

Survey of Japanese-Affiliated Firms in Asia and Oceania (FY 2009 Survey)

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Asia and Oceania Division
Overseas Research Department
Japan External Trade Organization (JETRO)

Survey Summary

Purpose of Survey

The purpose of this survey was to understand the current business activities of Japanese-affiliated firms operating in Asia and Oceania and to disseminate findings widely.

Survey Methods

Firms were e-mailed a URL that directed them to the survey form, which they were asked to complete online. In certain countries, firms were sent paper-based survey forms and asked to send back completed forms to JETRO.

Survey Period

September 1st - October 15th, 2009
*until October 31st for firms in Northeast Asia

Response Rate

A total of 7,021 Japanese-affiliated firms in 17 countries/regions in Asia and Oceania (listed to the right by region) were sent questionnaires, with 2,990 offering valid responses, a 42.6% response rate.

Remarks

The four countries/regions of Northeast Asia (China, Taiwan, Korea and Hong Kong) are excluded from some of the summaries of questionnaires in this report.

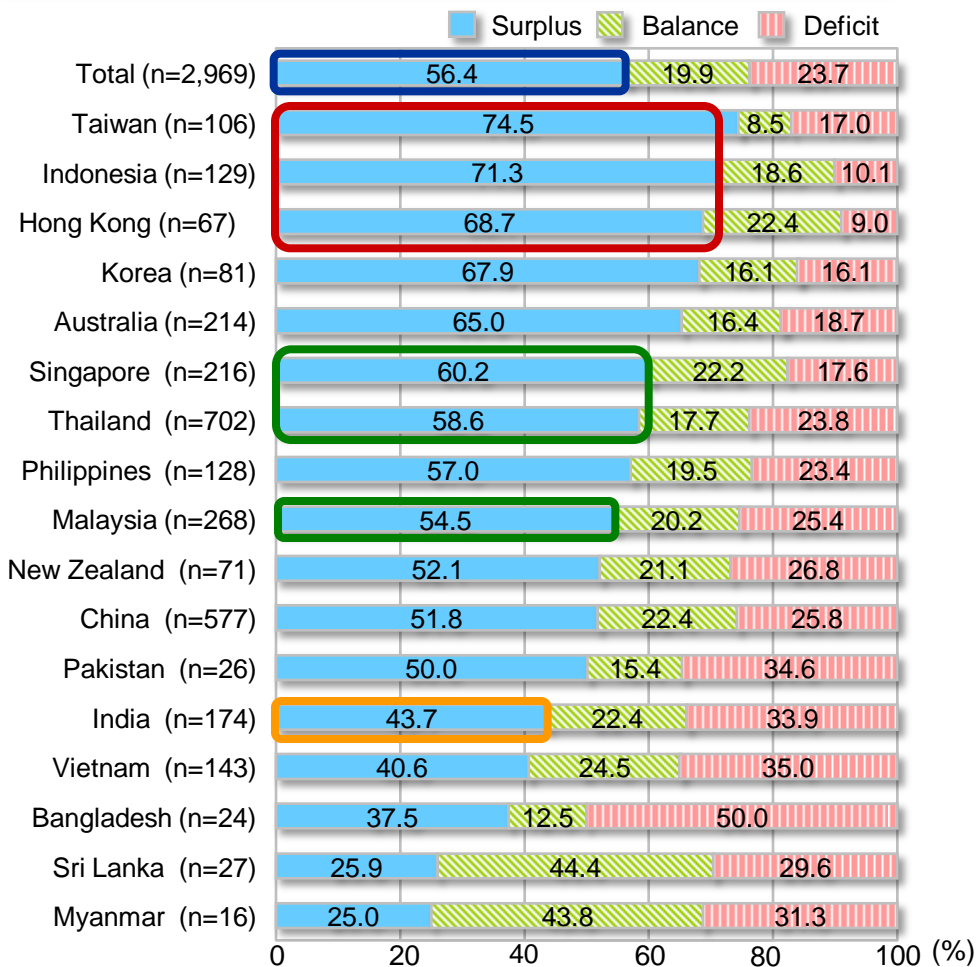
Note: Figures in the diagrams have been rounded off, so percentages may not necessarily add up to 100.

(Companies, %)

	Number of companies surveyed	No. of companies submitting valid replies		Category		Valid Responses (%)
		Total	Share	Manufacturing industries	Non-Manufacturing industries	
Total	7,021	2,990	100.0	1,613	1,377	42.6
Northeast Asia	1,788	833	27.8	504	329	46.6
China	1,367	579	19.4	388	191	42.4
Taiwan	223	106	3.6	61	45	47.5
Korea	103	81	2.7	44	37	78.6
Hong Kong	95	67	2.2	11	56	70.5
ASEAN	4,279	1,614	54.0	915	699	37.7
Thailand	1,572	704	23.6	417	287	44.8
Malaysia	903	270	9.0	166	104	29.9
Singapore	742	221	7.4	58	163	29.8
Vietnam	290	143	4.8	92	51	49.3
Philippines	298	130	4.4	89	41	43.6
Indonesia	455	129	4.3	87	42	28.4
Myanmar	19	17	0.6	6	11	89.5
Southwest Asia	489	254	8.5	128	126	51.9
India	347	177	5.9	79	98	51.0
Sri Lanka	64	27	0.9	19	8	42.2
Pakistan	33	26	0.9	13	13	78.8
Bangladesh	45	24	0.8	17	7	53.3
Oceania	465	289	9.7	66	223	62.2
Australia	353	218	7.3	50	168	61.8
New Zealand	112	71	2.4	16	55	63.4

1. Estimated Operating Profit (1)

Estimated operating profit for 2009 by country/region



- 56.4% of firms (of 2,969 valid replies) expected to post a profit. This is a fall of 8.9 points from the 65.3% figure (of 2,524 valid replies) recorded in the 2008 survey
- No significant difference seen between manufacturing industries (surplus: 57.0%; deficit: 24.5%) and non-manufacturing industries (surplus: 55.7%; deficit: 22.8%)

- Compared to the 2008 survey, the percentage of firms expecting a positive result increased for such countries and regions as Hong Kong (68.1% ⇒ 68.7%), Taiwan (72.4% ⇒ 74.5%), Indonesia (69.5% ⇒ 71.3%) etc.
- For Hong Kong and Taiwan, this may be due to the fact that many of the firms operating in these economies are well established and more stable operating performances. For Indonesia, all respondent firms in motor vehicle & motorcycle parts/accessories, sales and transport/warehousing industries expect to post a profit for two consecutive years.

- Compared to the last survey, the percentage of firms expecting a surplus in operating profits in major ASEAN nations such as Thailand, Singapore and Malaysia fell considerably: Thailand (74.7% ⇒ 58.6%); Singapore (74.9% ⇒ 60.2%) and Malaysia (65.0% ⇒ 54.5%)
- Poor results among trading firms in Singapore, electric and electronic parts and component makers in Malaysia and sales companies in Thailand contributed to this decline.

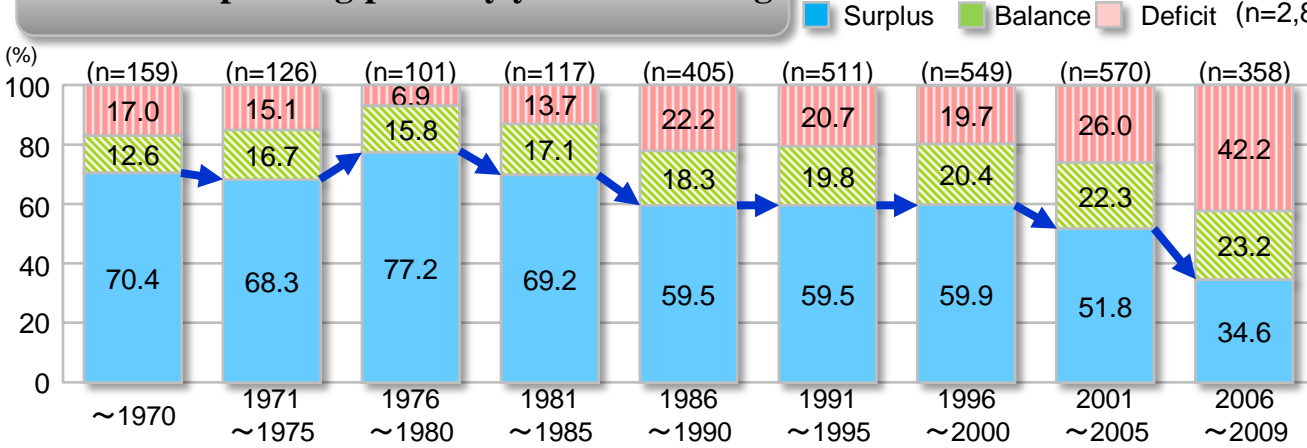
- The percentage of firms in India expecting a profit fell below 50% for the first time since the survey began.
- This was due mainly to sharp falls in sectors that account for a high percentage, such as motor vehicles and motorcycle parts & accessories, trading firms and sales companies.

*Only industries for which 30 or more valid replies were received are included here.

Industries with high percentage of companies expecting profit		Industries with high percentage of companies expecting deficit	
Manufacturing industry	-Motor vehicles and motorcycles (79.0%) -Petroleum and plastic products (70.9%)	Manufacturing industry	-General machinery (43.7%) -Iron and steel (36.5%)
Non-manufacturing industry	-Banks (90.0%) -Sales companies (60.5%)	Non-manufacturing industry	-Hotels, travel, restaurants (30.8%) -Communications/software (29.0%)

1. Estimated Operating Profit (2)

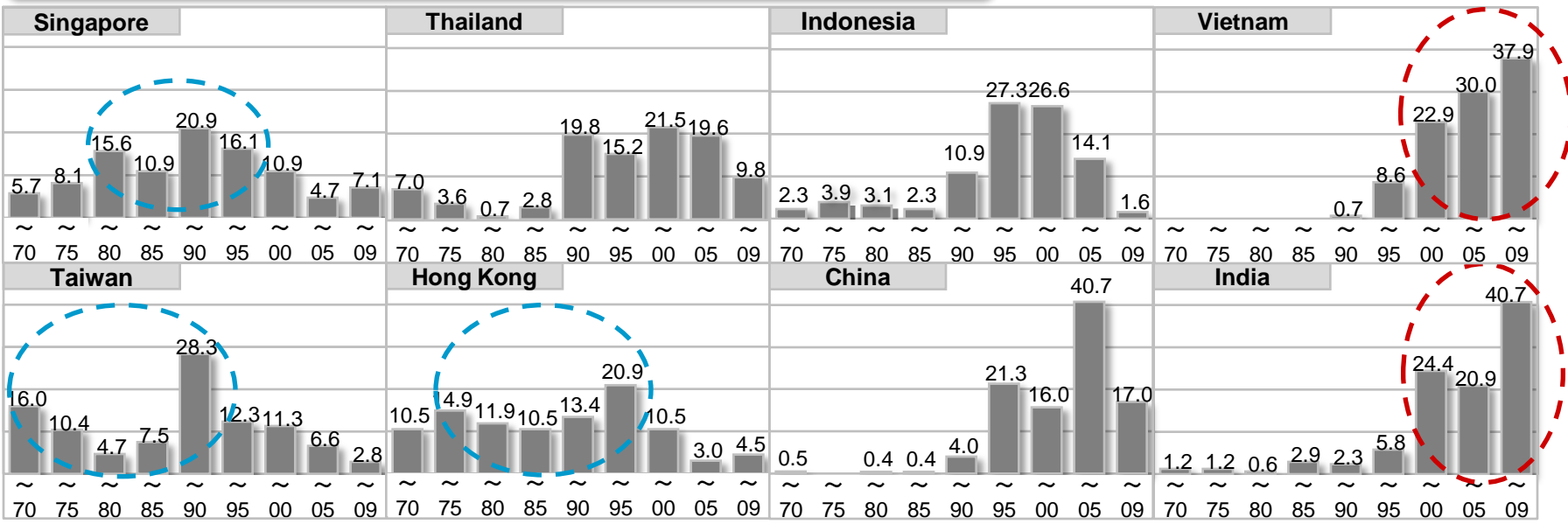
Estimated operating profit by year of founding



● As the data reveals, the *Surplus* ratio is generally higher among firms founded earlier: in Hong Kong, Taiwan and Singapore, this ratio is over 60%.

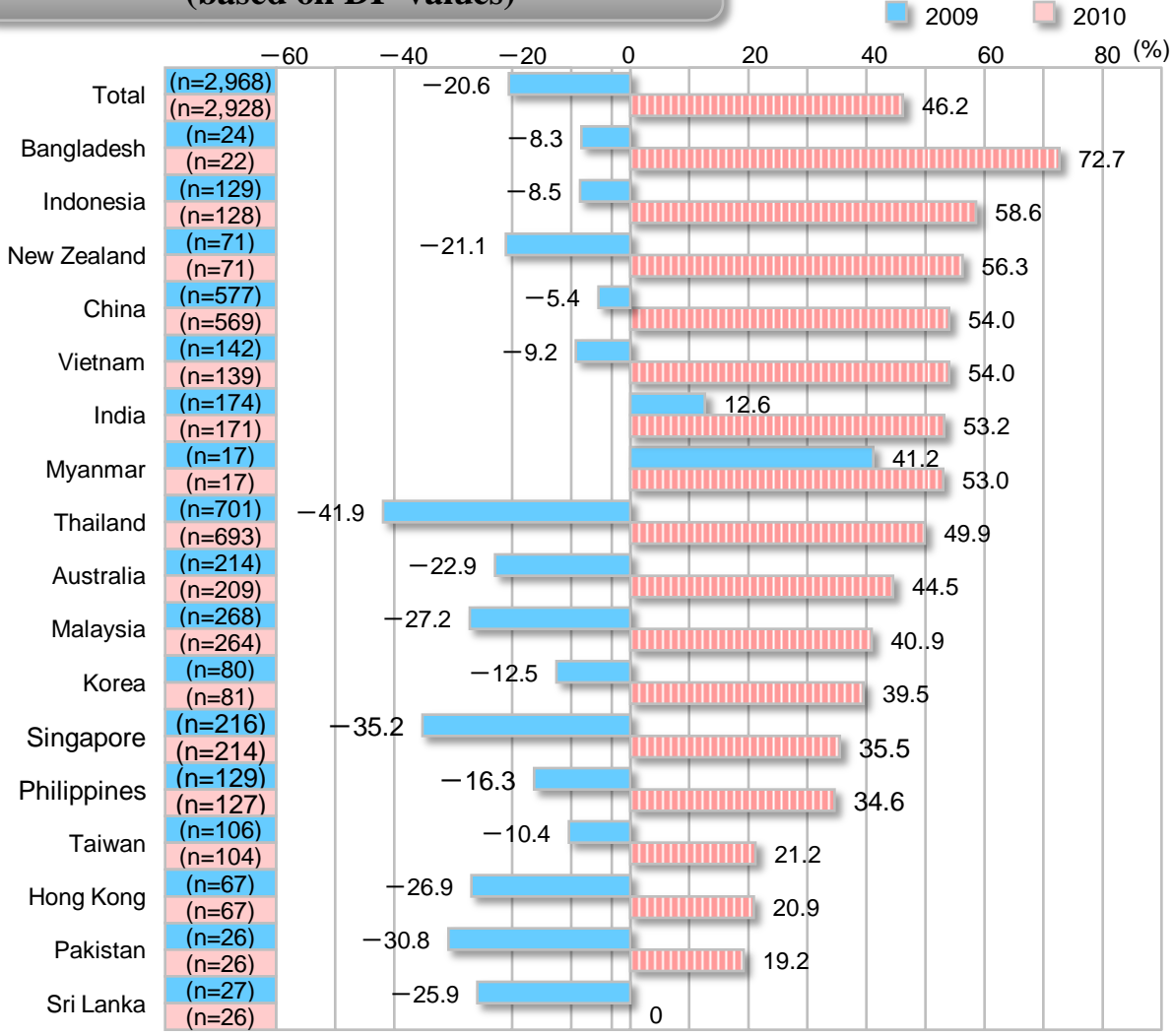
● Conversely, the *Surplus* percentage is lower among firms founded in the past five years or so, as performance for these new entrants is generally more unstable.

Distribution of No. of Years Since Establishment by Country/Region



1. Estimated Operating Profit (3)

**Estimated operating profit for 2009, 2010
(based on DI* values)**



● In 15 of the 17 economies surveyed (India and Myanmar were the lone exceptions), the percentage of firms expecting profits to “worsen” in 2009 was higher than that for firms expecting performance to “improve” (i.e., registered a negative DI).



Industries with higher percentage of firms expecting profits to “worsen”

Manufacturing industries	Iron and steel (71.2%) Motor vehicle and motorcycle parts and accessories (64.8%) Nonferrous metals and products (63.2%)
Non-manufacturing	Hotel/travel/restaurant (63.2%) Transport/warehousing (60.3%) Trading companies (58.8%)

● In all surveyed economies, DIs for 2010 (estimate) were considerably higher than those for 2009. The change between 2009 and 2010 DIs was especially notable in Thailand (91.8 points) and Bangladesh (81.0 points)



Industries with higher percentage of firms expecting profits to “Improve”

Manufacturing industries	Iron and steel (73.1%) Motor vehicles and motorcycles (67.3%) Fabricated metal products (66.4%)
Non-manufacturing industries	Trading companies (61.6%) Transport/ warehousing (60.8%) Communications/ software (59.5%)

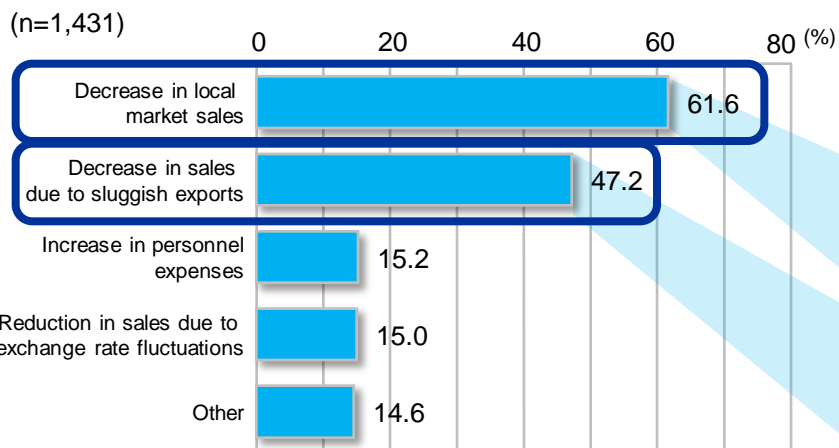
*Note: DI or “diffusion Index” refers to the difference obtained by subtracting the percentage of companies replying profits would “Worsen” from the percentage replying profits would “Improve.”

*Only industries for which 30 or more valid survey responses were received are included here.

1. Estimated Operating Profit (4)

Reasons for improvement or decline

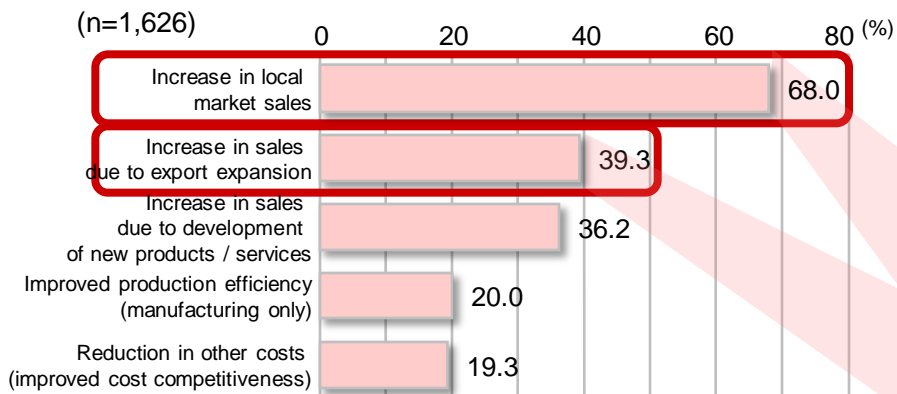
Reasons for decline in operating profit in 2009



Response percentage by country/region and industry

By country/region	Industry	
	Manufacturing	Non-manufacturing
Taiwan (81.3%) Thailand (78.2%) Singapore (68.6%)	General machinery (80.8%) Chemical and petroleum products (79.5%) Fabricated metal products (74.2%)	Sales companies (75.9%) Trading companies (70.7%)
Philippines (61.8%) Hong Kong (61.8%) Malaysia (47.8%)	Electric and electronic parts and components (81.1%) Electric machinery and electronic equipment (68.3%) Plastic products (64.6%)	Transport/warehousing (62.0%) Trading companies (47.6%)

Reasons for improvement in operating profit in 2010

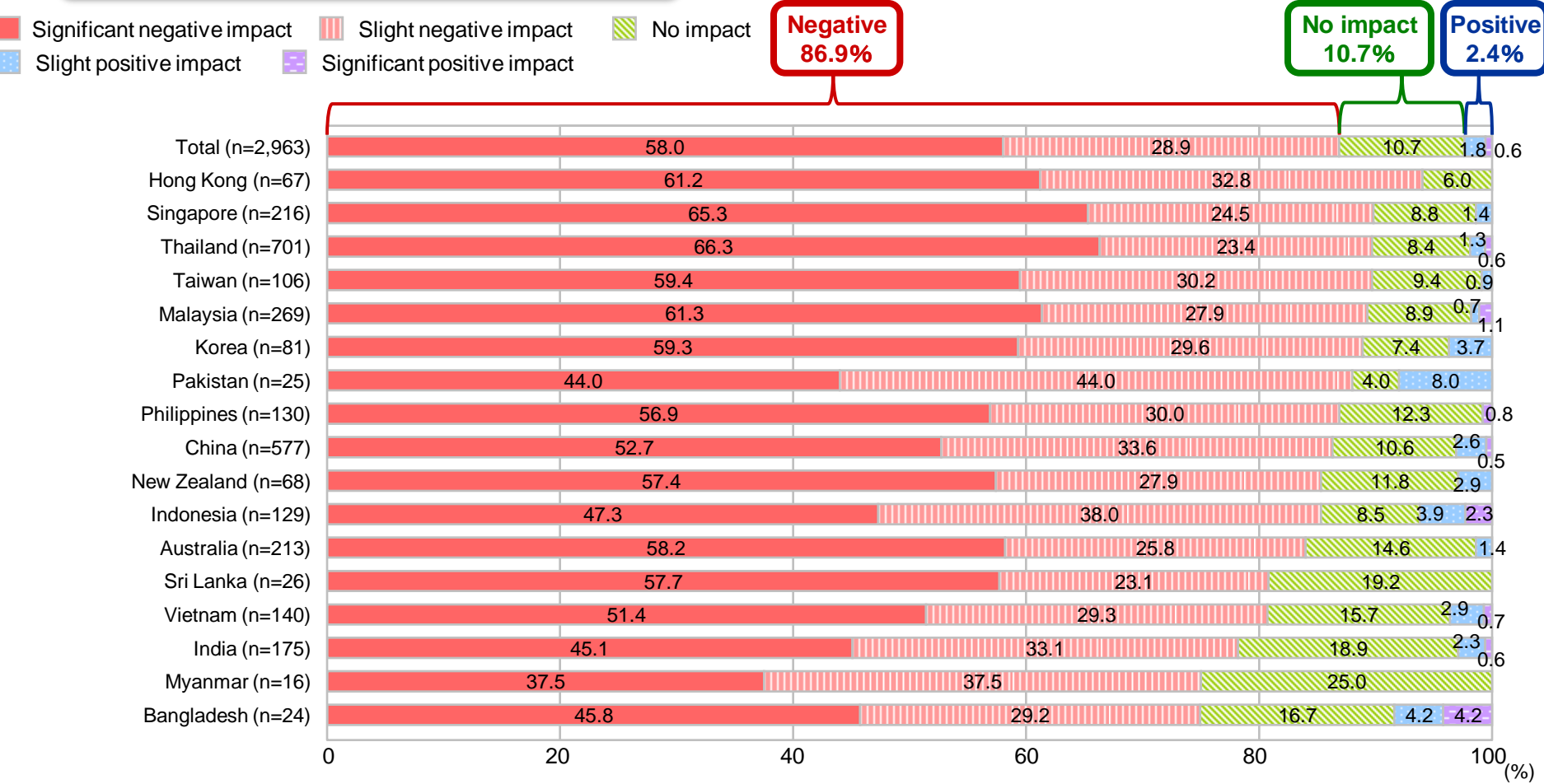


By country/region	Industry	
	Manufacturing	Non-manufacturing
India (84.1%) Korea (77.3%) Thailand (76.1%)	Chemical and petroleum products (82.1%) Iron and steel (79.0%) Motor vehicle and motorcycle parts and accessories (77.9%)	Sales companies (81.3%) Trading companies (75.1%)
Philippines (64.2%) Singapore (54.8%) Malaysia (53.3%)	Electric and electronic parts and components (62.5%) Fabricated metal products (56.3%) Plastic products (56.6%)	Communications/software (43.2%) Trading companies (42.2%)

*Only industries for which 30 or more valid survey responses were received are included here.

2. Impact of Economic Recession (1)

Impact of the global economic recession (after Oct 2008) by country/region



- A large majority of respondents (86.9%) report being negatively affected by the global economic recession, with 58.0% citing “significant negative impact” and 28.9% citing “slight negative impact.”
- Firms in Hong Kong, Singapore and Thailand ranked highest in terms of the percentage of firms reporting negative impact from the recession.

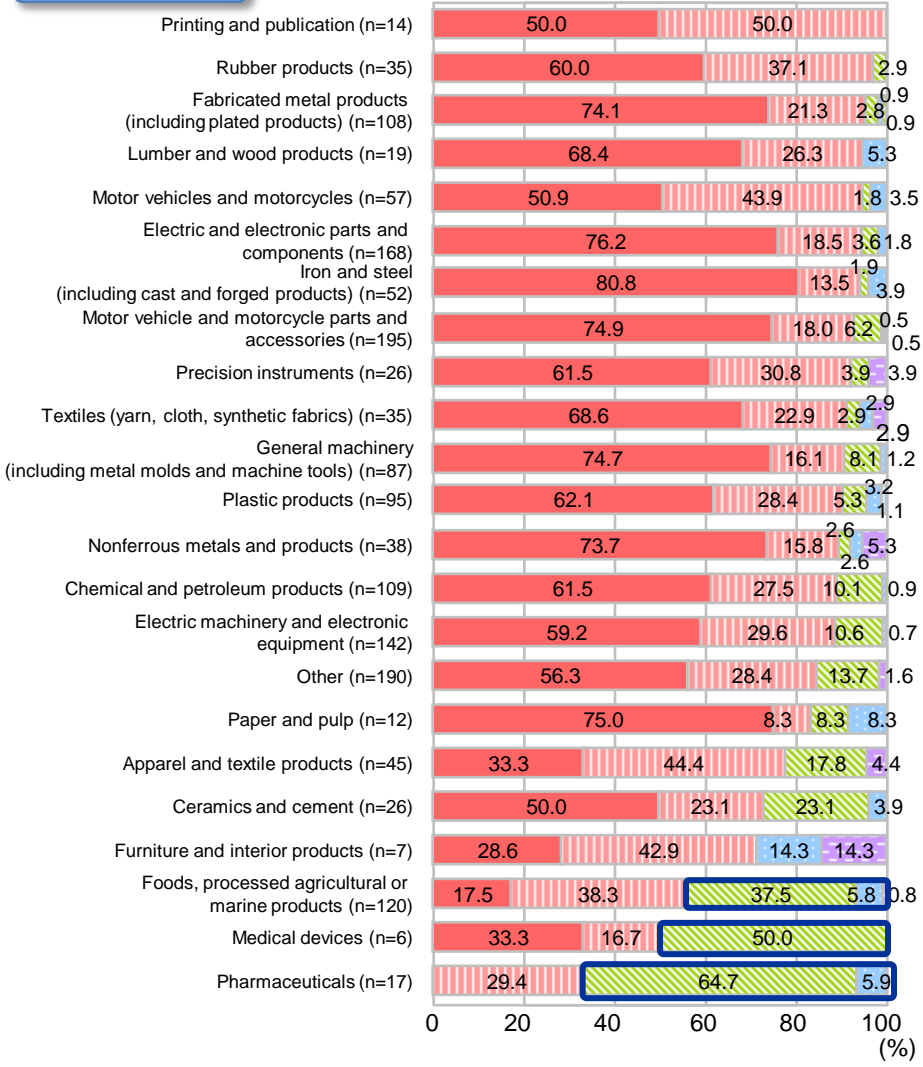


2. Impact of Economic Recession (2)

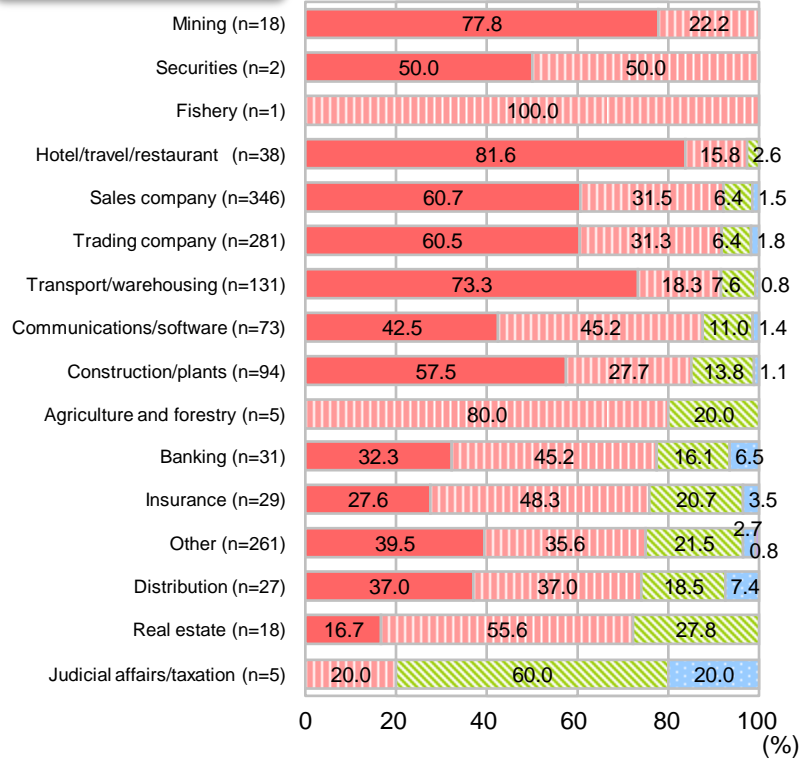
Impact of the global economic recession (after Oct 2008) by industry

- Significant negative impact
- Slight negative impact
- No impact
- Slight positive impact
- Significant positive impact

Manufacturing



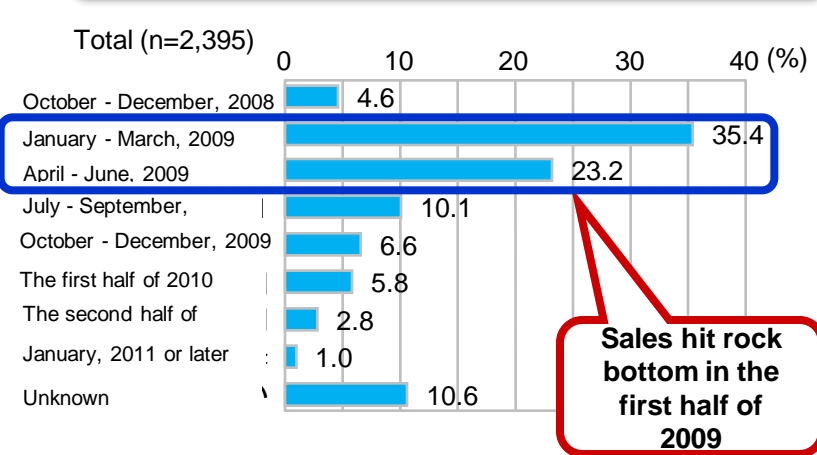
Non-manufacturing



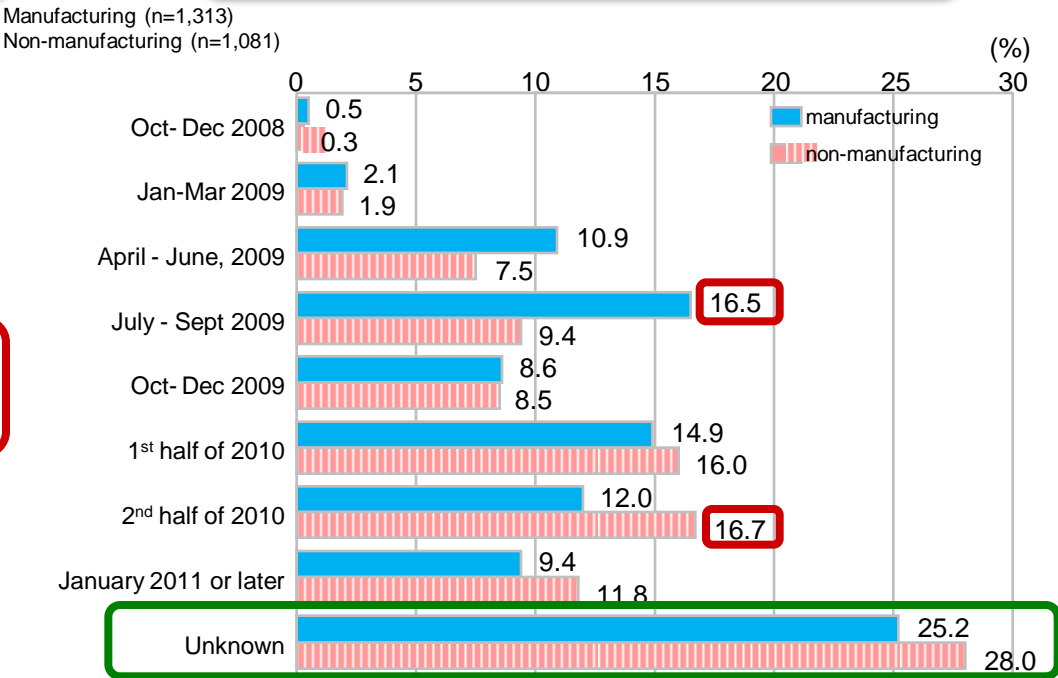
A strong negative impact was felt in nearly every sector, with notable exceptions in pharmaceuticals, medical devices and foods, processed agricultural or marine products, suggesting these were somewhat immune to the recession, with the percentage of respondents choosing “no impact,” “slight positive impact” and “significant impact” totaling over 40%.

2. Impact of Economic Recession (3)

Period when sales bottomed out



Period when firms think sales will return to pre-recession (i.e., before Sept. 2008) levels



- Nearly 60% of firms point to the first half of 2009 for when their sales hit rock bottom (35.4% for Jan-March period, and 23.2% for the April-June period)
- More than a quarter of respondents can't point to a specific period for when they think sales will recover to pre-recession levels, with 25.2% of firms in manufacturing and 28.0% in non-manufacturing selecting "unknown" (average of 26.6% overall). Answers varied depending on country/region.
- After "unknown," the next most popular choices for a recovery in sales were: "July-Sept 2009" and "the 2nd half of 2010"
- By country/region, firms in Korea are expecting the fastest recovery in sales levels (April-June 2009), followed by the Philippines, Indonesia and China (see chart to the right)

Period when firms think sales will return to pre-recession levels (by country/region) %

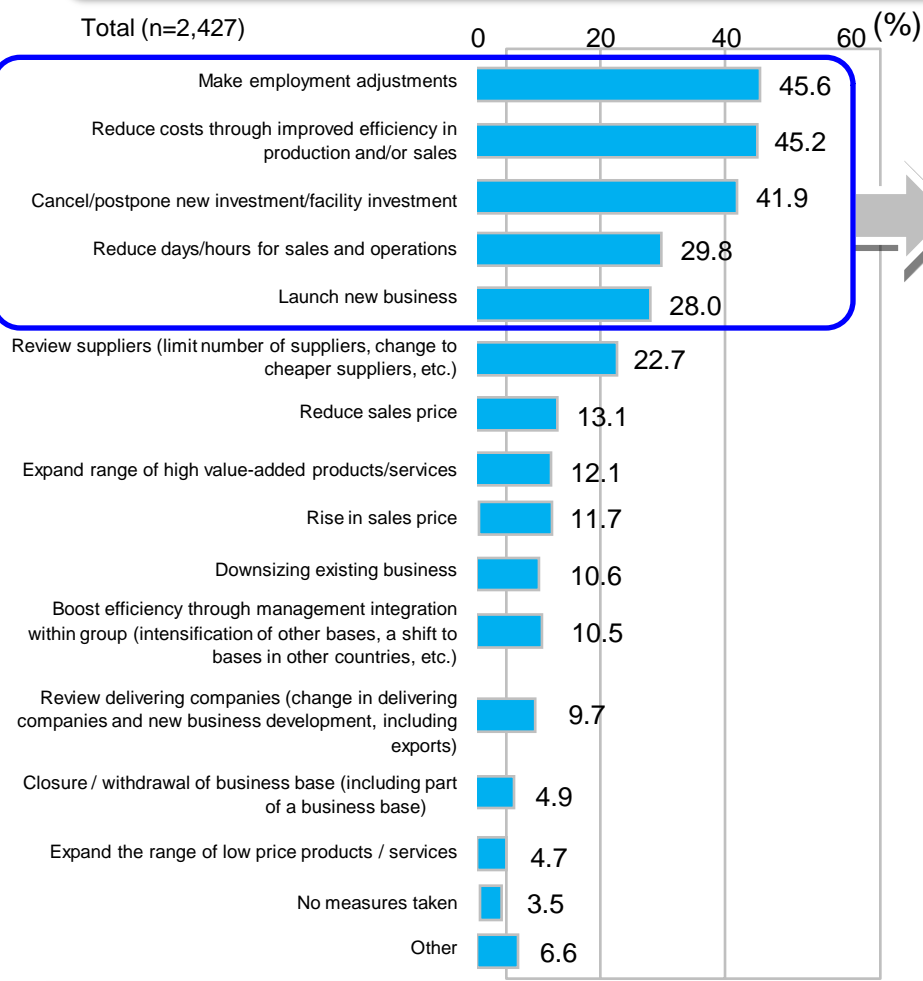
April - June 2009	July - Sept 2009	Oct- Dec 2009	1st half of 2010	2nd half of 2010
Korea (19.4)	Philippines (25.5) Indonesia (22.9) China (20.6) Taiwan (16.9) Vietnam (14.6)	Taiwan (16.9)	Myanmar (25.0) Malaysia (20.4) India (20.0) Hong Kong (18.8) Thailand (17.2) Australia (14.9) Vietnam (14.6)	Bangladesh (41.2) New Zealand (32.1) Sri Lanka (20.0) Pakistan (19.1) Singapore (14.7) Vietnam (14.6)

Note: Since Taiwan and Vietnam had multiple periods with same proportion of responses, they appear several times.



2. Impact of Economic Recession (4)

Measures taken since the global recession began (multiple answers allowed)



•The top four measures on the left were generally used most among firms in manufacturing; the top choice among non-manufacturing industries was “Launch new business.”

Below shows which measures were favored most by industry/sector (% in parenthesis)
** Only industries for which 15 or more valid survey responses were received are included here.*

Employment adjustments	Hotel/travel/restaurant (81.1), Precision instruments (71.4), Fabricated metal products(68.0), Motor vehicle and motorcycle parts & accessories (66.9)
Reduce costs through improved efficiency	Distribution (68.4), Motor vehicle and motorcycle parts & accessories (66.9), Motor vehicles and motorcycles (66.7), Precision instruments (same)
Cancel/postpone new investment/facility investment	Motor vehicle and motorcycles parts & accessories (77.7), Motor vehicles and motorcycles (63.0), Distribution (57.9)
Reduce operation days	Motor vehicles and motorcycles (68.5), Iron and steel (66.0)
Launch new business	Trading company (55.3), Communications/ Software (41.4), Banking (38.1), Insurance (36.4)

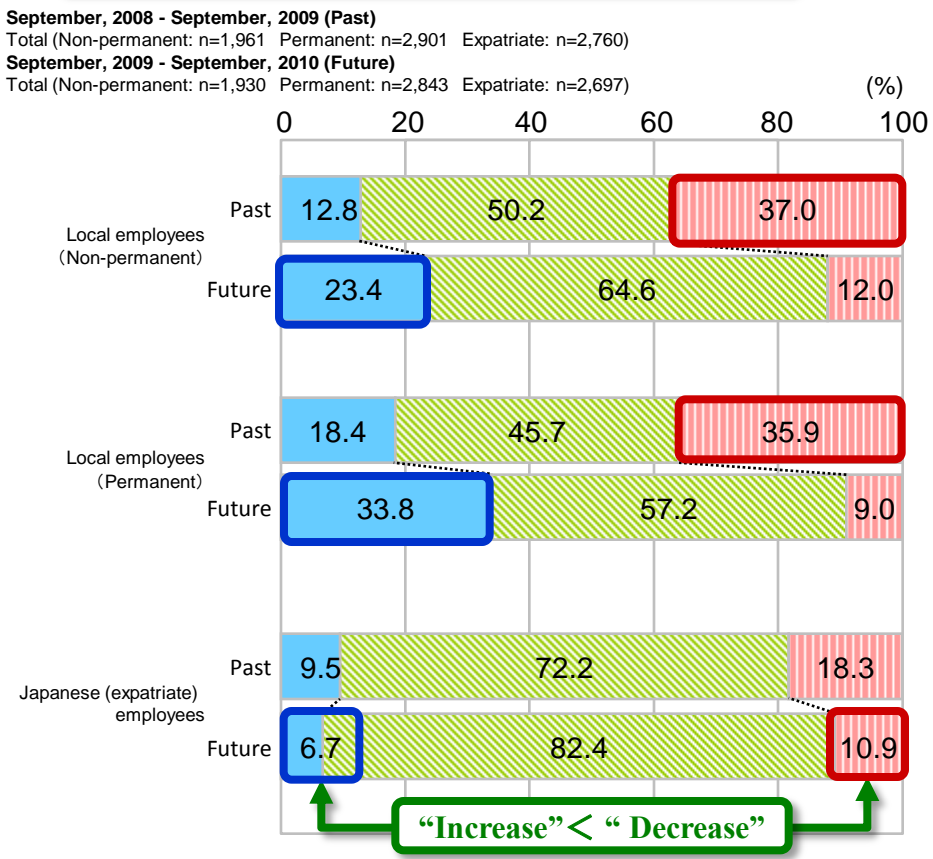
Other measures sampled from free answers

Expenditures	“Reduce advertising and promotional expenses etc.”, “Reduce fixed costs”, “Thorough cost reduction”
Production	“Transfer production from Japanese HQ”, “Switch to in-house production of components”, “Postpone start of operations,” “Raise local content ratio,” Purchase price negotiations”
Finance	“Measures against exchange risk”, “Exchange reservations”, “Change of settlement currency”, “Intensification of bill collection”
Labor	“Salary cuts”, “Training sessions”, “Encouragement of paid vacation”, “Decrease in the number of Japanese expatriate staff”
Sales	“Inventory reduction”, “Local sales reinforcement”, “Expansion into inland China with new strategic points”

- Asked about measures companies took since the global recession (multiple answers allowed), top answers were “make employment adjustments” (45.6%), “reduce costs through improved efficiency in production and sales” (45.2%), “cancel or postpone new investment / facility investment” (41.9%), “reduce days/hours for sales and operations (29.8%), “launch new business” (28.0%), etc. Only a small percentage (4.9%) selected “closure / withdrawal of business base (including part of a business base).”
- In addition, the answers provided by those who chose “other” were in expenditures, production, finance, labor and sales.

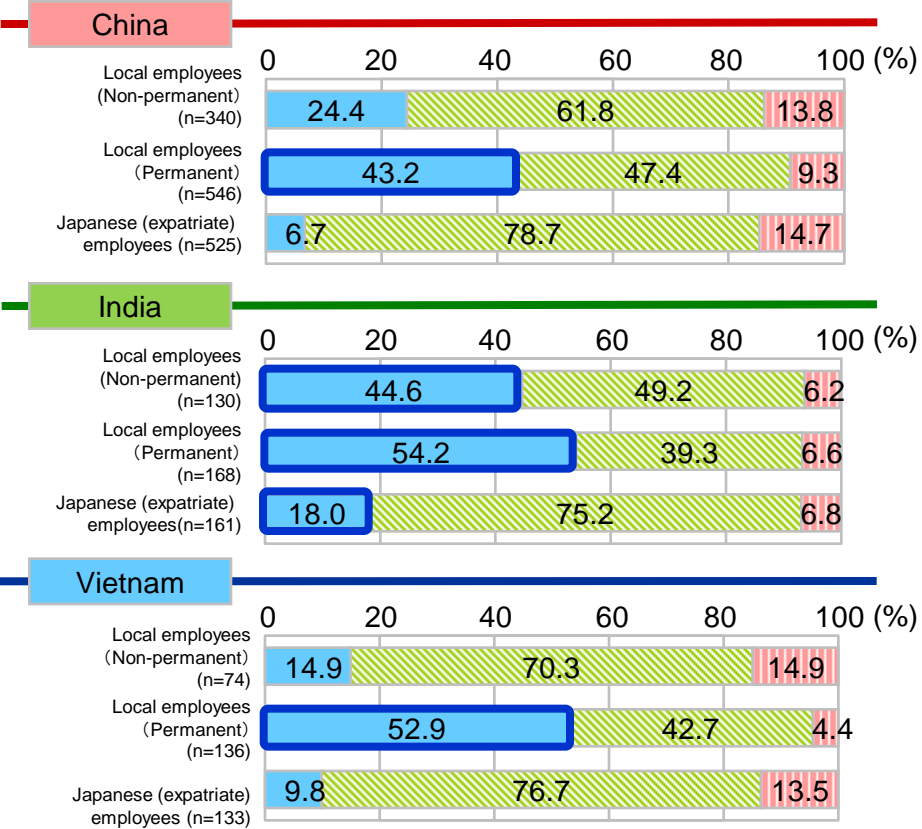
2. Impact of Economic Recession (5)

Changes in the number of employees (past year and forecast for next one year)



■ Increase ■ No change ■ Decrease

Forecast for changes in employee numbers in next one year

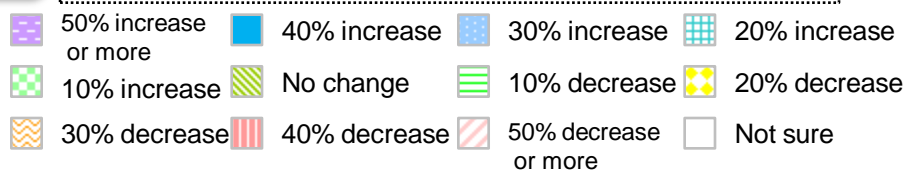
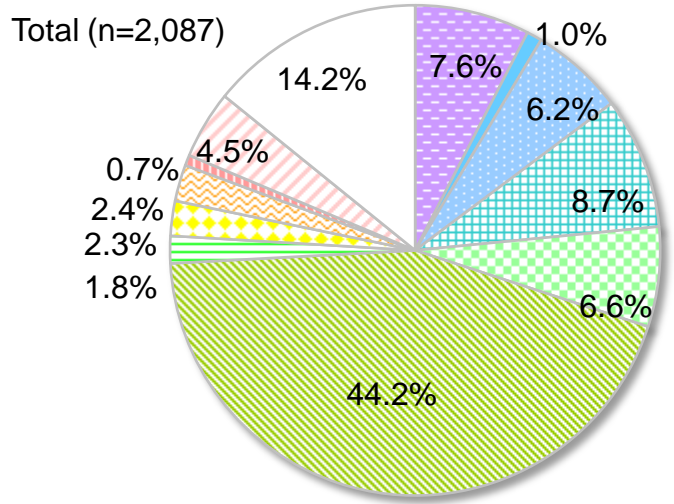


- Nearly 40% of respondents chose to reduce staff in response to the global recession (37.0% for non-permanent local employees and 35.9% for permanent local employees) in the year to September 2009. But looking ahead to the next one year, a good percentage of these reductions will be offset by planned additions for the coming next year (23.4% for non-permanent local employees and 33.8% for permanent local employees). Plans to add local staff in coming year was most notable among firms in China, India and Vietnam, where the percentage was in the 40-50% range for all three, reflecting firms' intentions to expand business.
- Looking at firms' plans for keeping/adding Japanese expatriate employees, firms are tending more towards a decrease (10.9%), versus 6.7% for increase, revealing that firms are attempting to reduce labor costs and localize management functions. One exception towards this trend was noted in India, with 18.0% of respondents there planning to boost Japanese expatriates in the country, showing firms' high expectations for business expansion in India.

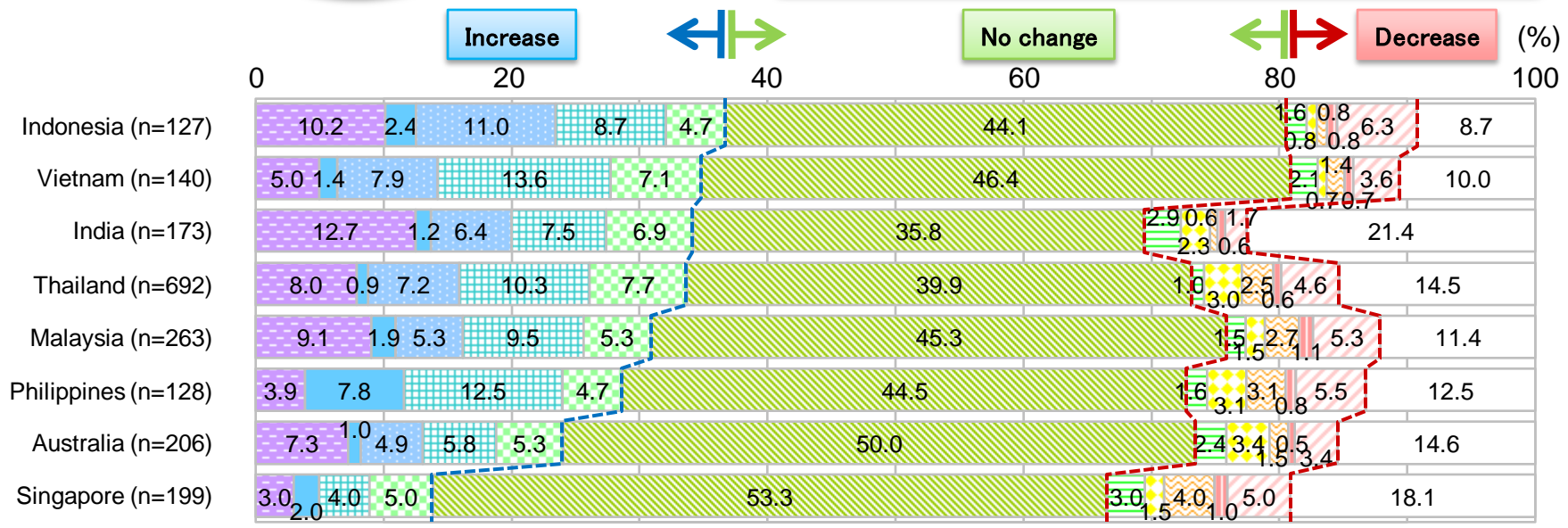
2. Impact of Economic Recession (6)

Prospects for capital investment over the next one year
 (October 2009 – September 2010)
 in comparison with the past year (October 2008 – September 2009)

*The four countries/regions of Northeast Asia are not included in the summary of questionnaires in P12 -13.



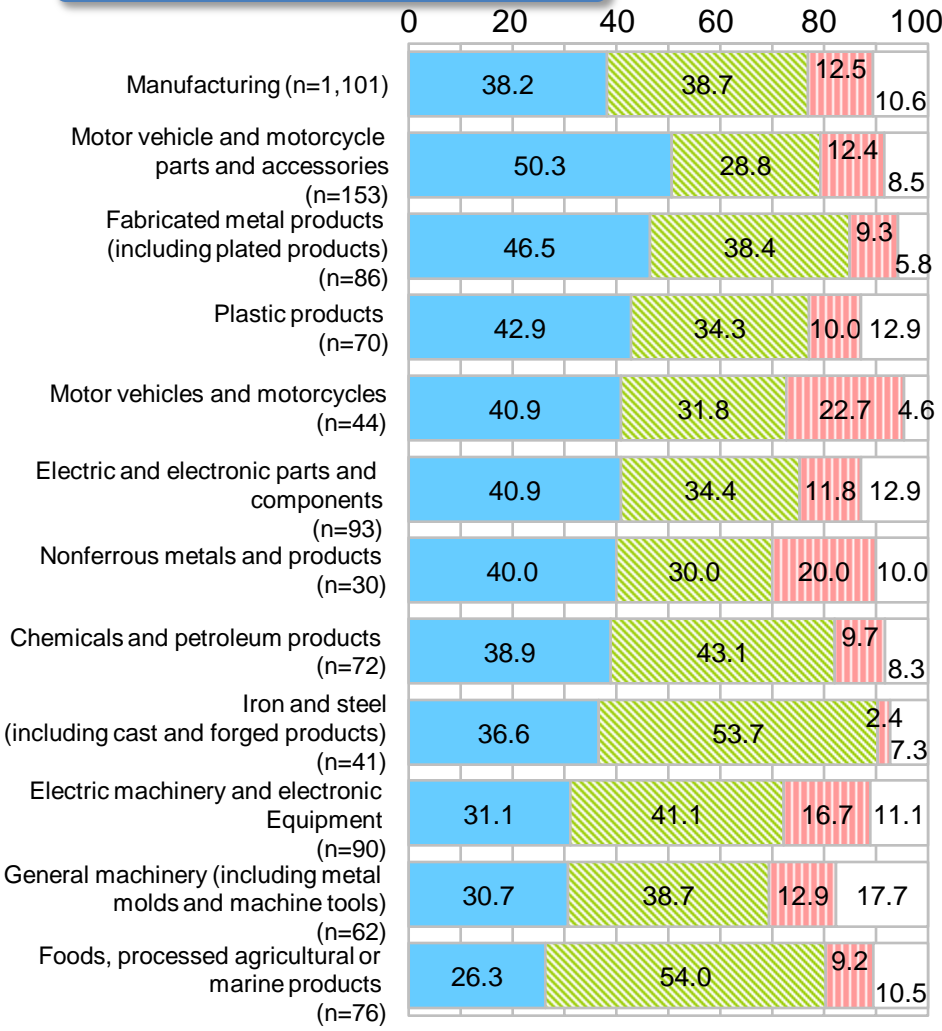
- Indonesia, Vietnam, India and several other countries had a high rate of firms, which answered that they are going to increase capital investment in the future. Among them, in Indonesia and India, more than 10% of the firms answered that they were going to make an increase of 50% or more.
- Notably in India, 71.4% of motor vehicle and motorcycle parts and accessories firms answered "increase", with 28.6% of them answering "increase of 50% or more", which is the highest ratio for all countries surveyed.
- More than 50% of firms in Singapore and Australia answered "No change". In Singapore, the percentage of "decrease" at 14.0% exceeded that of "increase" at 14.5%.



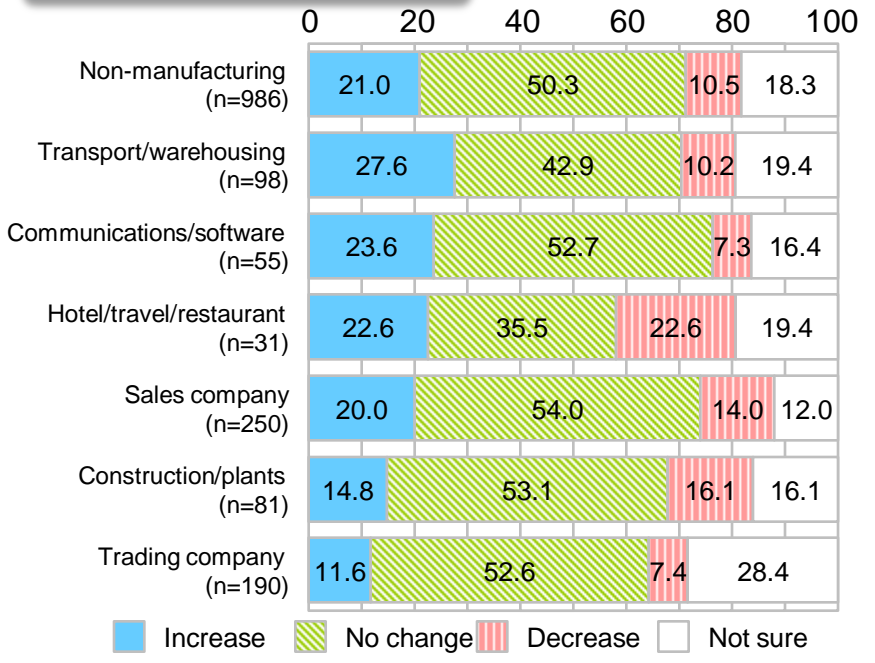
2. Impact of Economic Recession (7)

**Prospects for capital investment over the next one year
(October 2009 – September 2010)
in comparison with the past year (October 2008 – September 2009)**

Manufacturing industries (%)



Non-manufacturing industries (%)



■ Increase
 ■ No change
 ■ Decrease
 ■ Not sure

※Only industries with 30 or more firms with valid responses were sampled

- Firms in motor vehicle and motorcycle parts and accessories, as well as fabricated metal sector rated relatively high percentage of replies "increase".
- Iron and steel sector rated the lowest percentage of replies "decrease" among other industries at 2.4%.
- Compared with manufacturing industry, the percentage of replies "increase" in non-manufacturing industry is relatively low. For firms in hotel/travel/restaurant sector, the percentages of replies "increase" and "decrease" are same at 22.6%. For construction/plants sector, the percentage of replies "decrease" exceeded that of "increase".

3. Business Problems (1)

**Problems in sales or other business activities
(multiple answers allowed)**

<p>China (n=560) </p> <p>1st 52.9% Competitors' growing market shares (cost-wise competition) 2nd 43.6% Major clients requesting lower prices 3rd 37.5% No increase in new clients or markets</p>	<p>Vietnam (n=140) </p> <p>1st 39.3% Competitors' growing market shares (cost-wise competition) 2nd 37.1% Major clients requesting lower prices 3rd 35.0% No increase in new clients or markets</p>	<p>Thailand (n=694) </p> <p>1st 52.6% Decrease in orders from clients 2nd 43.5% Sluggishness in major sales markets (consumption downturn) 3rd 43.1% Major clients requesting lower prices</p>	<p>Singapore (n=214) </p> <p>1st 53.3% Competitors' growing market shares (cost-wise competition) 2nd 52.8% Sluggishness in major sales markets (consumption downturn) 3rd 49.5% Decrease in orders from clients</p>	<p>Philippines (n=128) </p> <p>1st 39.8% Decrease in orders from clients 2nd 35.2% No increase in new clients or markets 3rd 33.6% Major clients requesting lower prices</p>
<p>Myanmar (n=16) </p> <p>1st 37.5% Sluggishness in major sales markets (consumption downturn) 2nd 31.3% Decrease in sales prices due to global oversupply Also 2nd 31.3% No progress in local relaxation of restrictions</p>	<p>Malaysia (n=262) </p> <p>1st 48.5% Major clients requesting lower prices 2nd 48.1% Decrease in orders from clients 3rd 41.2% Competitors' growing market shares (cost-wise competition)</p>	<p>Indonesia (n=128) </p> <p>1st 46.1% Major clients requesting lower prices 2nd 44.5% Competitors' growing market shares (cost-wise competition) 3rd 30.5% Decrease in orders from clients</p>	<p>Pakistan (n=25) </p> <p>1st 40.0% Sluggishness in major sales markets (consumption downturn) 2nd 36.0% Decrease in orders from clients Also 2nd 36.0% Competitors' growing market shares (cost-wise competition)</p>	<p>Sri Lanka (n=25) </p> <p>1st 52.0% Sluggishness in major sales markets (consumption downturn) 2nd 48.0% Decrease in orders from clients 3rd 44.0% Major clients requesting lower prices</p>
<p>India (n=172) </p> <p>1st 52.9% Competitors' growing market shares (cost-wise competition) 2nd 45.9% Major clients requesting lower prices 3rd 26.2% Decrease in orders from clients No increase in new clients or markets</p>	<p>Bangladesh (n=22) </p> <p>1st 40.9% Decrease in orders from clients 2nd 31.8% Major clients requesting lower prices Also 2nd 31.8% Competitors' growing market shares (cost-wise competition)</p>	<p>Australia (n=206) </p> <p>1st 56.3% Sluggishness in major sales markets (consumption downturn) 2nd 33.0% Decrease in orders from clients 3rd 2.5% Major clients requesting lower prices Competitors' growing market shares (cost-wise competition)</p>	<p>New Zealand (n=69) </p> <p>1st 72.5% Sluggishness in major sales markets (consumption downturn) 2nd 53.6% Decrease in orders from clients 3rd 43.5% Major clients requesting lower prices</p>	

3. Business Problems(2)

Problems in financial affairs, financing or foreign exchange (multiple answers allowed)

<p>China (n=539) </p> <p>1st 38.8% Tax burdens (i.e. corporate taxes and transfer pricing taxes) 2nd 32.7% Volatility of local currency's exchange rate against the Japanese yen 3rd 28.2% Insufficient cash flow necessary for business scale expansion</p>	<p>Vietnam (n=123) </p> <p>1st 36.6% Volatility of local currency's exchange rate against the US dollar 2nd 31.7% Insufficient cash flow necessary for business scale expansion 3rd 30.1% Volatility of the Japanese yen against the US dollar</p>	<p>Thailand (n=637) </p> <p>1st 49.8% Volatility of local currency's exchange rate against the Japanese yen 2nd 31.2% Volatility of local currency's exchange rate against the US dollar 3rd 25.0% Tax burdens (i.e. corporate taxes and transfer pricing taxes)</p>	<p>Singapore (n=197) </p> <p>1st 44.7% Volatility of local currency's exchange rate against the US dollar 2nd 43.2% Volatility of local currency's exchange rate against the Japanese yen 3rd 31.0% Volatility of the Japanese yen against the US dollar</p>	<p>Philippines (n=126) </p> <p>1st 44.4% Volatility of local currency's exchange rate against the US dollar 2nd 34.1% Volatility of the Japanese yen against the US dollar Also 2nd 34.1% Tax burdens (i.e. corporate taxes and transfer pricing taxes)</p>
<p>Myanmar (n=17) </p> <p>1st 47.1% Volatility of local currency's exchange rate against the US dollar 2nd 29.4% Volatility of the Japanese yen against the US dollar Also 2nd 29.4% Tax burdens (i.e. corporate taxes and transfer pricing taxes)</p>	<p>Malaysia (n=242) </p> <p>1st 52.9% Volatility of local currency's exchange rate against the Japanese yen 2nd 51.7% Volatility of local currency's exchange rate against the US dollar 3rd 22.7% Volatility of the Japanese yen against the US dollar</p>	<p>Indonesia (n=123) </p> <p>1st 69.9% Volatility of local currency's exchange rate against the US dollar 2nd 43.1% Tax burdens (i.e. corporate taxes and transfer pricing taxes) 3rd 35.0% Volatility of local currency's exchange rate against the Japanese yen</p>	<p>Pakistan (n=22) </p> <p>1st 54.6% Volatility of local currency's exchange rate against the US dollar 2nd 40.9% Volatility of the Japanese yen against the US dollar 3rd 31.8% Rising interest rates</p>	<p>Sri Lanka (n=23) </p> <p>1st 30.4% Volatility of the Japanese yen against the US dollar Also 1st 30.4% Tax burdens (i.e. corporate taxes and transfer pricing taxes) 2nd 26.1% Insufficient cash flow necessary for business scale expansion</p>
<p>India (n=157) </p> <p>1st 47.1% Volatility of local currency's exchange rate against the Japanese yen 2nd 40.8% Tax burdens (i.e. corporate taxes and transfer pricing taxes) 3rd 40.1% Volatility of local currency's exchange rate against the US dollar</p>	<p>Bangladesh (n=19) </p> <p>1st 36.8% Difficulty in procuring funds from local financial institutions 2nd 31.6% Tax burdens (i.e. corporate taxes and transfer pricing taxes) 3rd 26.3% Volatility of the Japanese yen against the US dollar</p>	<p>Australia (n=197) </p> <p>1st 54.8% Volatility of local currency's exchange rate against the US dollar 2nd 54.3% Volatility of local currency's exchange rate against the Japanese yen 3rd 17.8% Insufficient cash flow necessary for business scale expansion</p>	<p>New Zealand (n=63) </p> <p>1st 58.7% Volatility of local currency's exchange rate against the Japanese yen 2nd 54.0% Volatility of local currency's exchange rate against the US dollar 3rd 22.2% Volatility of the Japanese yen against the US dollar</p>	

3. Business Problems (3)

Problems with labor or employment (multiple answers allowed)

<p>China (n=563) </p> <p>1st 62.7% Increase in employee wages 2nd 33.9% Restrictions on staff dismissal and reduction 3rd 32.5% Difficulty in localizing managers and site supervisors</p>	<p>Vietnam (n=139) </p> <p>1st 71.2% Increase in employee wages 2nd 36.7% Difficulty in recruiting middle management staff Also 2nd 36.7% Low rate of worker retention</p>	<p>Thailand (n=672) </p> <p>1st 41.2% Increase in employee wages 2nd 34.1% Difficulty in localizing managers and site supervisors 3rd 30.1% Personnel costs of Japanese (expatriate) officers and staff</p>	<p>Singapore (n=201) </p> <p>1st 47.3% Personnel costs of Japanese (expatriate) officers and staff 2nd 45.3% Increase in employee wages 3rd 21.4% Low rate of worker retention</p>	<p>Philippines (n=122) </p> <p>1st 43.4% Increase in employee wages 2nd 36.1% Difficulty in localizing managers and site supervisors 3rd 35.3% Restrictions on staff dismissal and reduction</p>
<p>Myanmar (n=16) </p> <p>1st 50.0% Difficulty in recruiting middle management staff 2nd 31.3% Low rate of worker retention Also 2nd 31.3% Difficulty in localizing managers and site supervisors</p>	<p>Malaysia (n=249) </p> <p>1st 42.2% Increase in employee wages 2nd 33.7% Low rate of worker retention 3rd 31.7% Difficulty in recruiting general worker (Manufacturing only)</p>	<p>Indonesia (n=123) </p> <p>1st 68.3% Increase in employee wages 2nd 43.1% Restrictions on staff dismissal and reduction 3rd 38.2% Difficulty in localizing managers and site supervisors</p>	<p>Pakistan (n=22) </p> <p>1st 63.6% Increase in employee wages 2nd 31.8% Difficulty in recruiting middle management staff 3rd 27.3% Low rate of worker retention</p>	<p>Sri Lanka (n=24) </p> <p>1st 62.5% Increase in employee wages 2nd 54.2% Restrictions on staff dismissal and reduction 3rd 29.2% Low rate of worker retention</p>
<p>India (n=161) </p> <p>1st 62.7% Increase in employee wages 2nd 49.1% Personnel costs of Japanese (expatriate) officers and staff 3rd 31.1% Difficulty in recruiting middle management staff</p>	<p>Bangladesh (n=18) </p> <p>1st 77.8% Increase in employee wages 2nd 33.3% Difficulty in recruiting middle management staff 3rd 27.8% Difficulty in recruiting engineer staff (Manufacturing only)</p>	<p>Australia (n=181) </p> <p>1st 57.5% Increase in employee wages 2nd 28.2% Restrictions on staff dismissal and reduction 3rd 25.4% Personnel costs of Japanese (expatriate) officers and staff</p>	<p>New Zealand (n=54) </p> <p>1st 48.2% Increase in employee wages 2nd 31.5% Restrictions on staff dismissal and reduction 3rd 18.5% Difficulty in recruiting general and staff Difficulty in recruiting middle management staff</p>	

3. Business Problems (4)

Problems in foreign trade system (multiple answers allowed)

China (n=466)



1st 58.6%
Complicated customs clearance procedures
2nd 44.0%
Time-consuming customs procedures
3rd 39.7%
Lack of thorough publicizing of trade rules and regulations

Vietnam (n=126)



1st 76.2%
Complicated customs clearance procedures
2nd 54.0%
Time-consuming customs procedures
Also 2nd 54.0%
Lack of thorough publicizing of trade rules and regulations

Thailand (n=541)



1st 35.9%
Method of assessment of customs duties is unclear
2nd 34.4%
Lack of thorough publicizing of trade rules and regulations
3rd 30.9%
Criteria for determining classification for customs duties are obscure

Singapore (n=86)



1st 19.8%
Complicated customs clearance procedures
2nd 10.5%
Time-consuming customs procedures
Also 2nd 10.5%
Lack of thorough publicizing of trade rules and regulations

Philippines (n=99)



1st 42.4%
Time-consuming customs procedures
2nd 39.4%
Complicated customs clearance procedures
3rd 37.4%
Lack of thorough publicizing of trade rules and regulations

Myanmar (n=13)



1st 76.9%
Complicated customs clearance procedures
2nd 69.2%
Lack of thorough publicizing of trade rules and regulations
3rd 46.2%
Time-consuming customs procedures
Method of assessment of customs duties is unclear

Malaysia (n=171)



1st 36.3%
Lack of thorough publicizing of trade rules and regulations
2nd 28.7%
Complicated customs clearance procedures
Also 2nd 28.7%
Time-consuming customs procedures

Indonesia (n=111)



1st 58.6%
Lack of thorough publicizing of trade rules and regulations
2nd 57.7%
Complicated customs clearance procedures
3rd 46.0%
Time-consuming customs procedures

Pakistan (n=17)



1st 35.3%
Method of assessment of customs duties is unclear
Also 1st 35.3%
Criteria for determining classification for customs duties are obscure
3rd 29.4%
Time-consuming customs procedures
Lack of thorough publicizing of trade rules and regulations

Sri Lanka (n=21)



1st 68.0%
Complicated customs clearance procedures
2nd 59.9%
Time-consuming customs procedures
3rd 39.5%
Lack of thorough publicizing of trade rules and regulations

India (n=147)



1st 68.0%
Complicated customs clearance procedures
2nd 59.9%
Time-consuming customs procedures
3rd 39.5%
Lack of thorough publicizing of trade rules and regulations

Bangladesh (n=17)



1st 58.8%
Complicated customs clearance procedures
Also 1st 58.8%
Time-consuming customs procedures
3rd 52.9%
Lack of thorough publicizing of trade rules and regulations

Australia (n=97)



1st 24.7%
Time-consuming customs procedures
Also 1st 24.7%
Strict quarantine system
3rd 13.4%
Complicated customs clearance procedures
Criteria for determining classification for customs duties are obscure

New Zealand (n=26)



1st 19.2%
Strict quarantine system
2nd 11.5%
Complicated customs clearance procedures
Also 2nd 11.5%
Unclear inspection system
High non-tariff barriers

3. Business Problems (5)

Problems in production (Manufacturing only) (multiple answers allowed)

<p>China (n=366) </p> <p>1st 55.5% Difficulty in quality control 2nd 45.9% Difficulty in local procurement of parts and raw materials 3rd 40.7% Limited cost-cutting measures available</p>	<p>Vietnam (n=88) </p> <p>1st 68.2% Difficulty in local procurement of parts and raw materials 2nd 40.9% Increase in procurement costs 3rd 37.5% Difficulty in quality control</p>	<p>Thailand (n=402) </p> <p>1st 54.5% Difficulty in quality control 2nd 50.0% Limited cost-cutting measures available 3rd 41.0% Difficulty in local procurement of parts and raw materials</p>	<p>Singapore (n=52) </p> <p>1st 59.6% Limited cost-cutting measures available 2nd 53.9% Increase in procurement costs 3rd 30.8% Difficulty in quality control</p>	<p>Philippines (n=85) </p> <p>1st 60.0% Difficulty in local procurement of parts and raw materials 2nd 41.2% Limited cost-cutting measures available Also 2nd 41.2% Difficulty in quality control</p>
<p>Myanmar (n=6) </p> <p>1st 83.3% Electric power shortage 2nd 66.7% Difficulty in local procurement of parts and raw materials 3rd 50.0% Inadequate logistics infrastructure</p>	<p>Malaysia (n=158) </p> <p>1st 51.3% Limited cost-cutting measures available 2nd 50.0% Increase in procurement costs 3rd 41.1% Difficulty in local procurement of parts and raw materials</p>	<p>Indonesia (n=83) </p> <p>1st 45.8% Increase in procurement costs 2nd 42.2% Difficulty in local procurement of parts and raw materials 3rd 38.6% Difficulty in quality control Limited cost-cutting measures available</p>	<p>Pakistan (n=11) </p> <p>1st 81.8% Elect power shortage 2nd 72.7% Increase in procurement costs 3rd 63.6% Difficulty in local procurement of parts and raw materials</p>	<p>Sri Lanka (n=18) </p> <p>1st 55.6% Increase in procurement costs 2nd 50.0% Difficulty in local procurement of parts and raw materials 3rd 38.9% Difficulty in quality control Inadequate logistics infrastructure</p>
<p>India (n=67) </p> <p>1st 56.7% Inadequate logistics infrastructure Also 1st 56.7% Electric power shortage 3rd 47.8% Difficulty in local procurement of parts and raw materials</p>	<p>Bangladesh (n=17) </p> <p>1st 82.4% Electric power shortage 2nd 64.7% Difficulty in local procurement of parts and raw materials 3rd 41.2% Inadequate logistics infrastructure Increase in procurement costs</p>	<p>Australia (n=41) </p> <p>1st 58.5% Increase in procurement costs 2nd 36.6% Limited cost-cutting measures available 3rd 24.4% Difficulty in local procurement of parts and raw materials</p>	<p>New Zealand (n=13) </p> <p>1st 46.2% Limited cost-cutting measures available Also 1st 46.2% Increase in procurement costs 3rd 15.4% Stricter environmental regulations</p>	

3. Business Problems (6)

Problems in the localization of management (multiple answers allowed)

*The four countries/regions of Northeast Asia are not included in the summary of this questionnaire.

<p>Vietnam (n=135) </p> <p>1st 57.8% Difficulty in recruiting executive staff 2nd 54.8% No progress with development of local staff 3rd 40.0% Low-level language ability (Japanese and English)</p>	<p>Thailand (n=666) </p> <p>1st 60.2% No progress with development of local staff 2nd 41.9% Difficulty in recruiting executive staff 3rd 33.6% Low-level language ability (Japanese and English)</p>	<p>Singapore (n=186) </p> <p>1st 46.2% No progress with development of local staff 2nd 30.7% Difficulty in recruiting executive staff 3rd 30.1% No progress with the transfer of authority from head office to local level</p>	<p>Philippines (n=118) </p> <p>1st 55.1% No progress with development of local staff 2nd 48.3% Difficulty in recruiting executive staff 3rd 22.9% A high turnover rate of executive staff</p>	<p>Myanmar (n=14) </p> <p>1st 78.6% No progress with development of local staff 2nd 64.3% Difficulty in recruiting executive staff 3rd 28.6% Capabilities in developing local products and services are weak</p>
<p>Malaysia (n=228) </p> <p>1st 59.2% No progress with development of local staff 2nd 47.4% Difficulty in recruiting executive staff 3rd 24.6% Capabilities in local planning and marketing are weak</p>	<p>Indonesia (n=118) </p> <p>1st 57.6% No progress with development of local staff 2nd 50.0% Difficulty in recruiting executive staff 3rd 27.1% Capabilities in local planning and marketing are weak</p>	<p>Pakistan (n=17) </p> <p>1st 52.9% Difficulty in recruiting executive staff 2nd 23.5% A high turnover rate of executive staff Also 2nd 23.5% Difficulty in reduction of Japanese expatriate staff</p>	<p>Sri Lanka (n=25) </p> <p>1st 64.0% No progress with development of local staff 2nd 32.0% Difficulty in recruiting executive staff 3rd 24.0% Capabilities in local planning and marketing are weak</p>	<p>India (n=152) </p> <p>1st 44.7% Difficulty in recruiting executive staff Also 1st 44.7% No progress with development of local staff 3rd 23.7% A high turnover rate of executive staff</p>
<p>Bangladesh (n=18) </p> <p>1st 50.0% No progress with development of local staff 2nd 38.9% Capabilities in local planning and marketing are weak 3rd 33.3% Difficulty in recruiting executive staff</p>	<p>Australia (n=167) </p> <p>1st 39.5% Difficulty in recruiting executive staff 2nd 25.8% No progress with development of local staff 3rd 25.2% No progress with the transfer of authority from head office to local level</p>	<p>New Zealand (n=44) </p> <p>1st 38.6% No progress with development of local staff 2nd 34.1% Difficulty in recruiting executive staff 3rd 25.0% No progress with the transfer of authority from head office to local level</p>		

4. Investment Environment (1)

Advantages in the investment environment (multiple answers allowed)

*The four countries/regions of Northeast Asia are not included in the summary of questionnaires in P20 - 21.

※ Only countries for which 30 or more valid survey responses were received are shown here. Percentages are shown in (). Choices that more than 50% of firms pointed are colored.

Country	Upper :manufacturing Lower : non-manufacturing	1st	2nd	3rd
Indonesia	n=83	Market scale / Growth potential (66.3)	An abundance of staff due to low costs(45.8)	Plenty of partner companies (delivering companies)(21.7)
	n=40	Market scale / Growth potential (92.5)	Stable political and social conditions(22.5) Plenty of partner companies (delivering companies)(same as above) An abundance of staff due to low costs(same as above)	English is widely spoken (7.6)
Malaysia	n=164	Stable political and social conditions(72.0)	English is widely spoken (68.9)	A good living environment for expatriate staff (36.6)
	n=95	English is widely spoken(76.8)	Stable political and social conditions(71.6)	A good living environment for expatriate staff (46.3)
Philippines	n=88	English is widely spoken (86.2)	An abundance of staff due to low costs(40.9)	Tax incentives※1 (35.2)
	n=39	English is widely spoken (76.9)	An abundance of staff due to low costs (48.7)	High quality staff(23.1)
Singapore	n=58	Stable political and social conditions(86.2)	A good living environment for expatriate staff (63.8)	English is widely spoken (60.3)
	n=155	Stable political and social conditions(88.4)	Possible to communicate in English (63.9)	A good living environment for expatriate staff (59.4)
Thailand	n=409	Plenty of partner companies (delivering companies)(47.4)	A good environment for expatriate staff (44.3)	Market scale / Growth potential (40.6)
	n=273	Market scale / Growth potential(64.5)	Plenty of partner companies (delivering companies)(43.6) A good living environment for expatriate staff (same as above)	Developed infrastructure※2 (20.5)
Vietnam	n=90	Stable political and social conditions(61.1)	An abundance of staff due to low costs(38.9) Market scale / Growth potential(same as above)	Tax incentives※1 (24.4)
	n=48	Stable political and social conditions(70.8)	Market scale / Growth potential(64.6)	An abundance of staff due to low costs(35.4)
India	n=77	Market scale / Growth potential(75.3)	English is widely spoken (55.8)	Stable political and social conditions (24.7)
	n=92	Market scale / Growth potential(91.3)	English is widely spoken (66.3)	Stable political and social conditions(22.8)
Australia	n=46	Stable political and social conditions (89.1)	English is widely spoken (45.7)	Developed infrastructure※2 (41.3)
	n=155	Stable political and social conditions(82.6)	English is widely spoken (41.3)	A good living environment for expatriate staff (33.6)
New Zealand	n=16	Stable political and social conditions(75.0)	Developed infrastructure※2 (18.8) High quality staff(23.1(same as above) English is widely spoken (same as above)	Market scale / Growth potential(12.5)
	n=49	Stable political and social conditions(87.8)	English is widely spoken(42.9)	Developed infrastructure※2 (28.6)

In India, notably a developing market, and in Indonesia with its largest population in ASEAN, "Market scale / Growth potential " was pointed as number one merit in both manufacturing and non-manufacturing industries.

In Malaysia, Singapore, Vietnam, Australia and New Zealand, "Stable political and social conditions" was highly evaluated.

More than 40% of respondents in Thailand pointed "Plenty of partner companies (delivering companies)", while the percentage of respondents in other countries who referred to the advantage remained around 10 - 20%. This shows that Thailand has an ample cluster of industry.

※1 Corporate tax, export-and-import tariff, etc. ※2 Electricity, transportation, communication, etc.



4. Investment Environment (2)

Disadvantages in the investment environment (Multiple answers allowed)

※ Only countries for which 30 or more valid survey responses were received are shown here. Percentages are shown in (). Choices that more than 50% of firms pointed are colored

Country	Upper : manufacturing Lower : non-manufacturing	1st	2nd	3rd
Indonesia	n=81	Underdeveloped infrastructure※ (75.3)	Complicated tax procedures (50.6)	Unclear policy management by the local government (49.4)
	n=39	Complicated administrative procedures (to acquire permits, etc.) (69.2)	Underdeveloped infrastructure※ (66.7)	Complicated tax procedures (64.1)
Malaysia	n=136	Unclear policy management by the local government (49.3)	Complicated administrative procedures (to acquire permits, etc.) (33.1)	Underdeveloped infrastructure※ (23.5)
	n=93	Complicated administrative procedures (to acquire permits, etc.) (48.4)	Restrictions on foreign investment including restrictions on foreign capital ratio (44.1)	Unclear policy management by the local government (38.7)
Philippines	n=87	Underdeveloped infrastructure※ (73.6)	Unstable or insecure political or social conditions (58.6)	Unclear policy management by the local government (55.2)
	n=39	Underdeveloped infrastructure※ (61.5)	Unclear policy management by the local government (59.0)	Unstable or insecure political or social conditions (56.4)
Singapore	n=50	Insufficient land / office space, rising land prices/rent(68.0)	Complicated tax procedures (6.0)	Underdeveloped infrastructure※ (4.0)
	n=131	Insufficient land / office space, rising land prices/rent (82.4)	Unclear policy management by the local government (4.6)	Undeveloped economic and legal systems, and arbitrary application of the legal system (4.0)
Thailand	n=383	Unstable political and social conditions(64.8)	Unclear policy management by the local government (33.4)	Unstable political and social conditions(2.3)
	n=268	Unstable political and social conditions(68.3)	Unclear policy management by the local government (38.1)	Underdeveloped infrastructure※ (2.3)
Vietnam	n=90	Complicated administrative procedures (to acquire permits, etc.) (65.6)	Restrictions on foreign investment including restrictions on foreign capital ratio (38.1)	Complicated administrative procedures (to acquire permits, etc.) (33.2)
	n=47	Complicated administrative procedures (to acquire permits, etc.) (65.6)	Underdeveloped infrastructure※ (63.3)	Complicated administrative procedures (to acquire permits, etc.) (36.9)
India	n=76	Underdeveloped infrastructure※ (72.3)	Underdeveloped infrastructure※ (63.3)	Unclear policy management by the local government (51.1)
	n=91	Underdeveloped infrastructure※ (81.6)	Complicated administrative procedures (to acquire permits, etc.) (70.2)	Complicated tax procedures (51.1)
Australia	n=26	Underdeveloped infrastructure※ (83.5)	Complicated administrative procedures (to acquire permits, etc.) (74.7)	Lack of land/office space, rise in land prices/rent (55.3)
	n=106	Insufficient land / office space, rising land prices/rent(42.3)	Complicated tax procedures (same as above)	Complicated administrative procedures (to acquire permits, etc.) (54.0)
New Zealand	n=13	Insufficient land / office space, rising land prices/rent (47.2)	Complicated administrative procedures (to acquire permits, etc.) (15.4)	Insufficient land / office space, rising land prices/rent (57.1)
	n=25	Insufficient land / office space, rising land prices/rent (23.1)	Complicated administrative procedures (to acquire permits, etc.) (15.4)	Underdeveloped infrastructure※ (11.5)
New Zealand	n=13	Underdeveloped infrastructure※ (same as above)	Complicated tax procedures (same as above)	Lowering of custom tariff levels (including the lowering of custom tariff due to FTA/EPA) (11.5)
	n=25	Underdeveloped infrastructure※ (20.0)	Complicated tax procedures (23.6)	Complicated administrative procedures (to acquire permits, etc.) (20.8)
New Zealand	n=13	Unclear policy management by the local government (same as above)	Complicated tax procedures (same as above)	Unstable political and social conditions(7.7)
	n=25	Complicated administrative procedures (to acquire permits, etc.) (same as above)	Insufficient land / office space, rising land prices/rent(16.0)	Complicated tax procedures (same as above)
New Zealand	n=13	Complicated administrative procedures (to acquire permits, etc.) (same as above)	Insufficient land / office space, rising land prices/rent(16.0)	Restrictions on foreign investment including restrictions on foreign capital ratio (same as above)
	n=25	Complicated administrative procedures (to acquire permits, etc.) (same as above)	Insufficient land / office space, rising land prices/rent(16.0)	Complicated tax procedures (12.0)
New Zealand	n=13	Complicated administrative procedures (to acquire permits, etc.) (same as above)	Insufficient land / office space, rising land prices/rent(16.0)	Undeveloped economic and legal systems, and arbitrary application of the legal system (12.0)
	n=25	Complicated administrative procedures (to acquire permits, etc.) (same as above)	Insufficient land / office space, rising land prices/rent(16.0)	Undeveloped economic and legal systems, and arbitrary application of the legal system (12.0)

In Indonesia, Philippines, Vietnam and India, "Underdeveloped infrastructure" ranked top as a major disadvantage.

Singapore stood out with "Insufficient land / office space, rising land prices/rent", but none of other demerits rated 10%.

The greatest disadvantage cited for Thailand was "Unstable political and social conditions", the same problem that ranked top in the last survey.

※Electricity, transportation, communication, etc.