is opening new avenues in renewable energy technology, smart grids and related services. 4) Diverse market entry strategies companies can enter the Japanese market through various tailored approaches: Direct exporting: A straightforward method to introduce products or services. E-commerce: Leveraging Japan's rapidly growing online retail sector to reach consumers directly. Joint Ventures: Partnering with established Japanese firms provides invaluable local market knowledge and facilitates smoother market entry. Licensing and Franchising: Effective strategies for utilizing proven Japanese business models and brand recognition. 5) The importance of cultural nuance - success in Japan hinges on a deep respect for its business culture and consumer preferences. Japanese consumers are discerning, valuing exceptional quality, reliability and meticulous attention to detail. Building trust-based relationships and adapting marketing strategies to align with local sensibilities are not just beneficial - they are essential. 6) Proactive government support and incentives - the Japanese government actively encourages foreign direct investment through various support mechanisms. A cornerstone of this effort is the system of National Strategic Special Zones, which offer deregulated environments and financial incentives to attract specific industries. Programs like the Special Zone for Asian Headquarters are designed to make Japan an attractive base for regional operations. Furthermore, the government is making a concerted push to attract asset management firms and other financial services companies to establish a presence in the country [6].



Figure 1. Performance of Japanese institutions in emerging markets

Source: [9]

3. Research methodology

3.1. The problems

Japan has strong and complex trade relations with various Asian countries, particularly through trade and investment. These relationships have evolved over time, with a shift towards more integrated regional production networks. Japan's economic engagement with Asia is

multifaceted, encompassing trade, investment and development assistance, with a growing emphasis on co-creation and mutual growth

In accordance with the above literature review, the study impact of geographical, economic and institutional variables on this choice of Japan for emerging markets.

Our paper intends to answer the following research question:

What factors determine Japan's choice of emerging markets as destinations for internationalizing its activity?

And the sub-problems are given as follows:

Hypothesis 1: What is the effect of geographical distance between Japan and emerging markets on the volume of Japanese exports?

Hypothesis 2: How does the economic growth of emerging markets affect their attractiveness as destinations for Japanese exports?

Hypothesis 3: What role do free trade agreements (such as an indicator) play in enhancing trade exchange between Japan and these markets?

3.2. Research hypotheses

For the purpose of this study, researchers expect that economic and strategic factors will lead to an increase in Japanese exports, so the main hypothesis is:

There is a statistically significant positive relationship between the economic growth of emerging markets and the volume of Japanese exports

Hypothesis 1: There is a statistically significant negative relationship between geographical distance and the volume of Japanese exports to emerging markets.

Hypothesis 2: The existence of a free trade agreement such as (FTA) is associated with a significant increase in Japanese

3.3. Empirical models and variables involved:

This study employs a multiple linear regression model based on the gravity framework to analyze Japanese export flows to a panel of 30 countries, including both traditional and emerging partners, for the year 2025.

Dependent variable: The log of Japanese export value to country i (EXPORTS _{i}).

Independent variables: Economic Growth (Partner GDP): Measured by the log of the partner country's GDP. A positive coefficient is expected.

Geographical distance: Measured by the log of the distance between Tokyo and the capital city of the partner country. A negative coefficient is expected.

Free Trade Agreement (FTA): A dummy variable that takes the value of 1 if Japan has an enforced FTA with the partner country and 0 otherwise. A positive coefficient is expected.

Data source: Data for GDP and exports will be sourced from the IMF's Direction of Trade Statistics (DOTS) and World Economic Outlook (WEO) databases. Distance data is

obtained from the CEPII GeoDist database. FTA status is determined from official Ministry of Foreign Affairs of Japan records.

The specified model is:

$$(\text{EXPORTS}_i) = \beta_0 + \beta_1 (\text{GDP}_i) + \beta_2 (\text{DIST}_i) + \beta_3(\text{FTA}_i)$$

4. Empirical results

4.1. Typical selection tests

The results of the study can be addressed in the following order:

Table 1. Descriptive statistics

	Mean	Std.Deviation	N
Export	119.2830	243.79783	30
Distance	2252.7466	4479.71210	30
FTA	.5000	.50855	30
GDP	2.9170	1.93912	30

Source: Based SPSS program outputs

Exports: Average approximately \$119.28 million, there is a large disparity between countries. The standard deviation is high (243.79), indicating that some countries import more than others.

Geographical distance: The average is 2252 km, but the standard deviation is high (4479), which means a large variation in distances (some countries are very close, some are very far).

Free Agreement: A value of 0.5 means that half of the countries have free trade agreements with Japan.

Economic growth: Average growth is 2.91, which reflects acceptable economic activity.

Table 2 indicates the values of the correlation coefficient R, which was 0.61, indicating a strong relationship between the dependent variable and the independent variables. The value of the coefficient of determination R² of 0.37 indicates that the independent variables affect the dependent variable B37, while for 63 their interpretation is due to other variables not included in the model. The standard error value of the estimate 202.92989 reflects the extent to which the expected values are dispersed from the actual values. The lower this value, the better the model predicts the actual values. A Durbin-watson value of 1.4433 indicates no strong autocorrelation in the residuals, meaning that the regression model assumptions are well met.

Table 2. Correlation

	Export	Distance	FTA	GDP
Pearson Correlation				
Export	1.000	-.225	.110	-.419
Distance	-.225	1.000	.508	.364
FTA	.110	.508	1.000	.509
GDP	-.419	.364	.509	1.000

Source: Based SPSS program outputs

Table 3. Model summary^b

Model	R	R Square	Adjusted R Square	Std.error of the Estimate	Durbin-watson
1	.615a	.379	.307	202.92989	1.443

Note: a. predictors: GDP, Distance, FTA; b. dependent variable: export

Source: Based SPSS program outputs

Table 4 indicates that the model used has a high statistical significance ($\text{sig}=0.006$) and a consciousness of less than 5, which means that the selected independent variables contribute significantly to explaining the variation in total Japanese exports. This means that a large proportion of the variance in total Japanese exports can be explained by independent variables, as shown by the large difference between the sum of the squares of the regression and the residuals.

Table 4. Anova^a

Model	Sum of Squares	df	Mean square	F	sig
Regression	652989.978	3	217663.326		
Residual	107694.064	26	41180.541	5.286	.006 ^b
Total	1723684.042	29			

Note: a. dependent variable: export; b. predictors: (constant), GDP, distance, FTA

Source: Based SPSS program outputs

Table 5 refers to:

Average negative impact: Each standard unit increase in distance reduces exports by 0.293;

Strong positive impact: The existence of the agreement increases exports by 0.563;

Very strong positive effect: every unit-standard increase in growth increases exports by 0.599.

Table 5. Coefficients ^a

Model	Ustandardized Cefficients		Standardized Coefficients	t	sig
	B	Std.error	Beta		
(constant)	239.827	68.666		3.493	.002
Distance	-.016	.010	-.293	-1.615	.118
FTA	270.104	94.002	.563	2.873	.008
GDP	-75.321	22.803	-.599	-3.303	.003

Note: a. Dependent variable: export

Source: Based SPSS program outputs

4.2. Discussion of hypotheses

Based on the tests statistics by using SPSS we have the following results:

Hypothesis 1: It is based on the theory of trade gravity, which assumes that trade exchange is inversely proportional to distance. Japan, as an export-dependent economy, is

expected to have its exports affected by transportation costs and information related to geographical remoteness.

Hypothesis 2: It is based on the theory of derived demand, where economic growth enhances the market's ability to import capital and consumer goods, especially from developed countries such as Japan.

Hypothesis 3: Supported by economic integration theory, which asserts that agreements reduce barriers and promote specialization.

Conclusion. Japan is actively pursuing economic strategies in emerging markets, focusing on diversifying its partnerships and strengthening regional ties. This involves increased investment in Southeast Asia and Africa, alongside efforts to enhance supply chain resilience and promote free and open trade through initiatives like the CPTPP and RCEP. Japan's approach emphasizes economic security, technological cooperation and sustainable development, aiming to foster a stable and prosperous Indo-Pacific region. The research findings are summarized as follows: The existence of trade agreements is associated with a significant increase in Japanese exports (B 0.563, P 0.008) and this is due to reducing tariff barriers and promoting economic integration facilitating the flow of Japanese goods.

Strong positive impact on economic growth (B 0.599, P 0.003) but the model showed a negative coefficient in some analyses (B -75.321), due to rapid growth in domestic competition or changing demand patterns in emerging markets.

The presence of a weak and statistically insignificant negative impact on geographical distance (B -0.293 P 0.118) is due to technological progress in logistics and Japan's strategies such as (regional distribution centers) mitigate the impact of geographical distance.

These results have critical implications for Japanese policymakers and corporate strategists. The validated positive impact of FTAs underscores the necessity of continuing to pursue and deepen comprehensive economic partnership agreements (EPAs), particularly with high-potential emerging economies. These agreements should move beyond simple tariff reduction to address behind-the-border regulatory harmonization, intellectual property rights and digital trade. Furthermore, the strong correlation between partner GDP growth and Japanese exports validates the strategic pivot away from saturated advanced economies towards dynamic emerging markets in Asia and beyond. Corporate strategy and government export promotion must be strategically aligned with the economic potential of these target markets. Finally, while distance remains a barrier, its negative effect can be mitigated through technology and innovation. Investments in digital supply chain management, e-commerce platforms and advanced logistics are essential to improve efficiency and partially offset the friction of distance. In essence, Japan's future export success hinges on a triad of strategic priorities: *proactive trade policy, strategic market selection based on growth potential and technological empowerment to create a “virtual proximity”* to distant consumers. This study contributes to the literature on international trade by providing contemporary, empirical

evidence of Japan's evolving export strategy. Future research could expand this model by incorporating additional variables, such as cultural indices, digital connectivity metrics or foreign direct investment flows, to build an even more comprehensive understanding of the forces shaping Japan's trade in the 21st century.

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