

JETRO

Japan External Trade Organization

Challenge of Japanese Companies in global market

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Japan External Trade Organization

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1. Trade and Direct Investment in Japan

Exports exceeded \$700 billion

Japanese trade (2007)

Topped US\$700 billion for the first time

(US\$ million, %)

	2006	2007	2007				2008
			I	II	III	IV	I
Total export value	647,290	712,735	166,395	170,855	179,577	195,908	197,171
(Growth rate)	8.2	10.1	10.1	8.0	8.0	14.1	18.5
Total import value	579,294	621,084	144,924	149,753	153,775	172,633	177,986
(Growth rate)	11.7	7.2	4.5	5.0	3.5	15.6	22.7
Trade balance	67,997	91,651	21,471	21,102	25,803	23,275	19,184
(Difference from previous year (quarter))	-11,581	23,654	9,021	5,548	8,152	933	-2286.6
Export volume index	123.2	130.4	122.0	127.6	132.7	139.5	133.9
(Growth rate)	7.7	5.8	2.4	4.2	5.6	11.2	9.8
Import value index	122.3	118.8	117.4	117.2	116.6	124.0	115.6
(Growth rate)	3.7	-2.8	-0.3	-3.9	-4.9	-2.2	-1.6
Crude oil import price (US\$/barrel)	63.9	69.4	57.5	64.7	71.0	83.3	93.1
(Growth rate)	25.1	8.6	-3.4	-0.4	0.4	37.0	61.9
Ratio of crude oil imports	17.1	16.8	15.3	15.0	17.1	19.6	21.3
Ratio of manufactured imports	56.8	56.3	58.1	57.5	56.0	54.0	51.8
Quarterly average exchange rate (yen/doll)	116.3	117.8	119.4	120.7	117.8	113.1	105.2
(Rate of increase)	-5.3	-1.2	-2.1	-5.3	-1.3	4.1	13.5
Real GDP growth rate	2.4	2.1	1.1	-0.6	0.3	0.6	0.8

(Source) Prepared based on “Trade Statistics” (Ministry of Finance), “National Economic Accounting” (Cabinet Office) and “Foreign Exchange Quotations” (Bank of Japan)

Exports to emerging countries rising trends in Japanese Trade by country/region

Trends in Japanese trade by country/region

(US\$ million, %)

			2006	2007	2007				2008
					I	II	III	IV	
World	Exports	Value	647,290	712,735	166,395	170,855	179,577	195,908	197,171
		Growth rate	8.2	10.1	10.1	8.0	8.0	14.1	18.5
	Imports	Value	579,294	621,084	144,924	149,753	153,775	172,633	177,986
		Growth rate	11.7	7.2	4.5	5.0	3.5	15.6	22.7
	Export volume growth rate	7.7	5.8	2.4	4.2	5.6	11.2	9.8	
Import volume growth rate	3.7	-2.8	-0.3	-3.9	-4.9	-2.2	-1.6		
U.S.	Exports	Value	145,651	143,383	35,274	34,133	35,730	38,247	36,679
		Growth rate	8.0	-1.6	2.5	-3.9	-4.1	-0.5	4.0
	Imports	Value	68,071	70,836	17,110	18011	16882	18834	18863
		Growth rate	5.5	4.1	4.3	5.9	△ 2.7	8.8	10.2
	Export volume growth rate	8.8	-7.6	-0.6	-11.6	-9.4	-7.8	-9.9	
Import volume growth rate	0.4	5.5	9.3	9.4	-4.4	7.9	-1.0		
EU27	Exports	Value	94,139	105,270	25,469	25,445	25,693	28,663	30,438
		Growth rate	6.7	11.8	11.8	9.4	10.8	15.0	19.5
	Imports	Value	60,064	65,009	15,709	15,711	16,384	17,204	17,751
		Growth rate	1.4	8.2	5.2	7.4	9.9	10.3	13.0
	Export volume growth rate	3.9	4.9	-2.9	7.7	5.3	10.4	15.6	
Import volume growth rate	0.9	3.4	1.9	4.5	5.0	2.4	0.8		
East Asia	Exports	Value	295,694	327,726	74,879	79,735	83,429	89,682	88,959
		Growth rate	5.8	10.8	10.4	9.6	9.0	14.2	18.8
	Imports	Value	239,708	253,976	60,274	62,303	62,594	68,804	68070
		Growth rate	9.3	6.8	5.9	6.6	3.6	7.6	12.9
	China	Exports	Value	92,852	109,060	24,244	26,085	28,143	30,589
Growth rate			15.5	17.5	19.3	15.7	17.2	17.7	19.8
Imports		Value	118,516	127,644	29,831	31,427	31,581	34,806	32,729
		Growth rate	8.6	7.7	7.8	9.4	5.7	8.0	9.7
Export volume growth rate	14.4	9.0	13.8	10.9	13.0	0.4	-18.3		
Import volume growth rate	7.8	0.0	2.8	2.4	-1.2	-3.3	-3.8		
ASEAN 10	Exports	Value	76,347	86,990	19,438	20,970	22,561	24,022	24,718
		Growth rate	0.5	13.9	10.0	12.8	12.2	20.2	27.2
	Imports	Value	79,990	86,899	20,484	20,991	21,818	23,603	25,729
		Growth rate	9.5	8.6	7.2	7.1	6.6	13.4	25.6
Export volume growth rate	-0.2	10.3	5.8	9.5	8.5	17.4	10.8		
Import volume growth rate	3.5	-1.3	1.4	-4.0	-4.4	2.1	1.6		
ROK	Exports	Value	50,321	54,199	13,156	13,284	13,011	14,748	15,162
		Growth rate	7.3	7.7	9.3	6.1	3.0	12.3	15.2
	Imports	Value	27,345	27,252	6,492	6,795	6,363	7,602	7,350
		Growth rate	11.4	-0.3	-3.4	1.0	-4.4	5.1	13.2
Taiwan	Exports	Value	44,152	44,780	10,171	11,235	11,569	11,805	12,069
		Growth rate	0.6	1.4	△ 4.1	0.1	3.6	5.9	18.7
	Imports	Value	20,345	19,809	5,111	4,726	4,826	5,145	5,237
		Growth rate	11.9	-2.6	3.7	-4.8	-5.2	-4.1	2.5
Hong Kong	Exports	Value	36,469	38,818	9,020	9,528	9,779	10,491	10,013
		Growth rate	0.9	6.4	10.7	5.7	△ 0.2	10.3	11.0
	Imports	Value	1,521	1,448	382	313	337	417	421
		Growth rate	-3.7	-4.8	-1.0	-13.3	-14.5	10.0	10.2
Middle East	Exports	Value	19,194	26,184	5,986	5,777	6,367	8,054	7,886
		Growth rate	15.5	36.4	30.6	35.4	27.6	50.5	31.7
	Imports	Value	109,190	112,824	25,067	25,352	28,114	35,292	39,941
		Growth rate	24.6	4.2	-5.6	-5.3	-6.3	36.4	59.3
Central and Latin America	Exports	Value	30,574	35,063	8,431	8,219	8,899	9,514	10,361
		Growth rate	21.8	14.7	13.9	24.5	6.1	16.2	22.9
	Imports	Value	20,411	24,117	5,395	5,823	6,315	6,584	6,261
		Growth rate	26.7	18.2	6.4	16.4	21.2	28.4	16.1

(Notes)

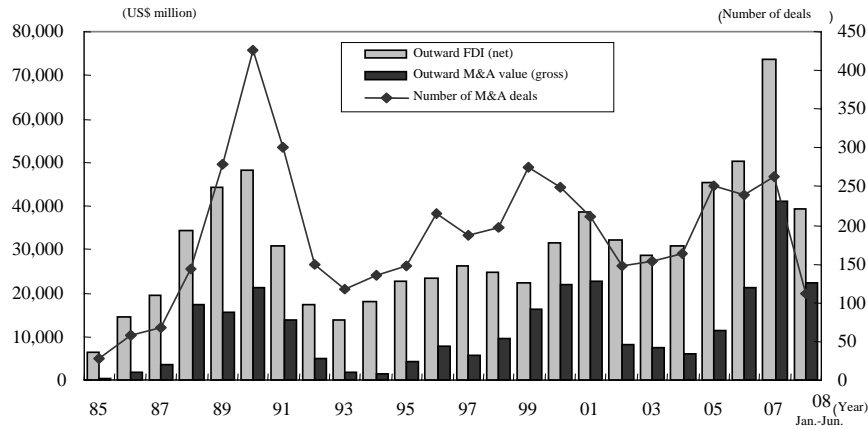
(1) The ASEAN 10 are Singapore, Thailand, Malaysia, Philippines, Indonesia, Brunei, Myanmar, Cambodia, Laos and Vietnam.

(2) East Asia here refers to China, NIEs (ROK, Taiwan, Hong Kong and Singapore), and ASEAN4 (Thailand, Malaysia, Philippines and Indonesia).

(Sources) Trade Statistics (Ministry of Finance)

Japan's outward FDI sets new record

Japan's outward FDI and outward M&As



Japan's 10 largest outward M&A (from 2007 to June 2008)

Year	Acquirer company		Target Company			Amount US\$ million)	Equity after acquisition
		Industry		Nationality	Industry		
April 2007	Japan Tobacco Inc	Cigarettes	Gallaher Group PLC	UK	Cigarettes	18,800	100.0
May 2008	Takeda Pharmaceutical Company Limited	Pharmaceuticals	Millennium Pharmaceuticals Inc	US	Pharmaceuticals	8,128	100.0
January 2008	Eisai Co., Ltd.	Pharmaceuticals	MGI Pharma	US	Pharmaceuticals	3,655	100.0
June 2007	Marubeni and Tokyo Electric Power	-	Mirant Asia Pacific Ltd.	Philippines	Electric services	3,420	100.0
December 2007	Kirin Holdings	Beverages (beer)	National Foods Ltd.	Australia	Dairy products	2,595	100.0
February 2008	Olympus Corp	Precision machinery	Gyrus Group PLC	UK	Medical equipment	2,161	100.0
May 2008	Takeda Pharmaceutical Company Limited	Pharmaceuticals	TAP Pharmaceutical Products	US	Pharmaceuticals	1,500	100.0
May 2007	Nippon Oil Company and Mitsubishi	-	Anadarko Petroleum Corporation	US	Petroleum and natural gas	1,200	23.2
February 2007	Nomura Holdings	Finance (investment)	Instinet Group Inc	US	Information services	1,200	100.0
August 2008	Marubeni Corp	Trading company	Jamaica Public Service Co. Ltd.	Jamaica	Electric power services	1,082	80.0

(Sources) Thomson Reuters

(Source) Balance of Payments Statistics (Ministry of Finance), Bank of Japan and Thomson Reuters

Japanese companies diversify revenue bases overseas

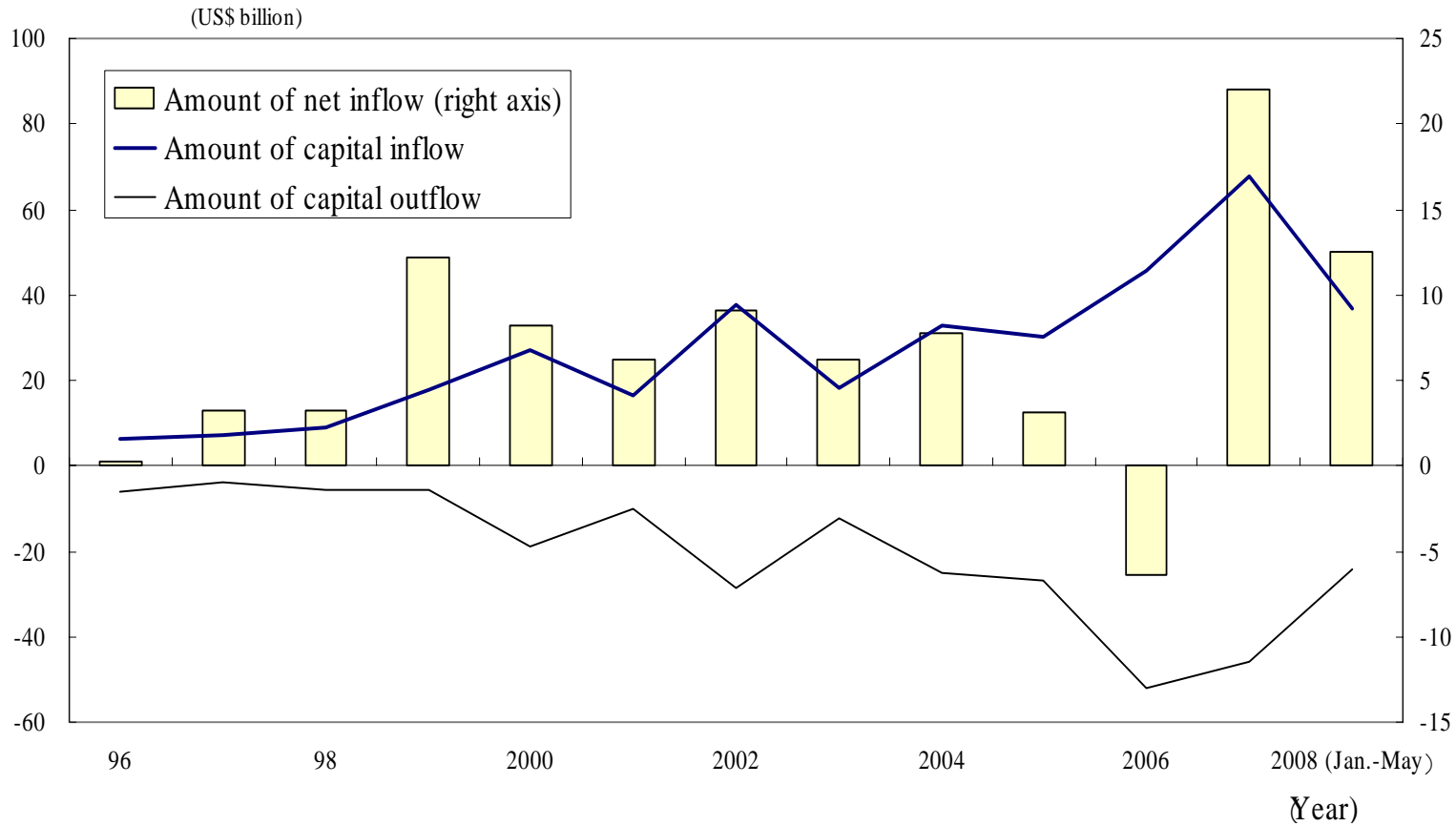
Overseas sales and profit trends among listed companies

Fiscal year	Number of companies	Share of sales by region (%)						Operating profit share by region (%)					
		Domestic	Overseas	Americas	Europe	Asia and Other	Other	Domestic	Overseas	Americas	Europe	Asia and Other	Other
1997	(582)	71.4	28.6	11.3	5.4	5.8	6.1	76.6	23.4	9.8	3.4	4.8	5.3
1998	(593)	71.1	28.9	13.4	6.0	4.9	4.6	73.4	26.6	13.8	4.8	4.4	3.6
1999	(643)	72.5	27.5	12.4	5.4	5.5	4.2	75.0	25.0	14.1	2.1	5.0	3.7
2000	(668)	71.9	28.1	12.6	5.2	6.4	3.9	79.9	20.1	10.4	0.7	6.0	3.0
2001	(715)	69.7	30.3	13.7	5.5	6.7	4.4	76.0	24.0	12.4	0.6	6.7	4.2
2002	(728)	68.0	32.0	13.7	6.0	7.8	4.6	72.9	27.1	13.0	2.8	7.2	4.1
2003	(738)	67.9	32.1	12.9	6.1	8.2	4.9	73.3	26.7	11.1	4.3	7.5	3.7
2004	(774)	67.3	32.7	12.2	6.4	8.8	5.3	71.8	28.2	10.9	4.7	8.6	4.0
2005	(804)	66.1	33.9	12.5	6.3	10.1	5.0	70.8	29.2	10.8	4.7	10.0	3.7
2006	(832)	66.2	33.8	12.6	6.9	10.3	4.1	73.5	26.5	9.1	4.1	8.3	5.1
2007	(866)	63.1	36.9	13.0	8.5	12.0	3.5	67.1	32.9	8.7	6.8	12.2	5.2

Source: Toyo Keizai Inc. *CD-ROM of corporate financial records* (for FY2005 and earlier years); publicized consolidated financial statements (FY2006 and FY2007).

Inward FDI renewed record in 2007

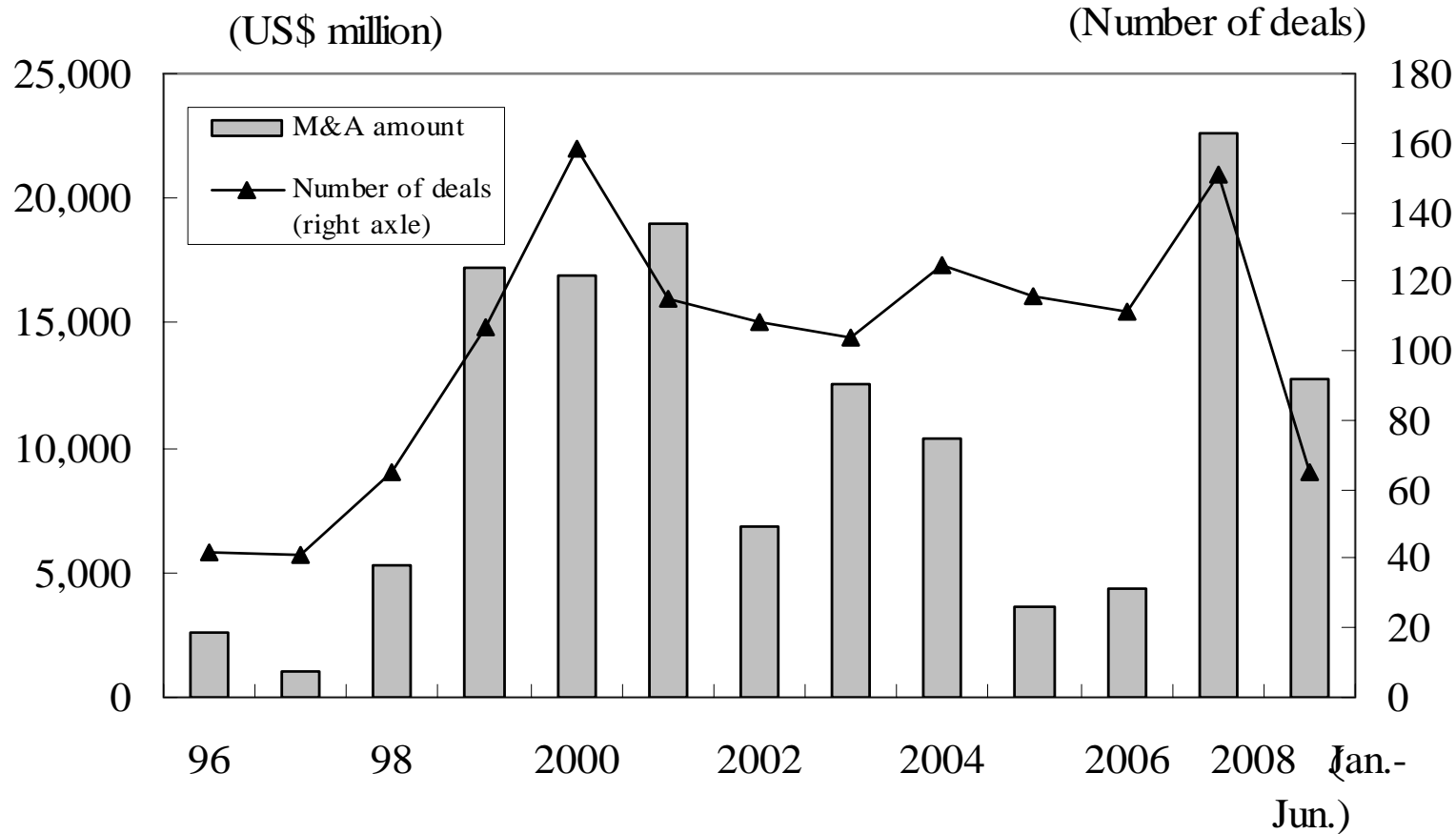
Japan's inward direct investment



(Source) Both this figure and Fig. I-27 were prepared based using Bank of Japan and Ministry of Finance statistics.

Increasing large M&As contributed to FDI increase

M&As targeting Japanese firms

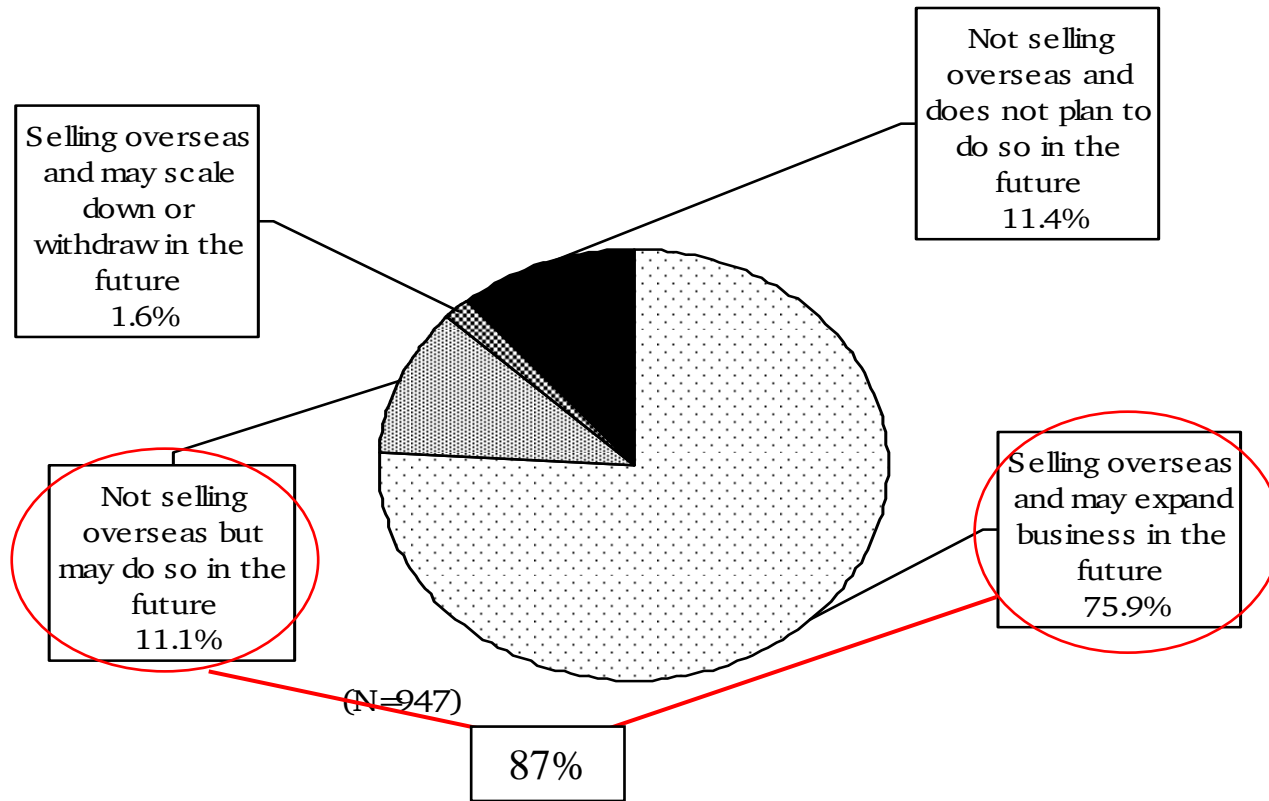


(Source) Both this figure and Fig. I-29 were prepared using Thomson Reuters data

2 Challenge by Japan (1) Strengthening global competitiveness

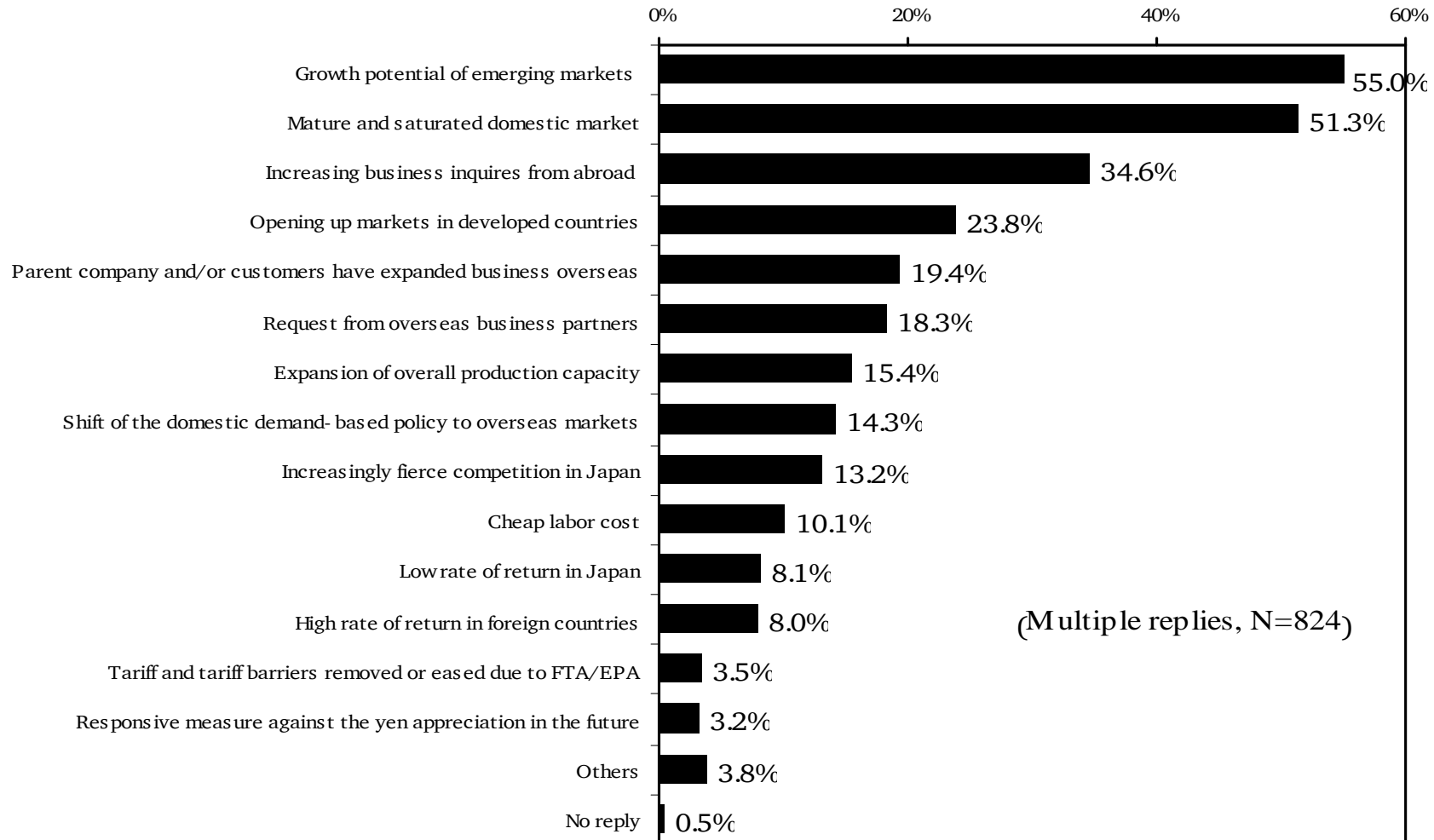
90% of companies positive on expanding overseas sales

Forecast of overseas sales for the current stage and the future



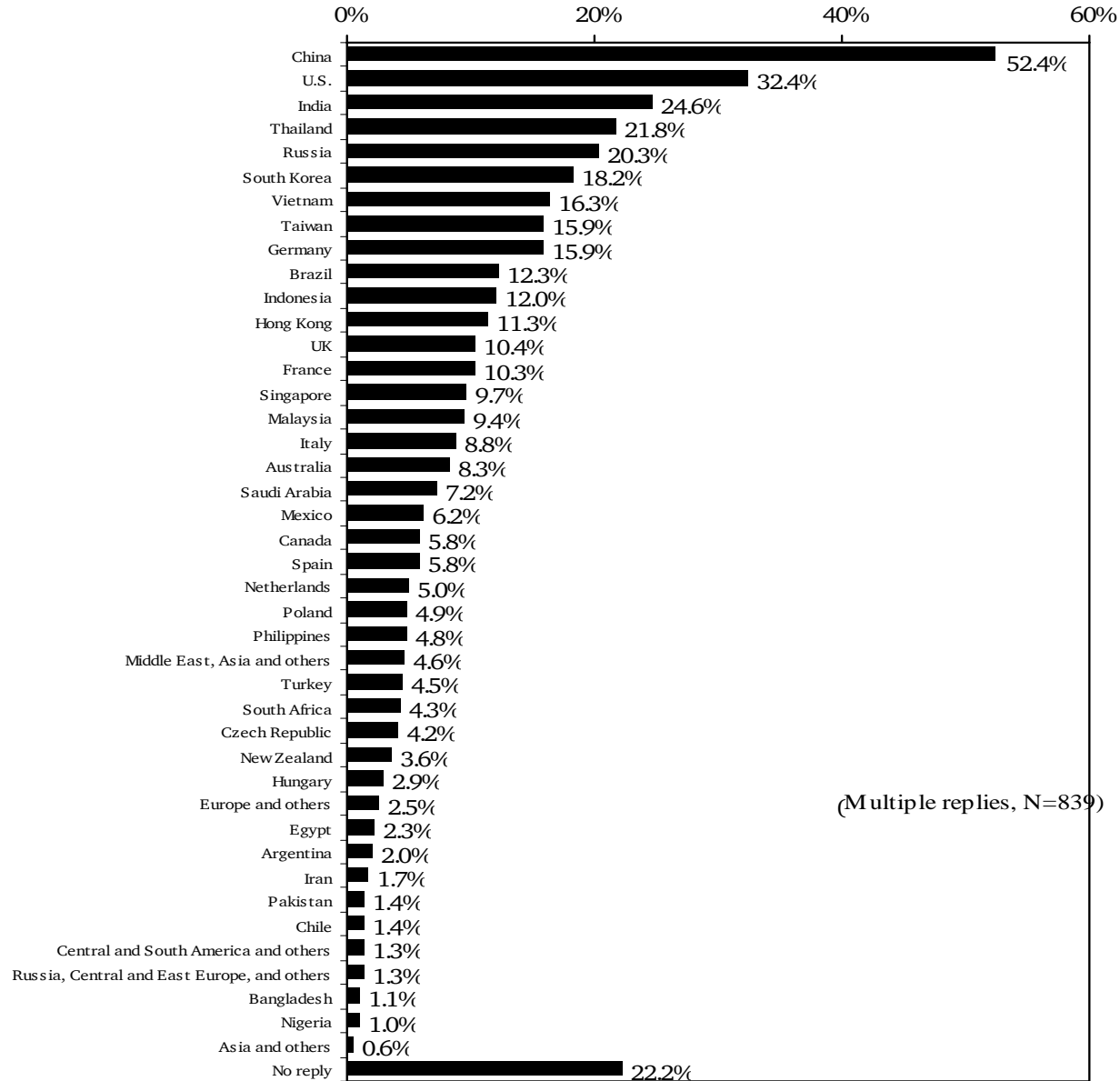
Reasons for actively conducting sales activities overseas

Reasons for actively conducting sales activities overseas



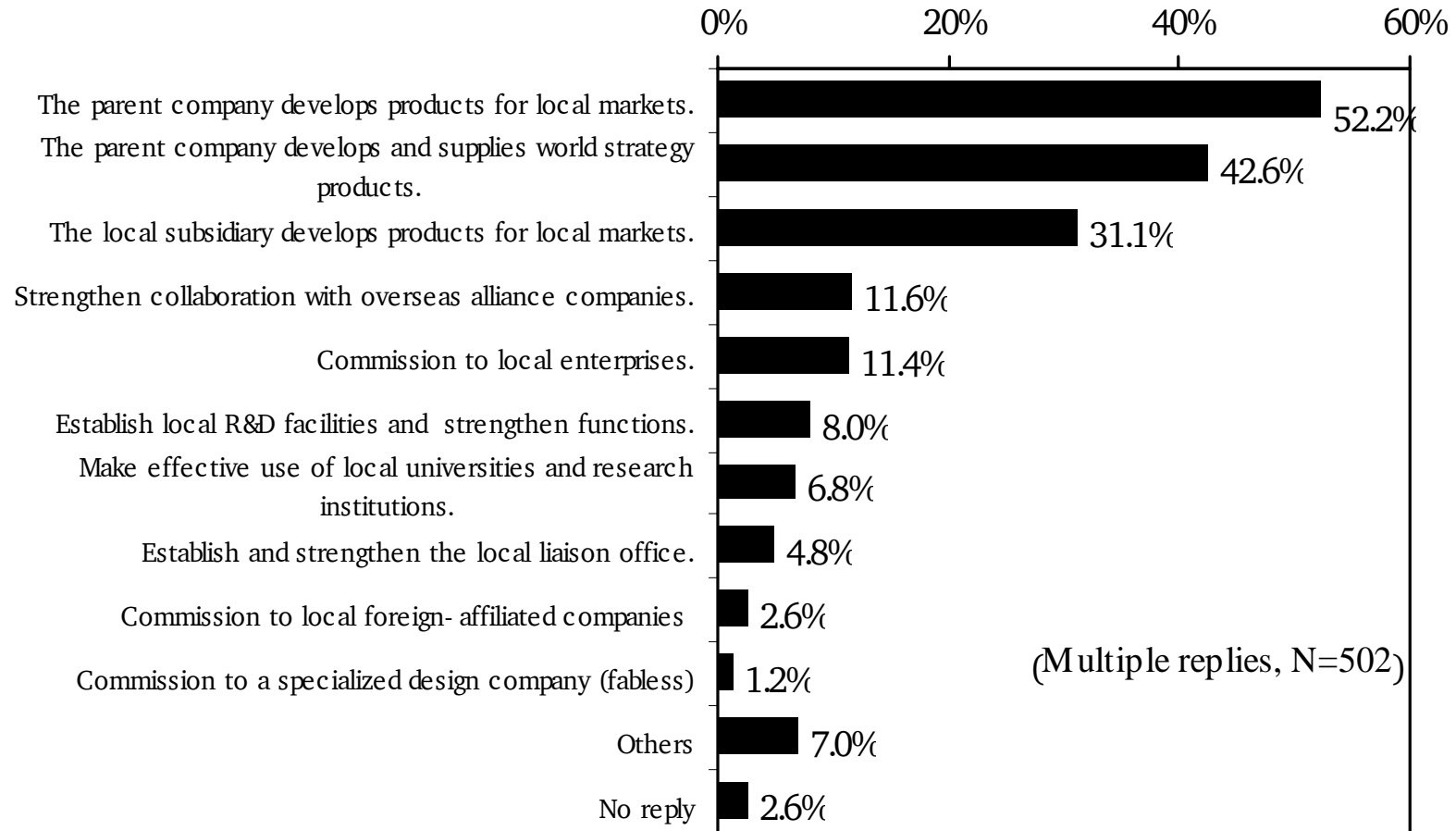
Priority overlapped among emerging and developed countries

Countries with the highest sales priority in the coming three years



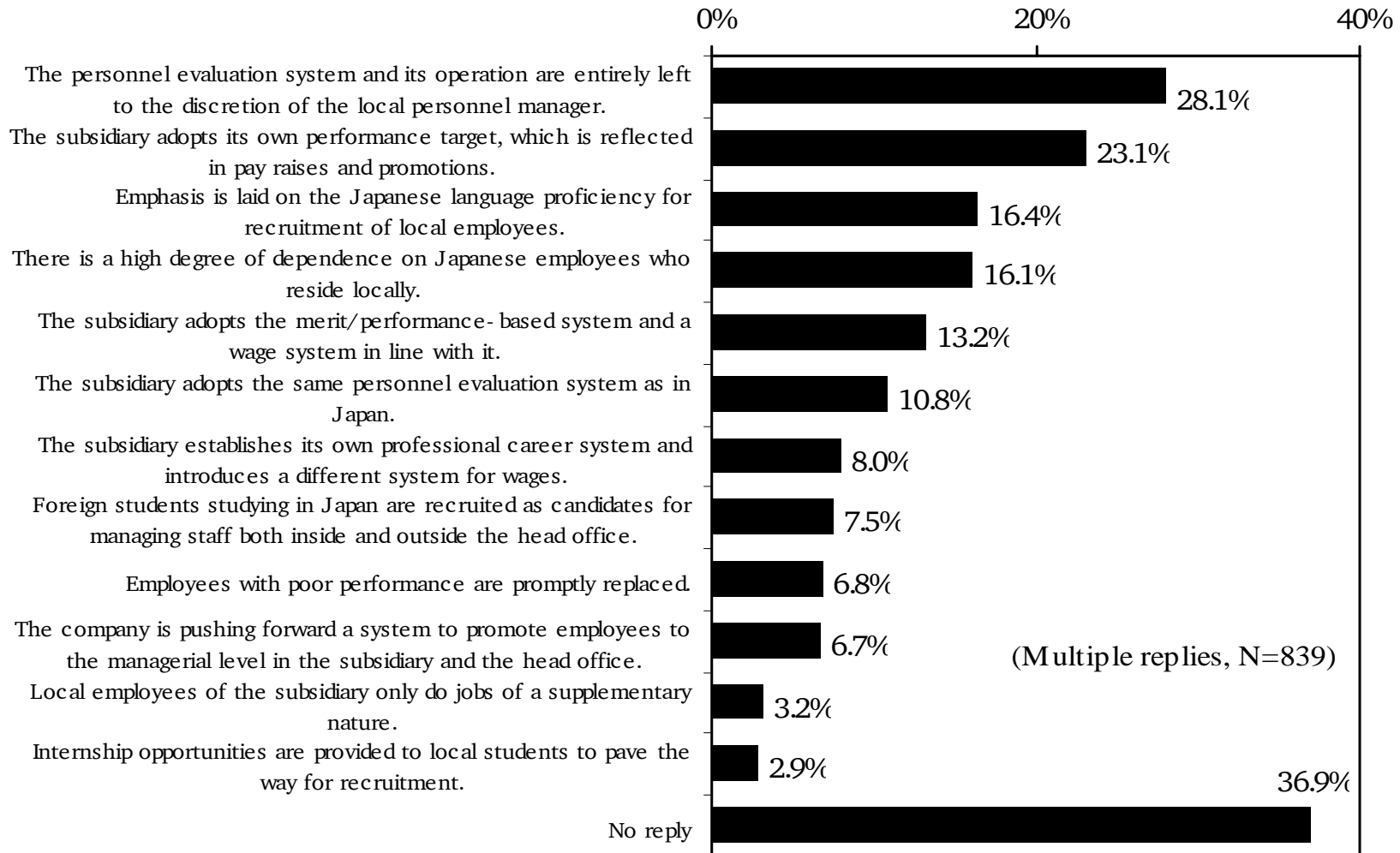
Parent company taking the initiative on local markets

Strategy of product, commodity and service development for local markets



The personnel utilization and nurturing system is being introduced in large companies

Measures for personnel utilization and nurturing to enhance competitiveness in overseas markets



Semiconductor Manufacturer Global Ranking

1990

Rank	Company	Country	Sales (US\$ 1 million)
1	NEC Semiconductors	Japan	4,774
2	Toshiba Semiconductors	Japan	4,579
3	Intel	U.S.A.	4,019
4	Motorola Semiconductors	U.S.A.	3,802
5	Hitachi Semiconductors	Japan	3,765
6	Texas Instruments	U.S.A.	2,738
7	Fujitsu Semiconductors	Japan	2,705
8	Mitsubishi Semiconductors	Japan	2,303
9	Matsushita Semiconductors	Japan	2,037
10	Philips Semiconductors	Netherlands	2,022
11	National Semiconductors	U.S.A.	1,602
12	Samsung Semiconductors	ROK	1,473
13	SGS-Thomson	France-Italy	1,362
14	Sanyo Semiconductors	Japan	1,462
15	Sharp Semiconductors	Japan	1,218
16	Siemens Semiconductors	Germany	1,263
17	AMD	U.S.A.	1,226
18	Sony Semiconductors	Japan	1,196
19	OKI Semiconductors	Japan	981
20	Rohm	Japan	934

2006

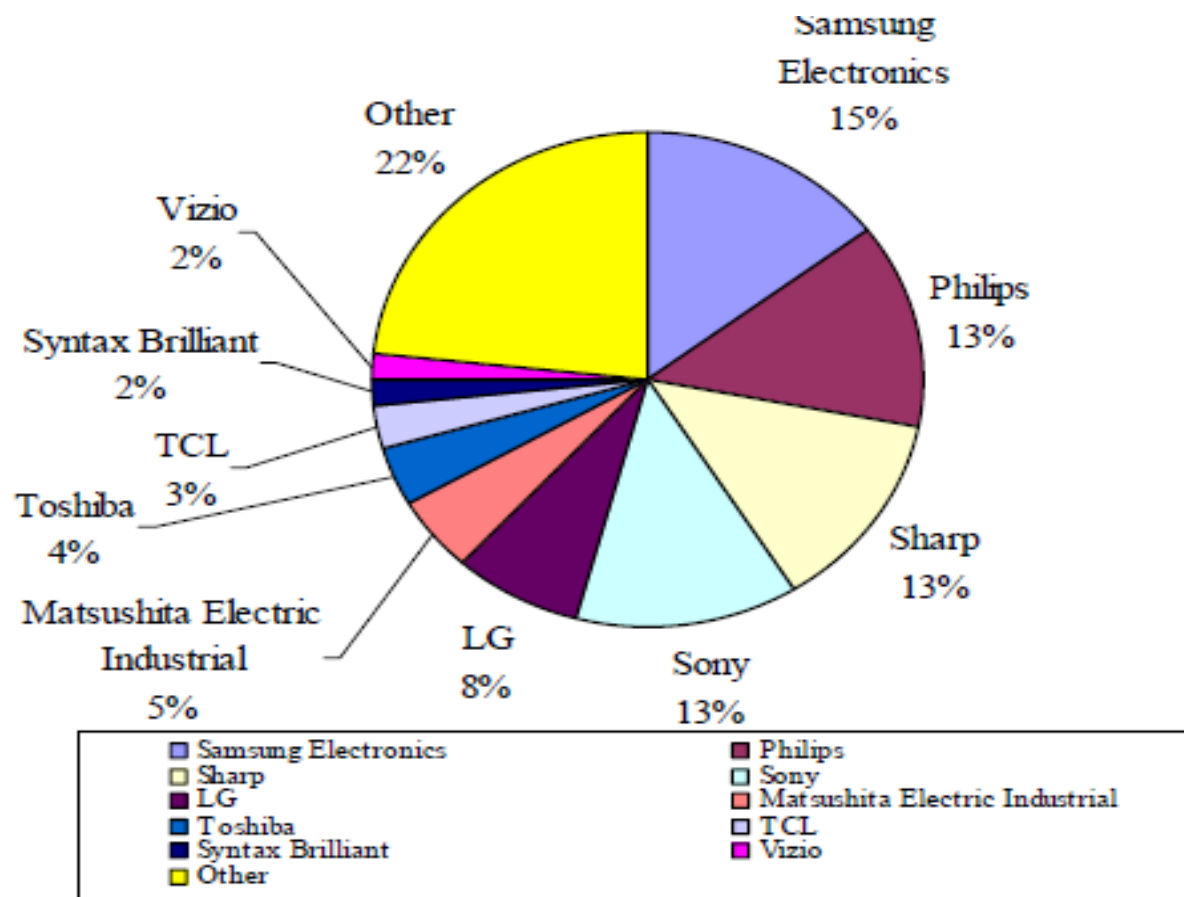
Rank	Company	Country	Sales (US\$ 1 million)
1	Intel	U.S.A.	31,542
2	Samsung Electronics	ROK	19,842
3	Texas Instruments	U.S.A.	12,600
4	Toshiba	Japan	10,141
5	STMicroelectronics	France-Italy	9,854
6	Renesas technology	Japan	7,900
7	Hynix	ROK	7,865
8	AMD	U.S.A.	7,506
9	Freescale Semiconductor	U.S.A.	5,988
10	NXP	Netherlands	5,874
11	NEC Electronics	Japan	5,679
12	Qimonda	Germany	5,413
13	Micron technology	U.S.A.	5,210
14	Infineon Technologies	Germany	5,119
15	Sony	Japan	4,852
16	Qualcomm	U.S.A.	4,529
17	Matsushita Electric	Japan	4,022
18	Broadcom	U.S.A.	3,668
19	Elpida Memory	Japan	3,527
20	Sharp Electronics	Japan	3,341

Selling Prices of Large-Screen TV's in Japan and USA

(40-49 inch; April, 2007)

U.S.A.	\$1,499 or less	\$1,500- 1,999	\$2,000- 2,699	\$2,700- 3,299	\$3,300- 3,999	\$4,000 or more
Best Buy	13 models	10 models	9 models	4 models	0 models	0 models
Japan	¥179,999 or less	¥180,000~ 239,999	¥240,000~ 323,999	¥324,000~ 395,999	¥396,000~ 479,999	¥480,000 or more
Yamada Denki	0 models	0 models	2 models	13 models	4 models	19 models

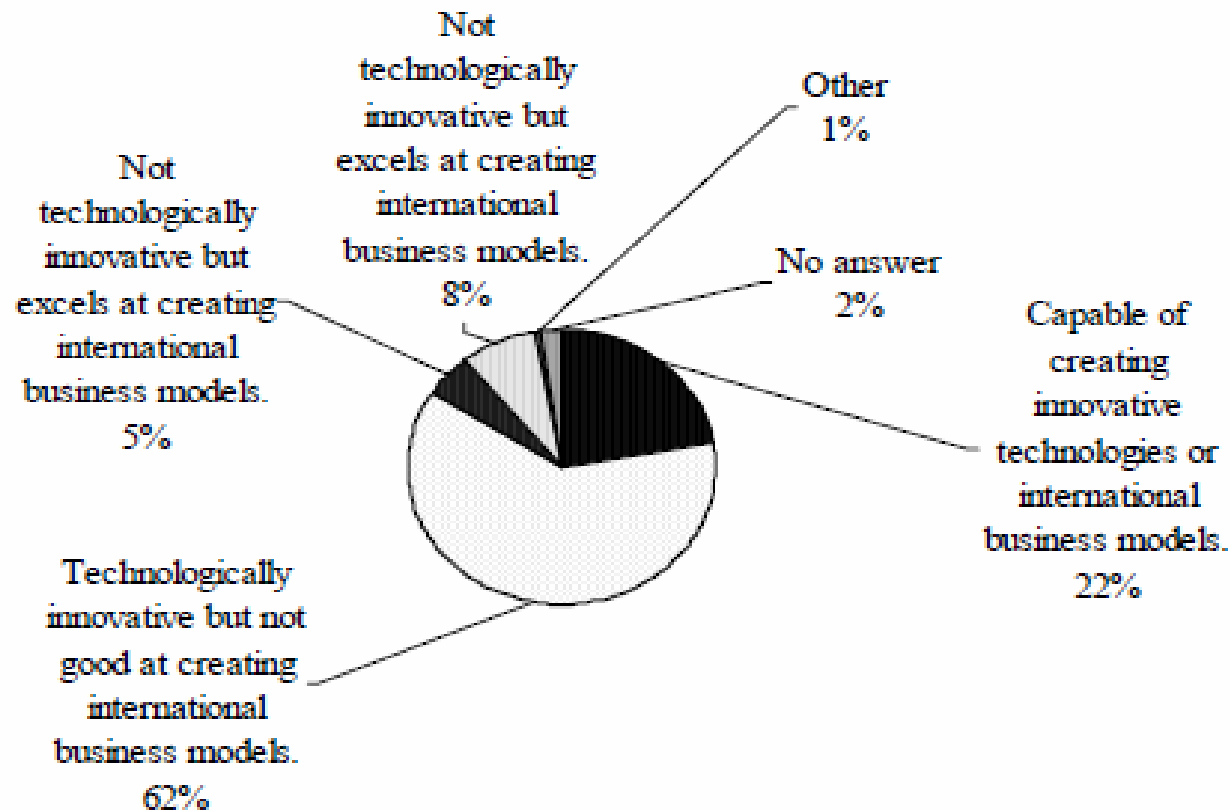
2006 Global LCD TV Market Share by Manufacturer



Integral or Modular

- Many Japanese companies in general, such as those in the electronics and drug industries, have developed and produced goods on the principle of vertically integrated self-sufficiency. This principle has its merits: namely, it raises the motivation of engineers who want to build fine products in-house, brings out the overall strength of the company by fusing company technologies.
- An integral type product seeks to enhance total performance by making fine adjustments among components. The typical example is the automobile: to make an automobile more comfortable to ride, for example, one must adjust not only the seats but also make mutual adjustments between the seat and the springs, tires, body and so on.
- A modular type product is created in a production system where pre-designed components are brought together into a finished product. Personal computers, DVD players and so on are typical examples; standardized interfaces among components make them easy to assemble. In a DVD player, for example, LSI devices play the interface role, while the various structural components are connected by the LSI devices and are independent of other components. Because of this, such products are typically easy to outsource.

Innovative Capacity of Japanese Corporations



Source: JETRO survey on Japanese firms' international competitiveness and business development, March-May, 2007.

Changes in Overseas Business Environment, Compared with Five Years Ago

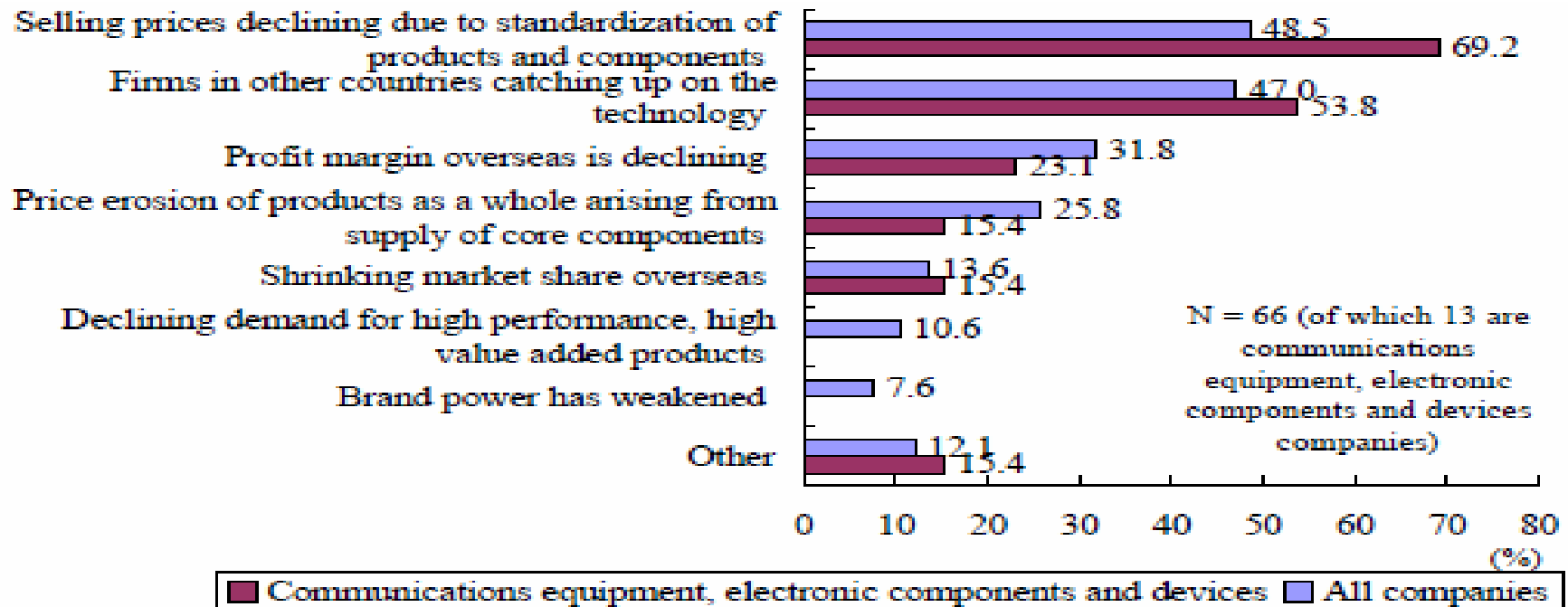
Rank	Industries reporting improvement	Industries reporting worsening	Industries reporting no change
1	General machinery (80.4%)	Communications equipment, electronic components and devices (43.3%)	Lumber, wood products, furniture, construction materials, paper, pulp (50.0%)
2	Automobiles, parts, other transport equipment (71.1%)	Textiles and textile products, apparel (21.1%)	Ceramic, stone and clay products (33.3%)
3	Textiles and textile products, apparel (68.4%)	Precision parts (20.7%)	Drugs, medicines, cosmetics (31.3%)
4	Chemicals (68.3%)	Electrical equipment (14.3%)	Petroleum and coal products, plastic and rubber products (27.6%)
5	Ferrous and nonferrous metals, metal products (66.7%)	Petroleum and coal products, plastic and rubber products (13.8%)	Electrical equipment (23.8%)

Note: The percentages in parentheses are the proportion of replies by companies in each industry.

Please refer to Fig. III-2 for number of respondents.

Source: JETRO survey on Japanese firms' international competitiveness and business development, March-May, 2007.

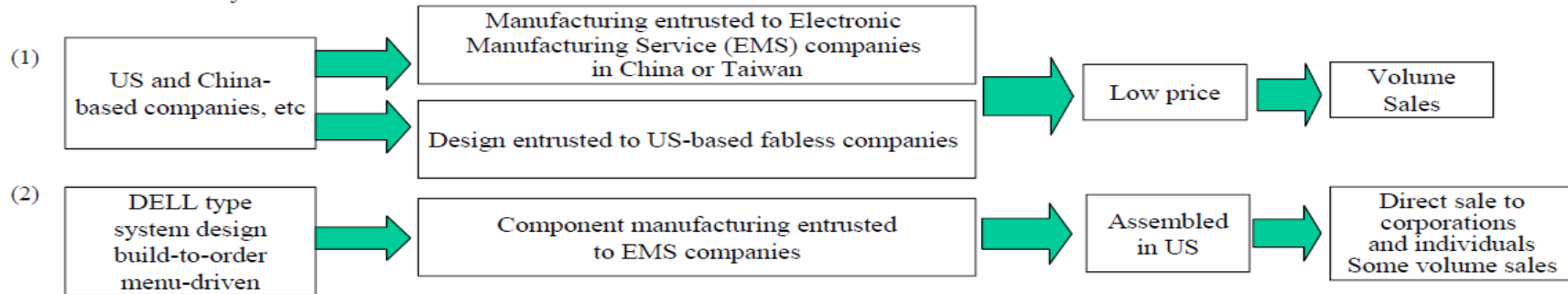
Reasons Given for a Worsening Environment



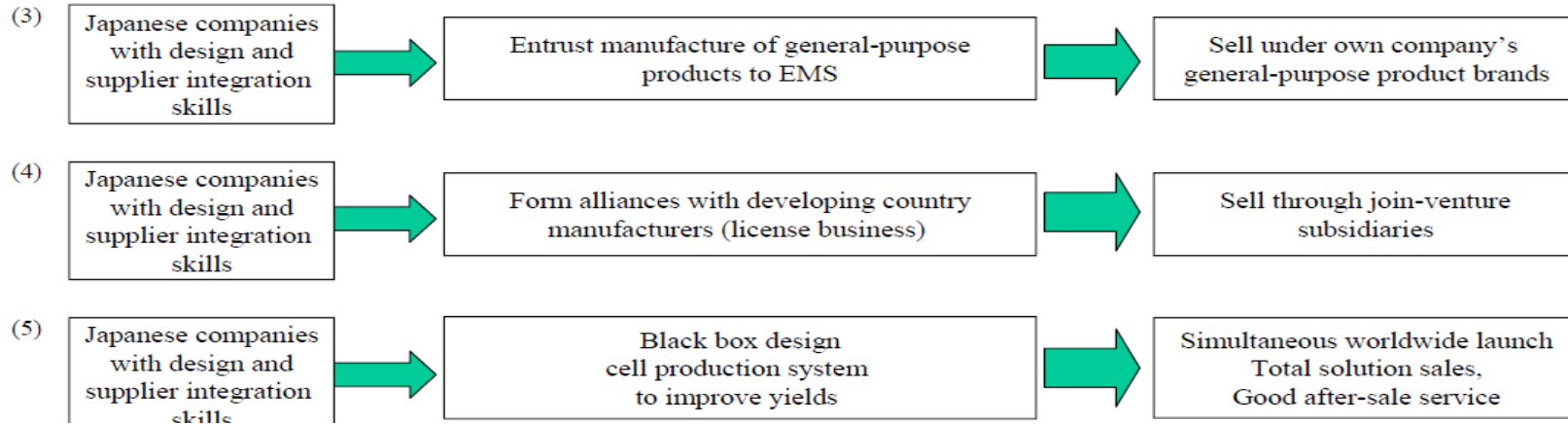
Modular Design and Supplier Integration(Digital Home Electronics)

1. Digital Home Electronics

Overseas Manufacturers



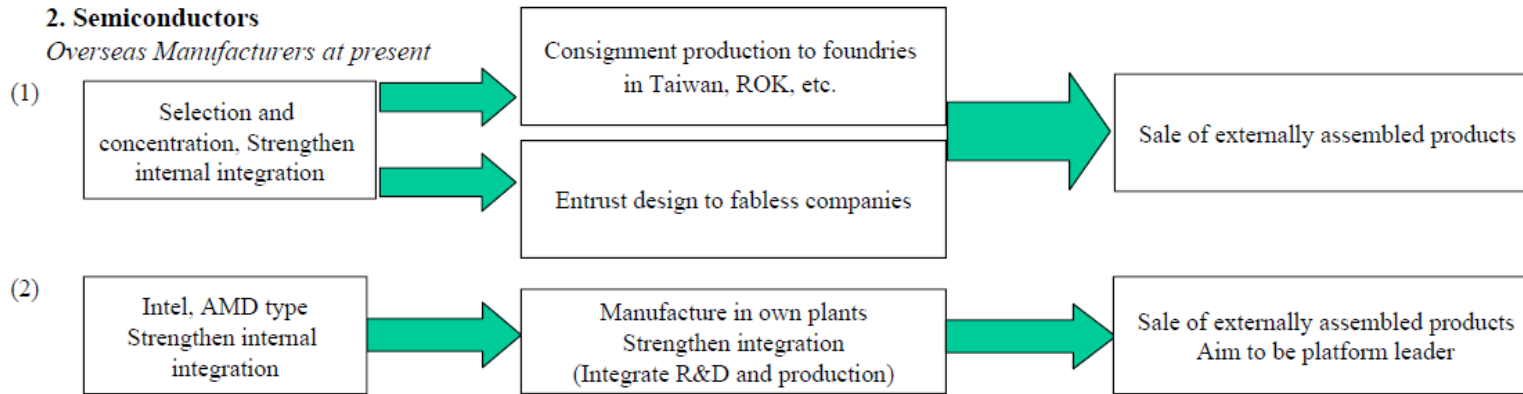
Japanese Manufacturer Options



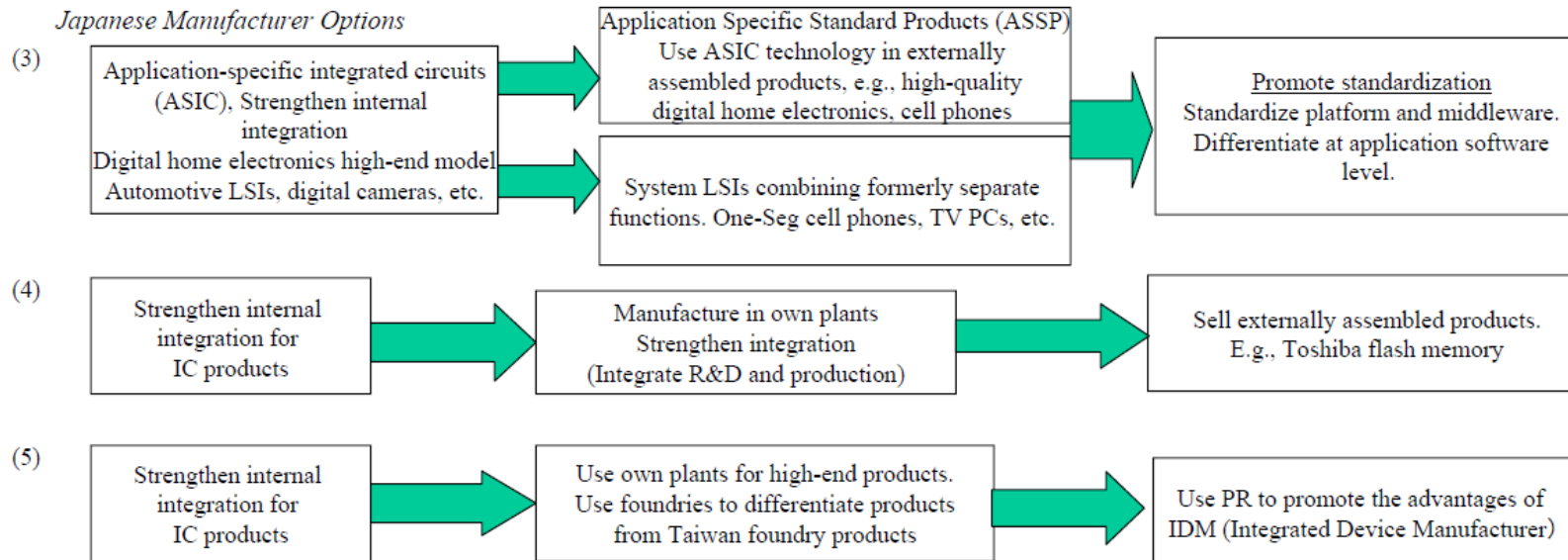
Modular Design and Supplier Integration(Semiconductors)

2. Semiconductors

Overseas Manufacturers at present



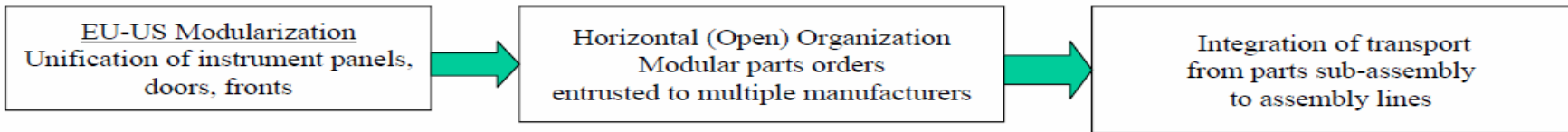
Japanese Manufacturer Options



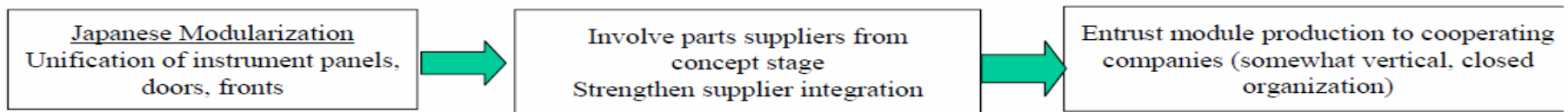
Modular Design and Supplier Integration(Automotive)

3. Automotive

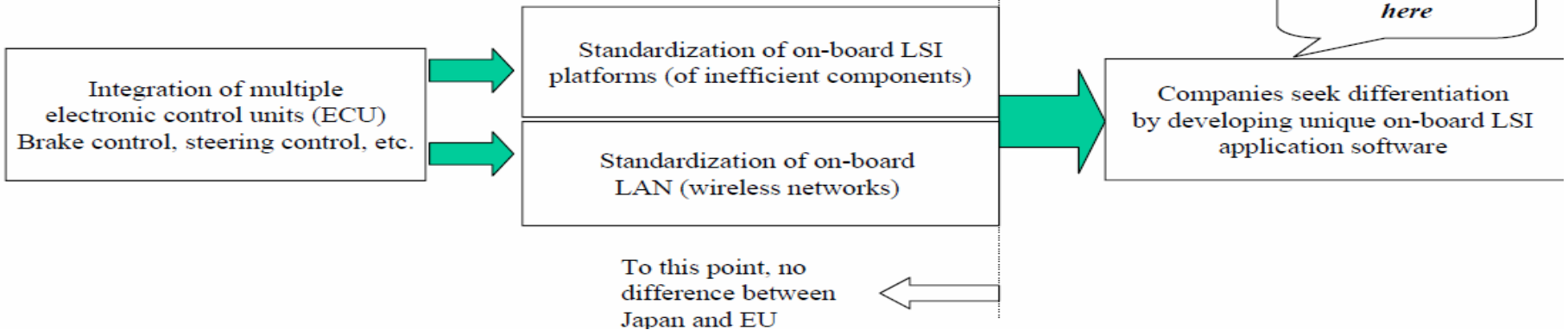
(1) Mechanical Parts Modularization (Overseas manufacturers at present)



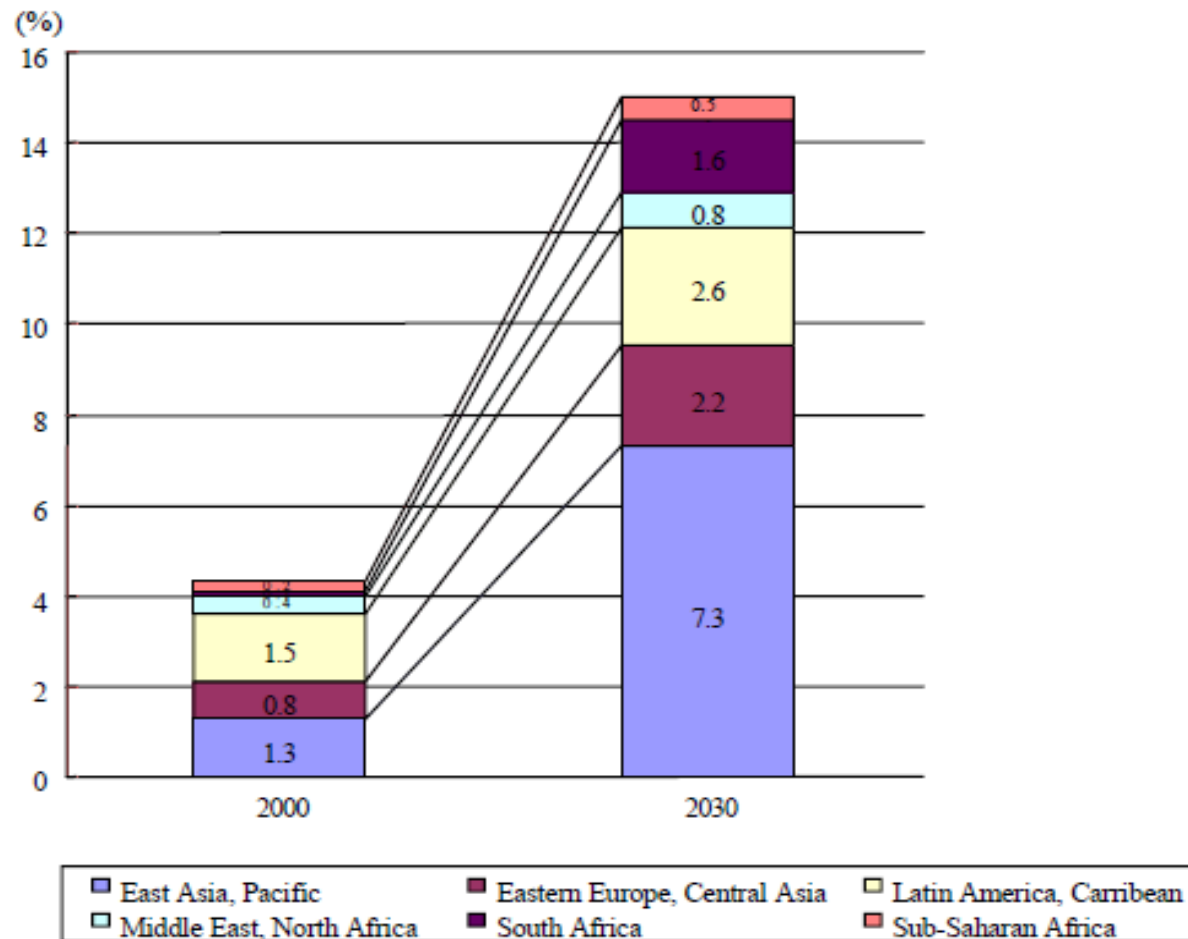
Japanese Manufacturer Options



(2) Increased Use of Electronics



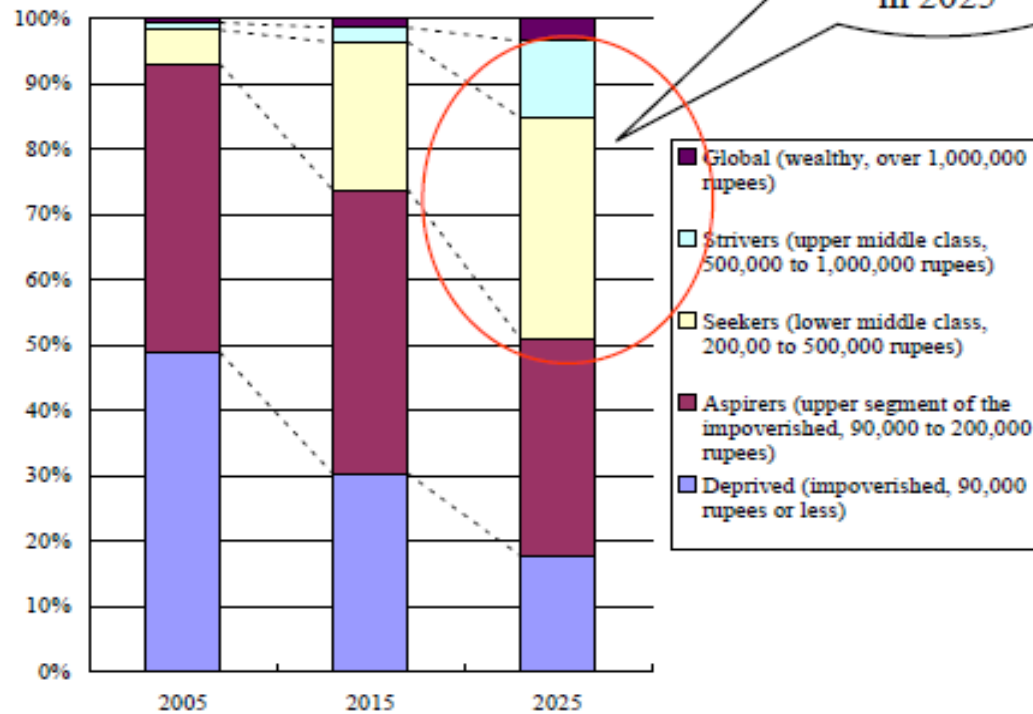
Developing Country Share of Global Middle Class



Source: "Global Economic Prospects 2007", World Bank.

Indian Households by Income

Fig. III-10 Indian households by income



Middle class
grows from 5%
in 2005 to 41%
in 2025

Source: "The Bird of Gold: The Rise of India's Consumer Market", McKinsey & Company

FTAs in the Asia-Pacific Region

FTAs in effect in the Asia-Pacific (ASEAN+6) region

FTA	Date, Status
Australia-New Zealand	January 1983
Laos-Thailand	June 1991
ASEAN Free Trade Area (AFTA)	January 1992 (start of tariff reduction January 1993)
Singapore-New Zealand	January 2001
Japan-Singapore	November 2002
Singapore Australia	July 2003
ASEAN-China	July 2003
	January 2004 (Early Harvest for agricultural and fisheries products)
	July 2005 (start of tariff reduction for non-agricultural products)
Thailand-India	September 2004 (start of Early Harvest)
Thailand-Australia	January 2005
Thailand-New Zealand	July 2005
Singapore-India	August 2005
Singapore-ROK	March 2006
Japan-Malaysia	July 2006
ASEAN-ROK	June 2007
Japan-Thailand	November 2007
Japan-Indonesia	July 2008
Japan-Brunei	July 2008

(Source) WTO, governments

FTAs in the Asia-Pacific Region

Share of trade between countries with FTAs in effect, signed and under negotiation of the amount of total intra-regional trade in the Asia-Pacific (ASEAN+6) region (2007)

(Unit: %)

Importing country Exporting country	Japan	China	ROK	Thailand	Indonesia	Malaysia	Philippines	Singapore	Brunei	Vietnam	Cambodia	Laos	Myanmar	India	Australia	New Zealand	Total	Trade with countries with FTAs in effect (exports)	Share of trade with FTAs in effect
Japan	-	8.1	4.0	1.9	0.7	1.1	0.7	1.6	0.0	0.4	0.0	0.0	0.0	0.4	1.0	0.2	20.0	5.2	26.0
China	7.5	-	4.1	0.9	0.9	1.3	0.5	2.2	0.0	0.8	0.1	0.0	0.1	1.7	1.3	0.2	21.6	6.8	31.6
ROK	1.8	6.8	-	0.4	0.4	0.5	0.3	0.9	0.0	0.3	0.0	0.0	0.0	0.4	0.4	0.1	12.3	2.4	19.7
Thailand	1.3	1.1	0.2	-	0.3	0.6	0.2	0.7	0.0	0.3	0.1	0.1	0.1	0.2	0.4	0.0	5.7	5.5	96.2
Indonesia	1.7	0.8	0.6	0.3	-	0.4	0.1	1.0	0.0	0.1	0.0	0.0	0.0	0.3	0.3	0.1	5.6	5.0	88.4
Malaysia	1.2	1.1	0.5	0.6	0.4	-	0.2	1.9	0.0	0.2	0.0	0.0	0.0	0.4	0.4	0.1	7.1	6.1	86.7
Philippines	0.6	1.4	0.1	0.1	0.0	0.2	-	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	2.3	78.5
Singapore	1.1	2.1	0.8	0.9	2.2	2.8	0.4	-	0.1	0.5	0.0	0.0	0.1	0.7	0.8	0.1	12.6	12.6	100.0
Brunei	0.2	0.0	0.1	0.0	0.1	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.0	0.1	0.0	0.5	0.4	86.6
Vietnam	0.4	0.2	0.1	0.1	0.1	0.1	0.1	0.1	-	-	0.0	0.0	0.0	0.0	0.2	0.0	1.4	0.8	53.8
Cambodia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	69.5
Laos	0.0	0.0	0.0	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.1	0.1	97.3
Myanmar	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	-	0.0	0.0	0.0	0.3	0.2	74.7
India	0.3	0.9	0.3	0.1	0.2	0.1	0.0	0.4	0.0	0.1	0.0	0.0	0.0	-	0.1	0.0	2.5	0.5	21.1
Australia	1.9	1.5	0.8	0.3	0.2	0.2	0.1	0.2	0.0	0.1	0.0	0.0	0.0	0.6	-	0.5	6.5	1.1	16.2
New Zealand	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	-	1.0	0.5	49.5
Total	18.1	24.2	11.6	5.8	5.6	7.3	2.7	9.4	0.1	2.7	0.3	0.1	0.3	5.0	5.5	1.3	100.0	49.5	
Trade with countries with FTAs in effect (imports)	5.4	6.8	2.2	5.4	5.1	7.0	1.8	9.4	0.1	2.2	0.2	0.1	0.3	0.9	1.7	0.7	49.5		
Share of trade with countries with FTAs in effect	30.0	28.2	18.8	93.8	91.9	95.1	68.8	100.0	95.4	79.7	95.0	96.5	91.5	18.7	30.5	56.2			

(Note 1) The light-colored shading indicates trade between countries with FTAs in effect, the dark-colored shading indicates trade between countries with FTAs that are signed (not in effect), and the half-tone shading indicates trade between countries with FTAs under negotiation.

(Note 2) The share represents each country's / region's value of trade with countries that have FTAs in effect of the total value of exports and imports to the ASEAN+6 region.

(Note 3) The Thailand-ROK portion alone of the ASEAN-ROK FTA has not gone into effect. Includes the trade amount between India and Thailand, which only covers items under the Early Harvest Scheme (82 items). FTA negotiations between Japan and ROK have been suspended.

(Note 4) The Singapore-New Zealand FTA is part of the Trans-Pacific FTA (Brunei, New Zealand, Chile and Singapore).

(Source) "DOT May 2008" (IMF)

Thailand-Australia FTA boosts Thailand's automotive exports to Australia

Trends in Australian imports of passenger and commercial cars

(Unit: Millions of dollars, %)

		2004	2005	2006	2007	Share change compared to 2004	
Passenger cars	Total value of imports	8,141	9,268	9,482	11,651	-	
	Share	Japan	58.9	55.1	49.6	45.3	-13.6
		Germany	13.4	10.5	10.3	10.6	-2.8
		ROK	5.9	7.5	10.0	9.8	3.9
		Thailand	1.1	2.2	4.8	8.5	7.4
Commercial cars	Total value of imports	2,556	3,040	3,343	4,596	-	
	Share	Thailand	25.3	38.1	32.0	36.3	10.9
		Japan	43.8	29.9	28.3	27.6	-16.2
		US	15.0	13.1	21.3	14.1	-0.9
Total value of imports		103,686	118,610	132,778	157,887	-	
Value of imports from Thailand		2,767	3,663	4,723	6,630	-	
Share of Thai imports to total		2.7	3.1	3.6	4.2	-	

(Source) Australian trade statistics

Major FTAs towards complete tariff elimination by 2010

Status of AFTA and ASEAN+1: In effect and under negotiation

(Unit: Millions of dollars, %)

FTA		Value of trade	Share of Asia-Pacific (ASEAN+6) intra-regional trade	Status	Year of tariff elimination
AFTA		220,203	16.1	Started tariff reduction since January 1993. The original members of ASEAN (Thailand, Malaysia, Indonesia, Philippines, Singapore and Brunei) have already eliminated tariffs of 80% of all items.	2010 (Original members of ASEAN) 2015 (CLMV)
ASEAN	China	186,121	13.6	Went into effect in July 2003. EH scheme covering agricultural and fisheries product (HS01-08) started in January 2004. Non-agricultural and fisheries products and other agricultural and fisheries products in July 2005, started reduction of tariff.	2010 (Original members of ASEAN) 2016 (Vietnam) 2018 (CLM)
	ROK	70,487	5.2	Went into effect in June 2007.	2010 (Original members of ASEAN) 2015 (CLMV)
	Japan	173,595	12.7	Agreement at East Asia Summit in November 2007. Each country completes signature in April 2008. Expected to go into effect in 2008.	–
	India	36,713	2.7	Under negotiation.	–
	Australia New Zealand	53,602	3.9	Under negotiation.	–

(Note) The year of tariff elimination refers to the year in which the tariffs of items classified as Normal Track are eliminated.

(Source) Each agreement and statistics from each government

Economic Effects of FTAs

Fig. II-7 Effects of various FTAs on GDP (tariff elimination and 50% reduction in NTMs)

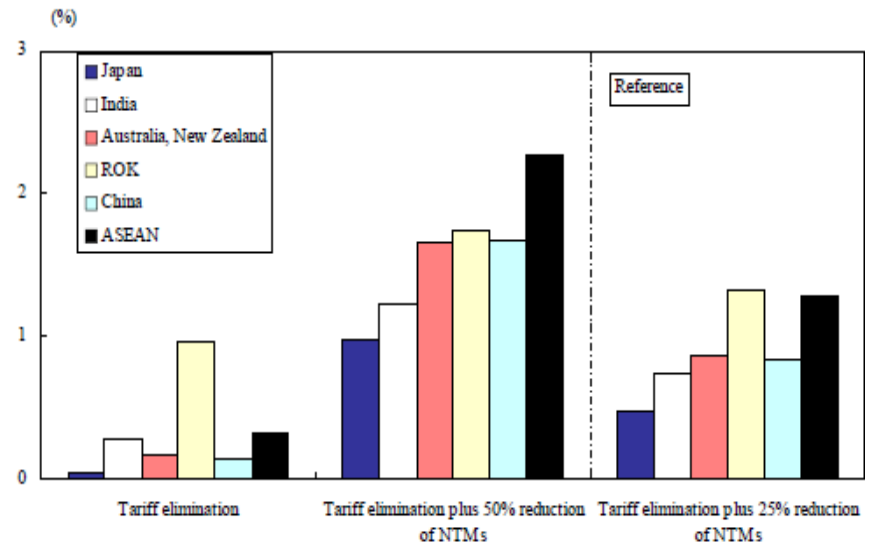
	Intra ASEAN (AFTA)	ASEAN-China	ASEAN-ROK	ASEAN-Japan	ASEAN-Australia	ASEAN-India	ASEAN+3	ASEAN+6
All member countries	0.9	0.7	0.7	0.5	0.8	0.9	1.0	1.3
ASEAN	0.9	1.3	1.0	1.4	1.0	1.0	2.0	2.3
Japan	-	-0.01	-	0.3	-0.01	-	0.7	1.0
China	-0.01	0.4	-0.02	-0.02	-0.01	-0.01	1.5	1.7
ROK	-0.01	-0.04	0.3	-0.02	-0.01	-	1.6	1.7
India	-0.01	-0.03	-0.02	-0.1	-0.02	0.9	-0.1	1.2
Australia	-	-0.02	-0.01	-0.04	0.5	-0.01	-0.1	1.4

(%)

Note: Rounded off below two decimal places; regard 0.00% as no influence and indicate as "-". Shaded boxes indicate FTA member countries/regions.

Source: Estimated from GTAP

Fig. II-8 Effects of ASEAN+6 FTA on GDP



Source: Estimated from GTAP

Non Tariff Measures in ASEAN Countries

	Number of NTMs, by country						Main examples
	Thailand	Malaysia	Indonesia	Singapore	Philippines	Vietnam	
Quantity control measures	113	123	189	64	67	82	Non-automatic licensing on a discretionary basis (foods, electrical equipment, etc.); import quotas (iron and steel, automobiles, foods, etc.), prohibitions on imports (used cars, etc.)
Technical measures	22	6	134	29	90	158	Quality inspections, labeling and specifications standards, advertising restrictions
Monopolistic measures	0	1	13	0	2	8	Monopolistic import company system for rice, petroleum, etc.
Price control measures	0	0	0	1	0	34	Price regulations on imports (in Vietnam, on beverages, glass, etc.), anti-dumping measures (in Singapore, on iron and steel products)
Other	6	4	71	8	0	1	Automatic licensing measures
Total	141	134	407	102	159	283	

Note: APEC, UNCTAD etc. have compiled figures on NTMs mainly from statements made by each government; JETRO has summarized information published by the ASEAN Secretariat. The date of the data varies by country, between 2001 to 2003. We count the numbers of NTMs regardless of the level of HS digit in question. For instance, a measure affecting HS tariff lines (products) at two digit level is counted as one while another measure affecting products at HS eight digit level is also counted as one. Thus, that a country is shown as having a large number of NTMs in this table does not necessarily mean that it does have many NTMs or that the impact of the NTMs applied is large.

Source: ASEAN Secretariat.

3 Challenge by Japan (2) Strategy in exploring emerging countries

Japanese goods mainly consumed in Asia, US, Europe

Total consumption demands of goods & services for Japanese companies: by countries and region(2005)

(Unit : Yen billion,%)

	North America		Latin america	Asia				Middle East	Europe		Oceani a	Africa	Total
		US			China	ASEA N4	NIES3			EU			
Sales by overseas subsidiaries (a)	54,926	52,173	3,021	29,960	9,948	9,271	9,412	243	17,787	17,340	2,684	704	109,325
Imports from Japanese companies in third countries (b)	9,843	9,056	2,830	19,012	6,759	5,447	6,133	264	17,421	17,073	2,484	663	52,517
a+b (c)	64,769	61,229	5,851	48,972	16,707	14,718	15,545	507	35,208	34,413	5,168	1,367	161,842
(c) ×ratio of Japanese equity ownership (d)	54,535	51,555	4,927	41,234	14,067	12,393	13,089	427	29,645	28,976	4,351	1,151	136,270
Exports of goods&services from Japan (e)	18,757	17,511	3,215	34,192	13,150	6,266	8,597	2,055	13,650	12,183	1,974	929	74,772
Total consumption demands(d + e)	73,292	69,066	8,142	75,426	27,217	18,659	21,686	2,482	43,295	41,159	6,325	2,080	211,042
Share of total consumption demands	34.7	32.7	3.9	35.7	12.9	8.8	10.3	1.2	20.5	19.5	3.0	1.0	100.0

(Source)"Survey of Trends in Business Activities of Foreign Affiliates"by Ministry of Economy, Trade and Industry

"Balance of Payments" by Bank of Japan

US goods dominantly consumed in Europe

Total consumption demands of goods & services for US companies: by countries and region(2004)

(Unit: US\$ Billion%)

	Canada	Latin America			Asia Pacific			Middle East	Europe					Africa	Total	China(includin HK)
			Brasil	Mexico		Austral ia	Japna			France	Germany	Netherl and	UK			
Sales by overseas subsidiaries(a)	309.9	220.7	57.1	82.7	467.5	71.0	164.1	10.8	1,005.8	122.0	163.8	61.4	310.2	26.4	2,041.1	71.7
Imports from US companies in third countries(b)	13.6	53.2	13.8	19.9	190.1	28.9	66.7	21.2	566.9	68.8	92.3	34.6	174.8	16.5	861.5	29.2
a+b (c)	323.5	273.9	70.9	102.6	657.6	99.9	230.8	32.0	1,572.7	190.8	256.1	96.0	485.0	42.9	2,902.6	100.9
Exports of goods&services from US (d)	219.9	230.2	18.7	128.7	313.4	20.9	88.4	36.9	330.7	34.4	50.4	32.8	77.2	21.1	1,152.2	61.7
Total consumption demands(c + d)	543.4	504.1	89.6	231.3	971.0	120.8	319.2	68.9	1,903.4	225.2	306.5	128.8	562.2	64.0	4,054.8	162.6
Share of total consumption demands	13.4	12.4	2.2	5.7	23.9	3.0	7.9	1.7	46.9	5.6	7.6	3.2	13.9	1.6	100.0	4.0

(Source)Dept of Commrece "Survey of Current Business"

Growing interest in Emerging countries by Japanese companies

JFIC16 and the type of resource endowment

	JFIC 16	Region	Number of J-FILE cases for			Per capita GDP (dollars)	Population (1,000 people)	Type of resource endowment		
			(1,000 cases)	Yoy change in	Yoy change in			Mineral resources	Food resources	Human resources
1	Vietnam	Asia	182	34.5		818	85,407	○	○	○
2	Thailand	Asia	159	32.9		3,882	63,137		○	△
3	Turkey	Middle East	85	72.9	21.5	9,033	73,443		○	
4	UAE	Middle East	70	28.4	33.6	40,001	4,815	○		
5	Pakistan	Asia	69	56.6		877	163,902			○
6	Mexico	Central and South America	69	32		8,232	108,522	○		○
7	South Africa	Africa	65	31.2	24.4	5,625	50,250	○	○	
8	Venezuela	Central and South America	64	69.3	23.2	8,647	27,339	○		
9	Saudi Arabia	Middle East	54	22.4	22.3	15,192	24,735	○		
10	Peru	Central and South America	53	56		3,826	28,573	○	○	○
11	Poland	Eastern Europe	52	17.7	32.6	11,006	38,102		○	△
12	Argentina	Central and South America	49	33.8		6,825	38,438	○	○	
13	Romania	Eastern Europe	44	44.2		7,653	21,556			○
14	Hungary	Eastern Europe	41	33		13,759	10,058		○	
15	Nigeria	Africa	40	33.1		1,120	148,093	○		○
16	Egypt	Africa	40	40		1,742	73,971	○		○
	JFIC 16					4,678	960,340			
	Worldwide		4,377	28.3	9.2	8,253	6,637,864			
	BRICs					2,563	2,789,649			
	China					2,585	1,315,302		○	
	India					1,005	1,140,503		○	○
	Russia					9,078	142,054	○		△
	Brazil					6,852	191,791	○	○	

(Note 1) Emerging countries that attract growing interest: Countries that are ranked in the top fifty in terms of the number of J-FILE searches the developed countries and the BRICs excluded, to which the number of hits rose 30% or more yoy in 2007 or rose 20% or more yoy in 2006 and of which the per capita GDP amounts to at least 500 dollars

(Note 2) For J-FILE country and region, data as of March 21, 2008 was used, and for the per capita GDP and population, data as of 2007 was used

(Note 3) The "type mineral resources" means that "iron ores + mineral fuels" and "base metals and their products" are in the black, thereby benefitting from the trade.

(Note 4) Peru and South Africa are treated as mineral resources because the surplus in "base metals and their products" outpaces the deficit in "iron ores + mineral fuels."

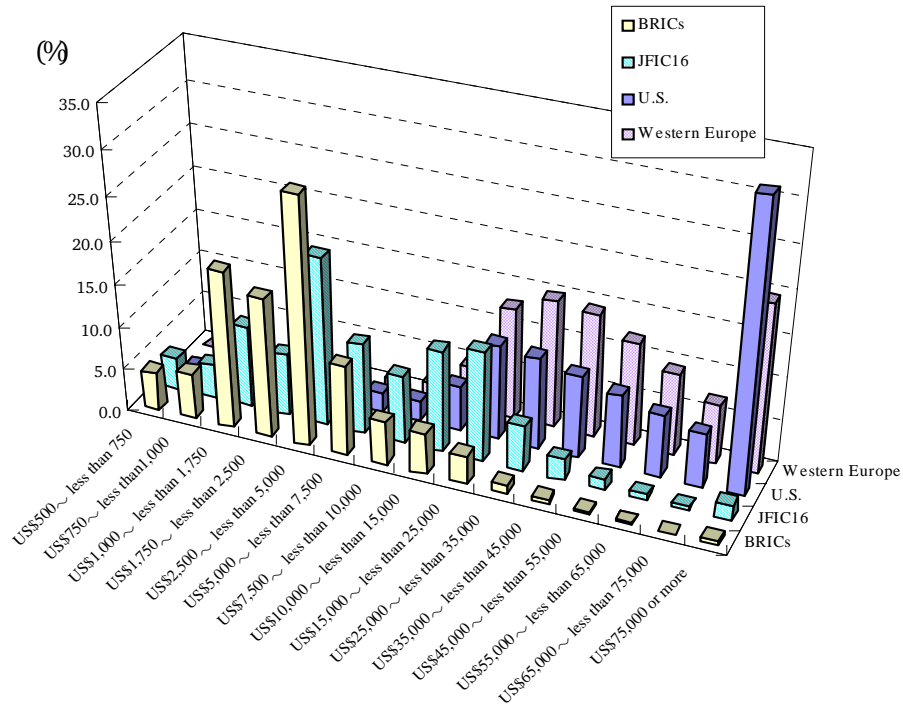
(Note 5) "Food resource type" are countries with trade surplus by Foods. Human resources type: countries whose remittance from overseas workers accounts for 2% or more of GDP are ○, less than 2% to 1% are △

(Note 6) Profit on terms of trade against GDP is based on 1990 prices.

(Sources) JETRO's internal information, Euromonitor International, and JETRO overseas information files and the number of accesses by country

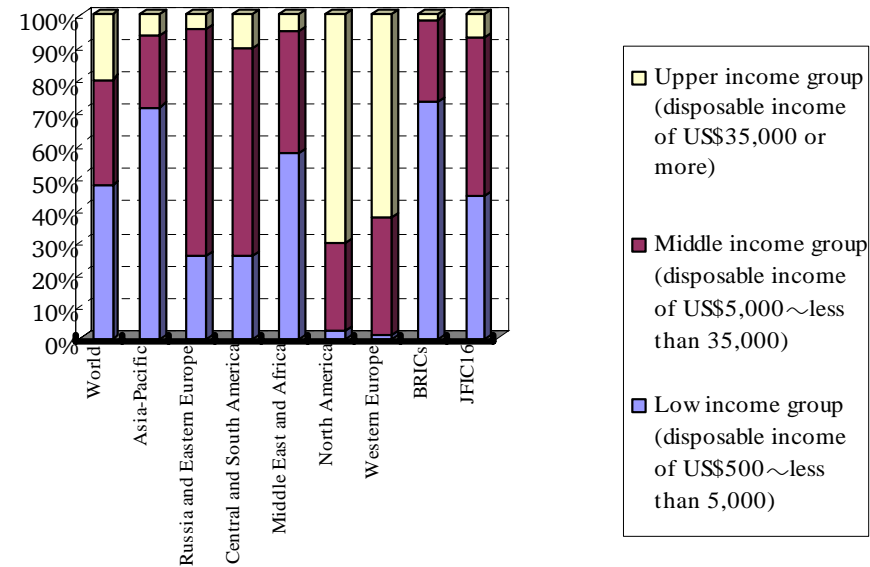
Distribution ratio by disposable income

Distribution of number of households based on 15 disposable income groups in Europe, the United States and emerging countries in 2007



(Resources) Prepared based on Euromonitor International

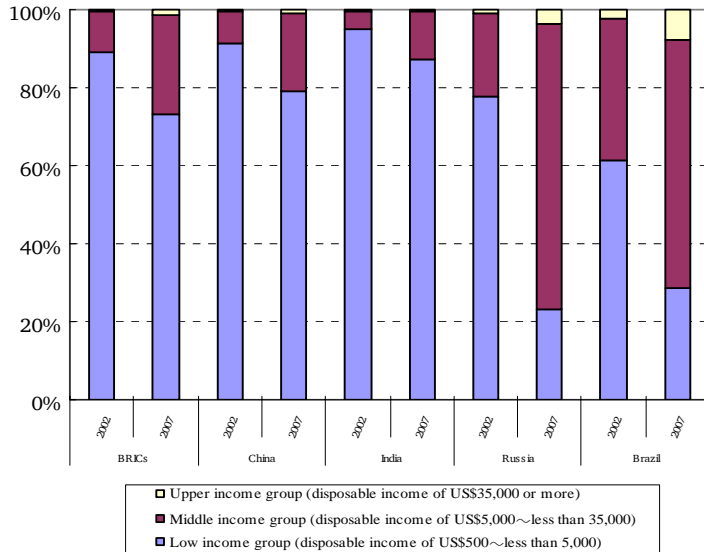
Distribution ratio of number of households by disposable income group worldwide in 2007



(Resources) Prepared based on Euromonitor International

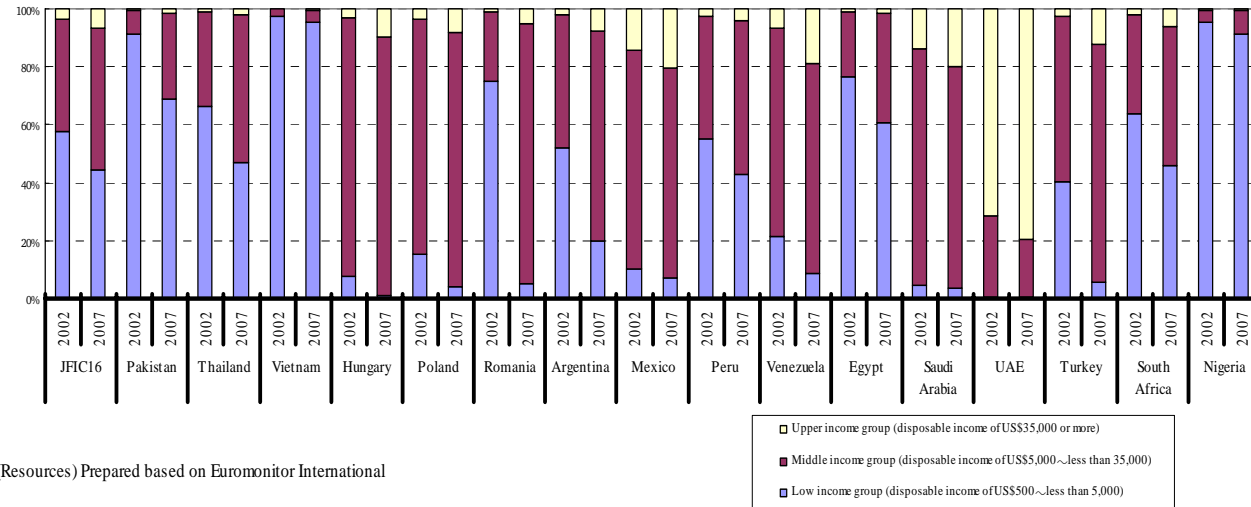
Shift to the upper income group in emerging countries

Distribution ratio of number of households by disposable income group in BRICs (2007/2002)



(Resources) Prepared based on Euromonitor International

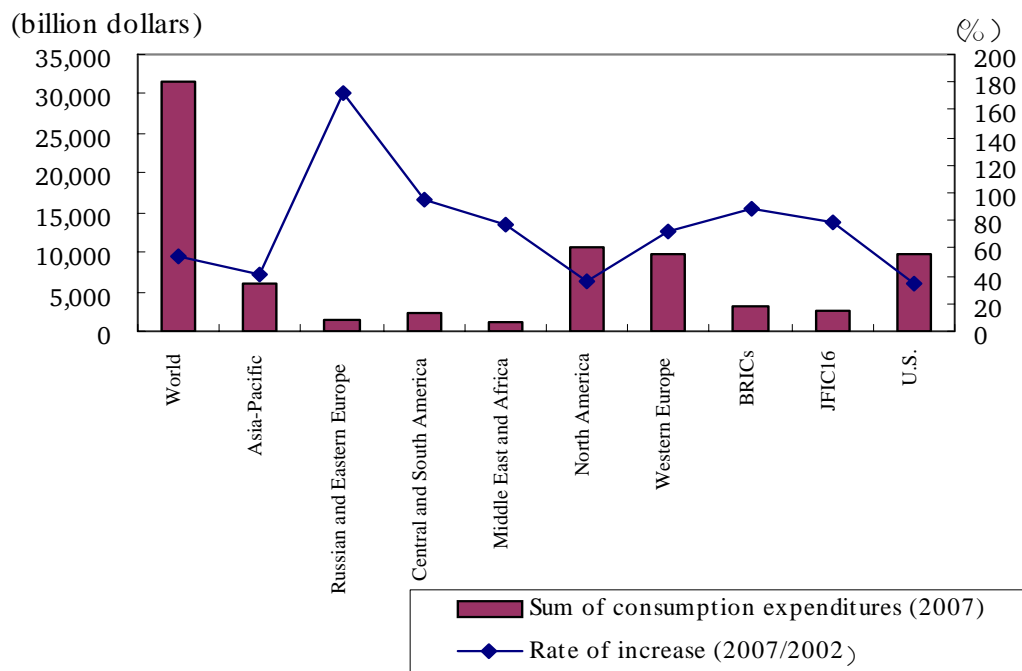
Distribution ratio of number of households by disposable income group in JFIC16 (2007/2002)



(Resources) Prepared based on Euromonitor International

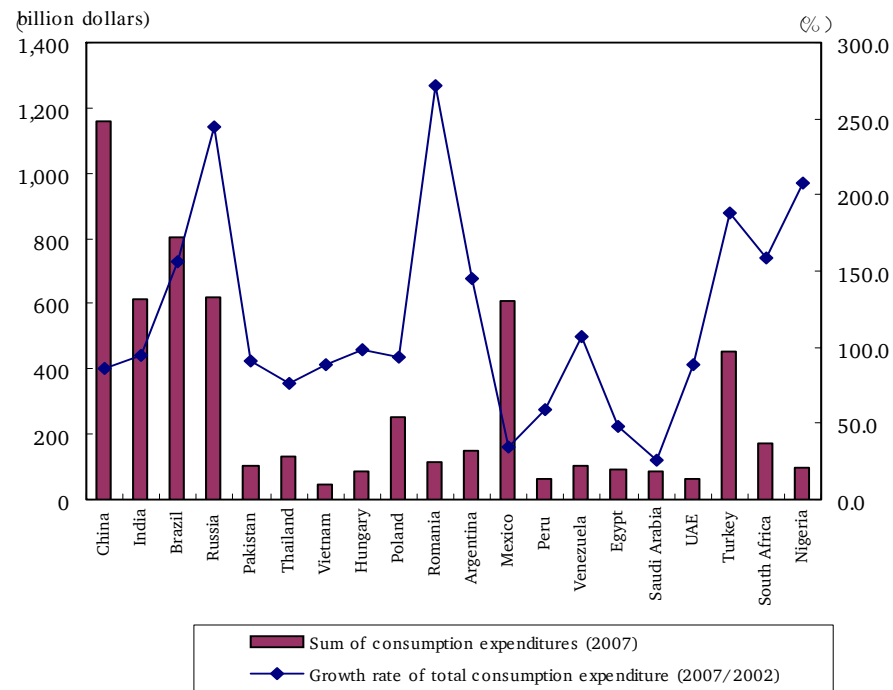
Expanding consumption around the world

Consumption expenditure of world and rate of increase



(Resources) Prepared based on Euromonitor International

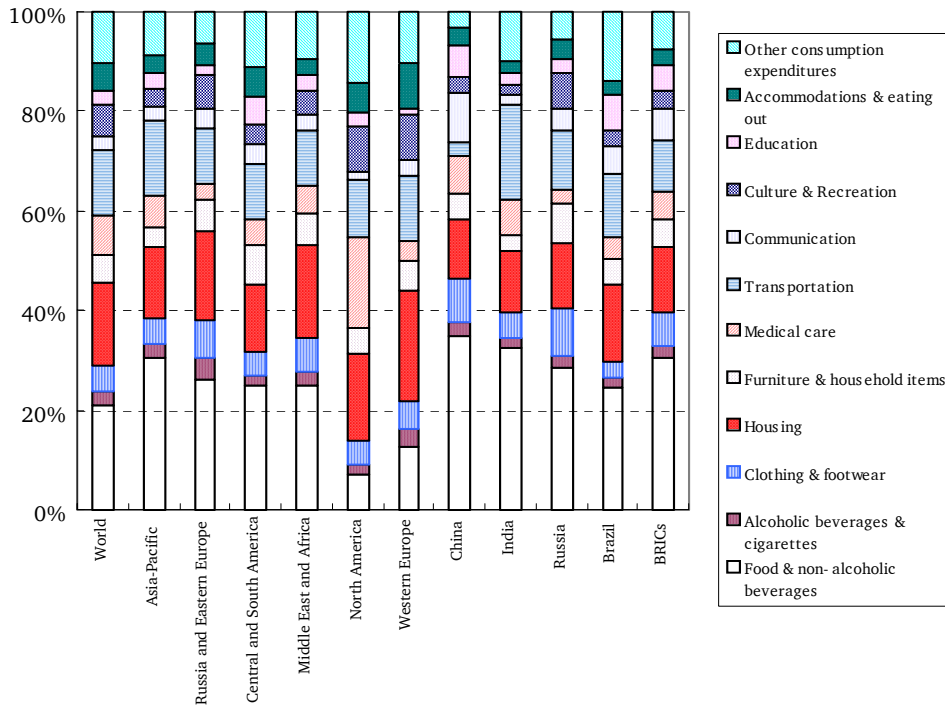
Consumption expenditure and rate of increase in BRICs and JFIC16



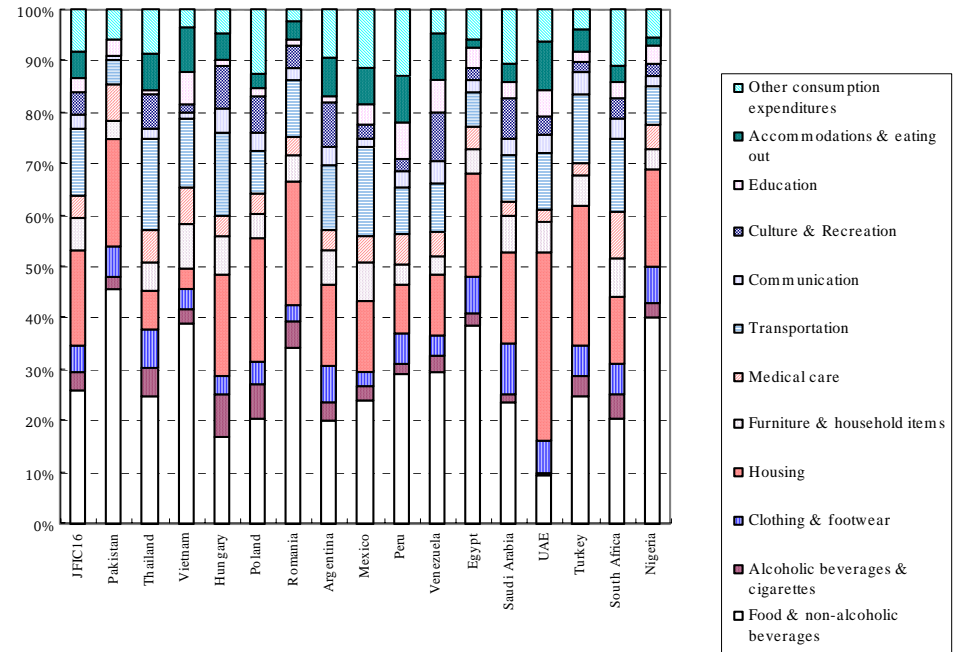
(Resources) Prepared based on Euromonitor International

Food and non-alcoholic beverages, housing and transportation are the three major items of consumption

Distribution of consumption expenditure in world and BRICs in 2007



Distribution of consumption expenditure in JFIC16 in 2007

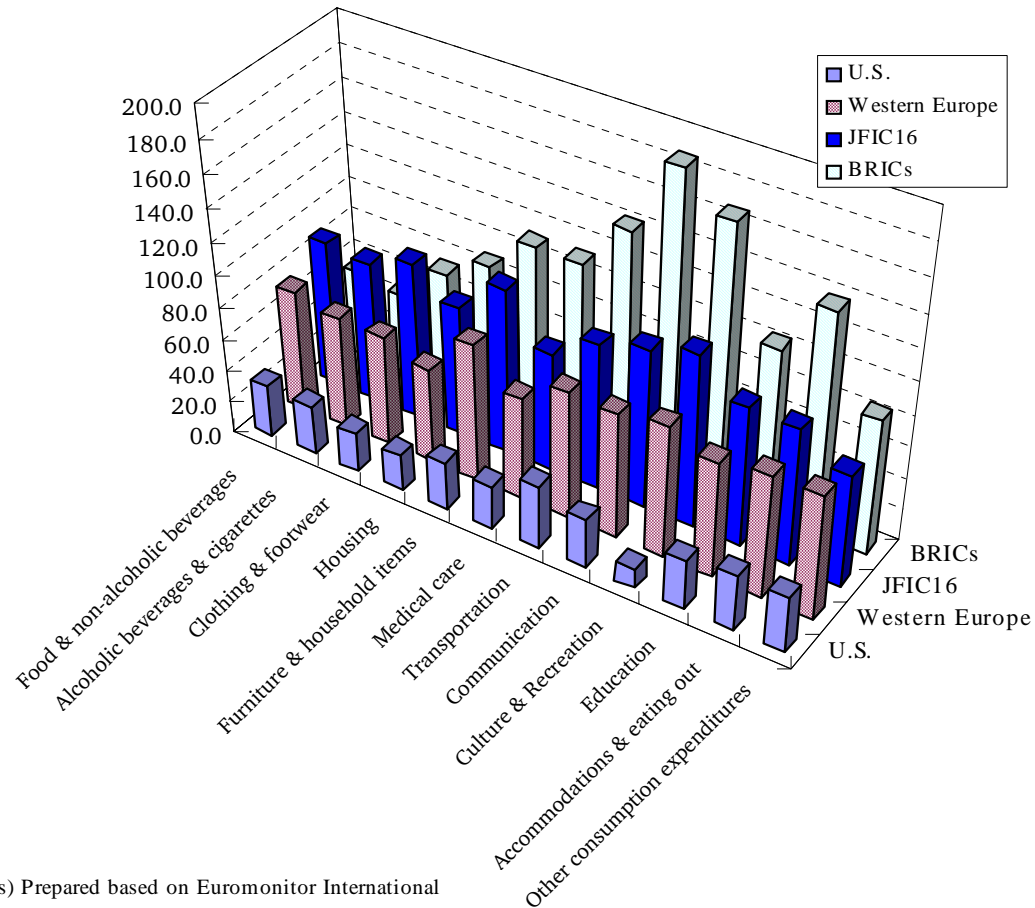


(Source) Euromonitor International

(Resources) Prepared based on Euromonitor International

Items other than food also showed high growth in BRICs and JFIC16

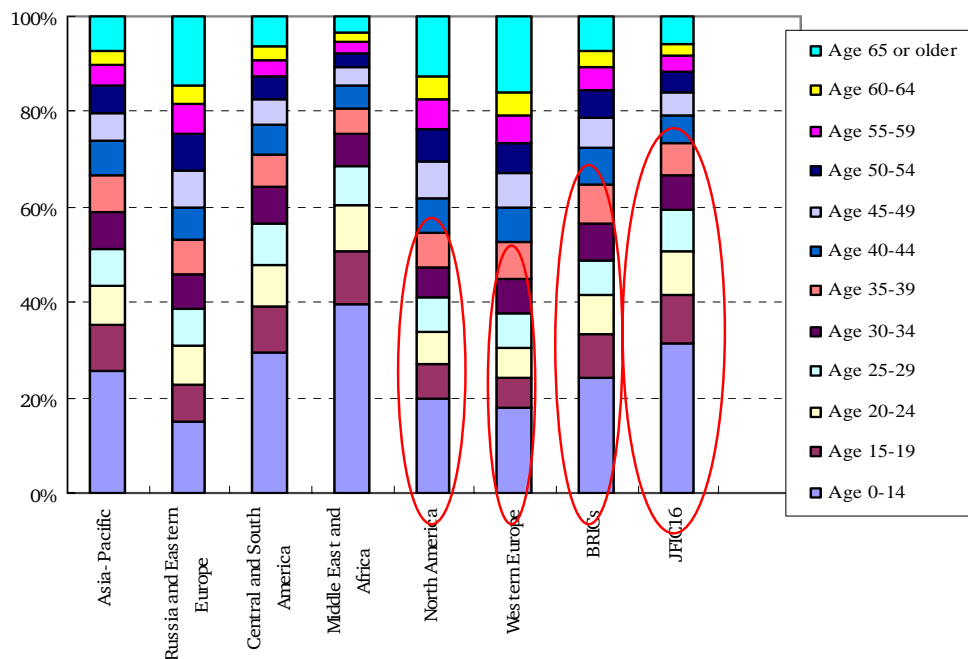
Rate of increase by item of consumption expenditure of world (2007/2002)



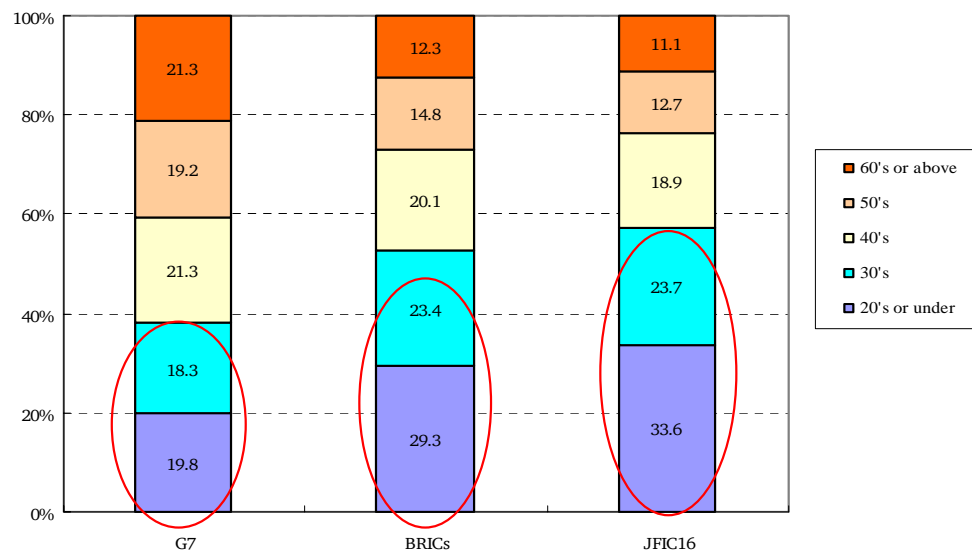
(Resources) Prepared based on Euromonitor International

Consumer markets of emerging countries where young people have a strong influence (1)

Distribution ratio of age by region in world



Distribution of disposable income by age group



(Resources) Prepared based on Euromonitor International

(Resources) Prepared based on Euromonitor International

Consumer markets of emerging countries where young people have a strong influence (2)

Characteristics and trends of consumer markets in BRICs

	Characteristics and trends, and background of expanding consumption	Leades in consumption
China	<ul style="list-style-type: none"> ○ Word-of-mouth advertising and the Internet have a strong influence. ○ Growing awareness of health and food safety. Japanese products have high credibility, such as diapers and powdered milk. ○ There are many dual-income households, and eating out and frozen pouch-packed foods are popular. 	<ul style="list-style-type: none"> ○ People who are about thirty years of age play the strongest leading role in consumption. ⇒ In the future, the generations “born in the 1980 or after” will play the leading role in consumption mainly of products such as consumer goods and digital products. ○ Women have a very strong influence on consumption.
Russia	<ul style="list-style-type: none"> ○ The social background of expanding consumption is as follows: ① Very little payment of housing loans, and living expenses, such as fuel and light charges, are cheap. ② People prefer consumption to saving due to their extreme mistrust of financial institutions. ③ Other factors such as the rapid popularization of consumer financing 	<ul style="list-style-type: none"> ○ People in their thirties or early forties play a leading role in consumption.
India	<ul style="list-style-type: none"> ○ There are more people able to buy small cars and household electric appliance thanks to a rapidly decreasing poverty group and a rising middle class. ○ Credit cards have been rapidly popularized. 	<ul style="list-style-type: none"> ○ The middle class is emerging. The explosive growth of household electric appliances. South Korean and local companies dominate the market, which are targeting this class.
Brazil	<ul style="list-style-type: none"> ○ The determining factors for consumers to buy are (1) prices, (2) products diversity and(3) the site location. ○ Installment payment and credit cards have been rapidly popularized. •When buying durable consumer goods, consumers put priority on monthly amount of installment payment rather than commodity prices. 	<ul style="list-style-type: none"> ○ Women have a growing importance.

(Sources) Prepared based on reports from JETRO overseas offices

Consumer markets of emerging countries where young people have a strong influence (3)

Characteristics and trends of consumer markets in JFIC countries

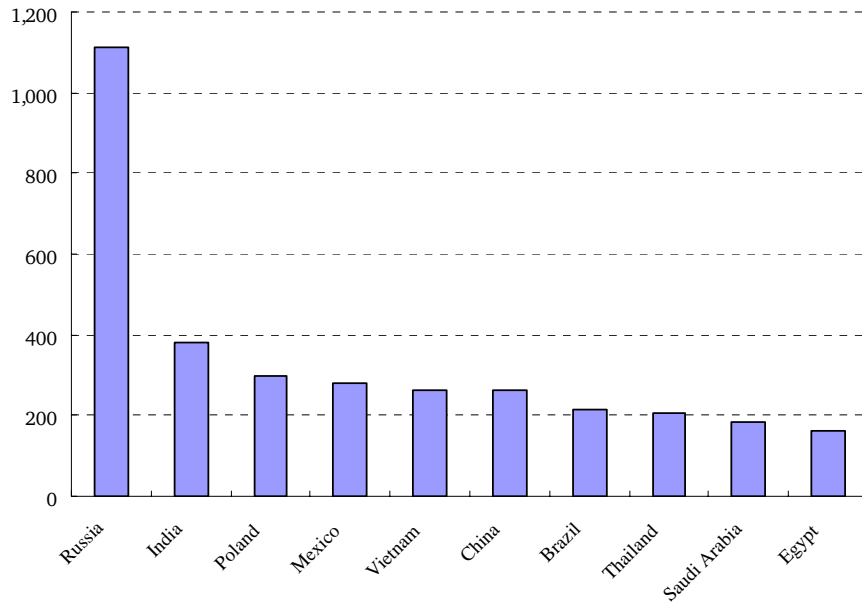
	Background and factors of expanding consumption	Leaders in consumption
Vietnam	<ul style="list-style-type: none"> ○ Increasing investments from abroad ○ A large amount of remittance from abroad. 7.9% of GDP in 2006 ○ Popularization of credit cards and consumer financing 	<ul style="list-style-type: none"> ○ People age 30-45 play a leading role in consumption. ○ People younger than 30 account for 60% of the population, and, in the future, those age 18-30 will gain attention as “Generation X.” ○ Women’s purchasing power is expanding. In Hanoi, half the household income is generated by women.
Pakistan	<ul style="list-style-type: none"> ○ A large amount of remittance from abroad. 4.0% of GDP in 2006 ○ Popularization of auto loans ○ Stimulation to the upper income group by surging stock and real estate prices 	<ul style="list-style-type: none"> ○ Cars increased due to corporate demand. ○ People aged under 24 account for approximately 60% of the population and, in the future, young people will take the leading role in consumption.
Mexico	<ul style="list-style-type: none"> ○ The popularization of credit cards rapidly rose. ○ The transaction amount of credit cards in 2007 rose by approx 2.8 times compared to 2003. This contributed to the popularization of cars and household appliances. ○ Remittance from family members working in the United States underpinned the purchasing power of the lower and middle income groups. 	<ul style="list-style-type: none"> ○ People younger than 30 account for 57.4% of the population, and those younger than 40 for 73.8%. There are 3.9 people per household. Marketing to young people is important.
Egypt	<ul style="list-style-type: none"> ○ Credit card ownership sharply increased. The number of Master Cards held rose 40% yoy in 2007, posting the largest rate of increase in the world (Herald Tribune). 	<ul style="list-style-type: none"> ○ People younger than 30 account for 61.8%, and this increase to 74.4% if those younger than 40 are included. There is an overwhelmingly large number of low income earners. The new wealthy class has expanded due to the recent economic reforms.
Saudi Arabia	<ul style="list-style-type: none"> ○ Surging crude oil prices ○ Low duty rate and no consumption tax 	<ul style="list-style-type: none"> ○ People younger than 30 account for 62% of the population and those younger than 40 for 79%. Young people are playing a leading role
UAE	<ul style="list-style-type: none"> ○ Rapid economic growth thanks to surging crude oil prices 	<ul style="list-style-type: none"> ○ The UAE has a small number of its own people and those younger than 20 account for 51% (National Census in 2005). The level of income is high and the family size is large, and consumer confidence is very strong. ○ Foreign travelers numbered 7 million (2007), outpacing residents. Travelers are important consumers next to residents.

(Sources) Prepared based on reports from JETRO overseas offices

Rapidly growing purchasing power

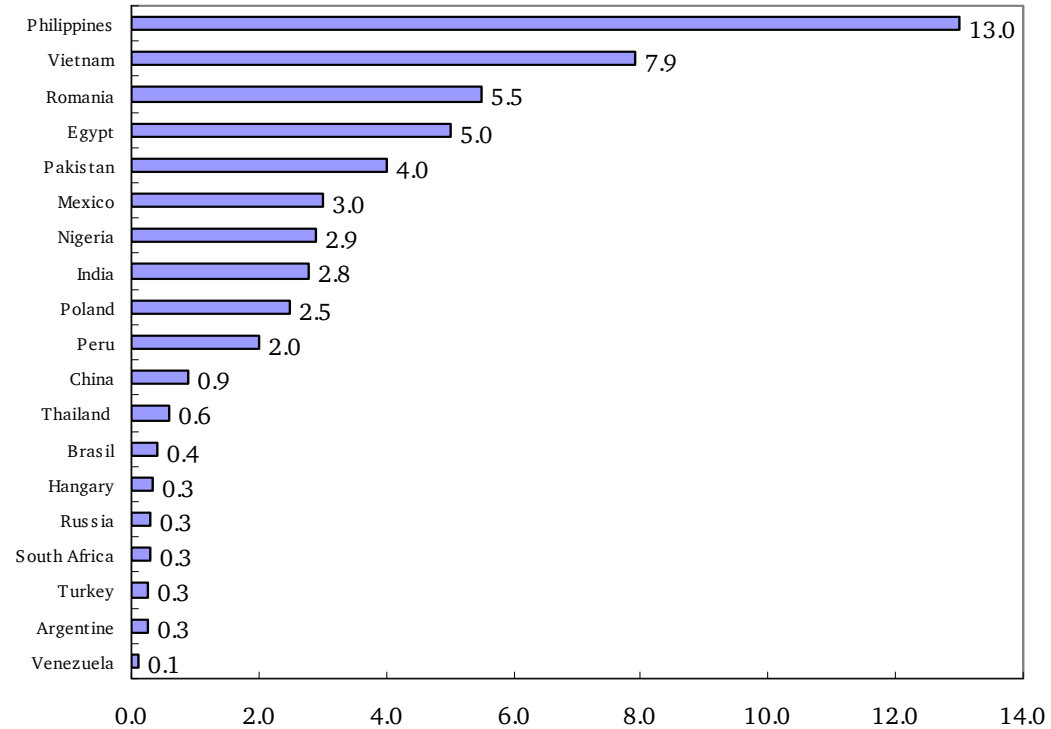
Rate of increase in transaction value of credit cards in major emerging countries (2007/2003)

(Benchmark 2003 = 100)



(Resources) Prepared based on Euromonitor International

Ratio of remittance from abroad to GDP in major emerging countries (%) (2006)



(Source) Development Prospects Group, Migration and Remittances Team (World Bank)

Penetration rate of durable consumer goods expected to grow much more in emerging countries

Penetration rate of durable goods per household in world, BRICs and JFIC16 (2007)

	Air-conditioner	Camera	Color TV	Mobile phone	Motocycle	Passenger car	PC	Refrigerator	Vacuum cleaner	Game machine	Washing machine
World	31.5	32.5	77.2	-	9.6	27.2	35.7	63.5	46.9	6.6	52.6
Asia-Pacific	45.8	23	82.9	-	10.5	11.6	35.6	58.1	40.0	3.4	46.4
Eastern Europe	2.6	38.9	88.2	-	10	37.5	33.8	85.3	75.0	4.5	80.8
Central and South	9.5	18.9	76.4	-	5.5	27.1	18.9	70.1	24.4	7.4	43.5
Middle East and Africa	4.5	4.1	22	-	4.6	9	4.7	20.2	8.2	1.4	15.7
North America	61.7	97.1	98.8	-	5	87.6	73.4	99.9	98.1	24.2	84.1
U.S.	63.2	97.7	98.8	81.2	4.9	87.8	73.1	100	98.3	24.2	84.3
Western Europe	9.8	73.8	97.1	-	17.3	74.9	62.5	98.5	90.7	16.8	94.1
BRICs											
China	-	22.9	98.6	93.3	9.5	6.2	53.7	92.2	47.1	1.4	68.1
India	1.6	4.4	78.9	9.5	5.2	5.5	13.4	18.1	28.6	0.9	18.2
Russia	2.8	43.1	95.1	67.5	17.3	38.3	38	96.1	84.7	3.6	96.1
Brazil	11.5	16.5	93.4	66.1	7.9	35.3	22.6	89.8	31.5	7.3	35.8
JFIC16											
Pakistan	1.5	3.4	67	9.6	15.2	4.7	10.2	16.4	28.1	0.6	14.6
Thailand	13.3	79.3	95.5	74.2	21.6	12.2	21.7	85	37.3	9.3	46.2
Vietnam	2.7	4.5	76.5	10.1	10.8	1.1	13.8	26.9	27.1	0.1	12.3
Hungary	3.4	70.5	98.9	84.8	14	59.5	55.5	39.6	93.1	10.4	80.6
Poland	3.2	57.3	98.7	79.7	3.4	49.6	45.5	97.6	93.5	8.1	80.9
Romania	1.8	40.3	88.3	49.8	1.2	30.2	30.2	86	55.8	3	75.2
Argentina	14.2	38.4	95.4	68.5	15.1	42.8	27.3	90.5	38.4	14.2	91.6
Mexico	12	27.9	93.9	66	1.6	40.2	24	80	28.4	12.5	81.7
Peru	14.7	28.6	60.1	22.2	3.6	18.5	12.9	42.1	25.1	2.5	17.7
Venezuela	17.6	22.9	88.9	80.3	9.9	19.7	23.5	96.8	28.5	8.5	59.7
Egypt	3.2	4.9	83.4	30.2	7.9	25.9	11.6	89.1	17	1	92.2
Saudi Arabia	80.2	35.2	97.7	84.5	16.2	80.6	37.5	97.9	95.4	11.8	96.4
UAE	90.7	16	99.8	93.1	12.2	97.1	47.3	99.9	98.4	15.1	99.3
Turkey	8.1	29.8	92.4	84.7	12	37.6	21.8	98.2	80.8	16.2	89.6
South Africa	16.5	13.2	64.5	44.2	11	33.2	15.6	52.5	39.1	6.8	45.7
Nigeria	1.8	4.9	35.3	10.8	17.6	12.4	4.8	21.9	8.5	0.8	11.3

(Resources) Prepared based on Euromonitor International

Accelerating international expansion of retail companies

Number of international stores for retail trade in Japan, the US and Europe

	Carrefour (France, as of Dec. 31, 2007)		Tesco (UK, as of Feb. 24, 2007)		Metro (Germany, as of Oct. 31, 2007)		Aeon (Japan, as of Feb. 20, 2007)	Ito Yokado (Japan, as of Jun. 3, 2008)	Wal-Mart (U.S., as of May 2008)
	Number of hypermarkets	Number of hard discount stores	Number of stores	Year that business expansion started	Number of stores	Year that business expansion started	Number of stores	Number of stores	Number of stores
Europe	304	3,780	96	from 1992	248	from 1969			353
France			1	1992	86	1971			
United Kingdom					33	1971			353
Ireland			95	1997					
Belgium	56				9	1970			
Spain	161	2,912			34	1972			
Greece	28	397			7	1992			
Italy	59				48	1972			
Denmark					5	1971			
Netherland					16	1969			
Portugal		471			10	1990			
Russian and Central and Eastern Europe	102	519	543	from 1994	110	from 1994			
Ukraine					16	2003			
Poland	72		280	1995	25	1994			
Czech			84	1996	12	1997			
Hangary			101	1994	19	1994			
Romania	11				23	1996			
Slovak			48	1996	5	2000			
Turkey	19	519	30	2003	10	1990			
North America, and Central and South America	255	695	60						2,197
U.S.			60	2007					
Canada									305
Mexico									1,037
Argentina	59	395							23
Brazil	150	300							315
Columbia	46								
Other Central and South American countries									517
Asia							58 (started expansion in 1996)	12 (started expansion in 1997)	
China	112	275	47	2004	34	1996	33 (incl. Hong Kong)	12	206
Indonesia	37								
Malaysia	12		19	2002	3	2004	18		
Singapore	2								
Taiwan	48							1	
Japan			109	2003	3	2002			392
South Korea			81	1999					
Thailand	27		370	1998				6	
Vietnam					8	2002			
India					3	2003			
Total	899	5,269	1,325		299		58	12	3,148

(Note) In addition to this, Carrefour has expanded its international business of supermarket and convenience stores, but that is mainly in Western Europe and is omitted here.

(Resources) Prepared based on the data of individual retailers' homepages

Thank you !

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