

JETRO

Japan External Trade Organization

2014

JETRO Global Trade and Investment Report

—On making Japan a base for international business circulation—

Overview



2014 JETRO Global Trade and Investment Report



1. World trade and investment on its way to recovery. Moderate resurgence of world economy	2
2. Japanese trade marks deficits for three consecutive years	3
3. Japanese outward FDI reaches record high	4
4. Realization of FTAAP through the promotion of TPP and RCEP	5
5. Asian consumer markets becoming solid both in scale and quality	6
6. Strategic development of promising overseas markets	7
7. New developments among Japanese companies seen in reorganization of their overseas bases	8
8. Foreign-affiliated companies regard Japan's expensive business costs as obstacle. Signs of improvement can also be seen	9
9. Nationwide effort necessary to increase inward FDI into Japan	10
10. Challenges Japanese corporations face in making Japan hub of international business circulation	11
◆ JETRO activities promoting "Cool Japan"	12
◆ JETRO activities for promoting direct investment in Japan	13
◆ JETRO's global network	14
◆ Detailed materials can be downloaded from the following website.	

<http://www.jetro.go.jp/en/news/releases/20140807856-news>

《《 Exclusion of liability clause 》》

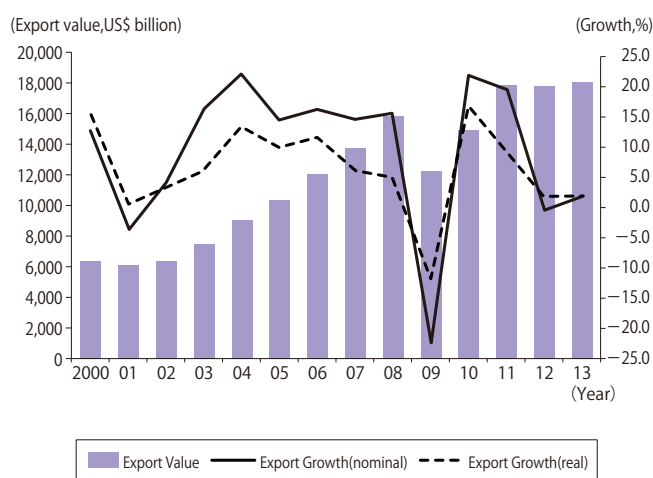
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World trade and investment on its way to recovery. Moderate resurgence of world economy.

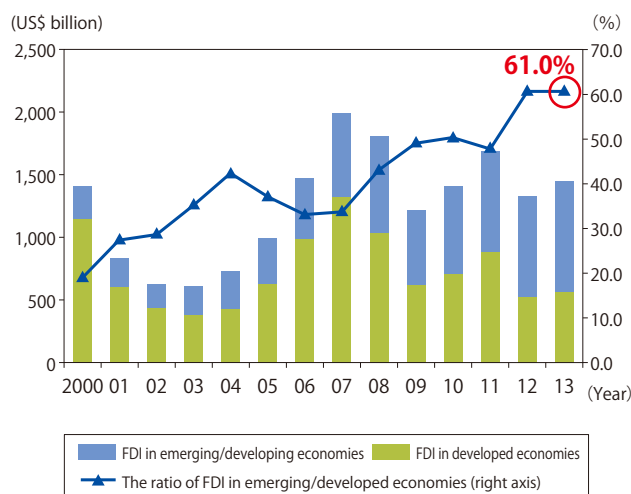
- ◆ World trade (commercial goods export) slightly rose by 1.6% from the previous year to the history record of \$18.3 trillion driven by China, developed countries such as EU and US although it was depressed by Japan and emerging and developing countries like Russia. By commercial goods, trade volume of IC and mobile phone were increased, on the other hand natural resources such as a crude oil were decreased.
- ◆ Global FDI flows increased for the first time in two years to \$1.45 trillion, up by 9.1% from the previous year, with 61.0% occupied by emerging and developing countries.
- ◆ The global economy has been recovering moderately. The economies of developed countries are on the path of recovery, while those of emerging and developing countries are growing slowly. The current framework of emerging and developing countries leading the global economy will remain in the future, with their contribution accounting for approximately 70%.

World trade trends (exports)



Note: The 2012 and 2013 export values, and 2013 nominal growth rate are estimated by JETRO. Sources: "IFS, May2014"(IMF) and statistics from individual countries/regions.

Global inward FDI trends



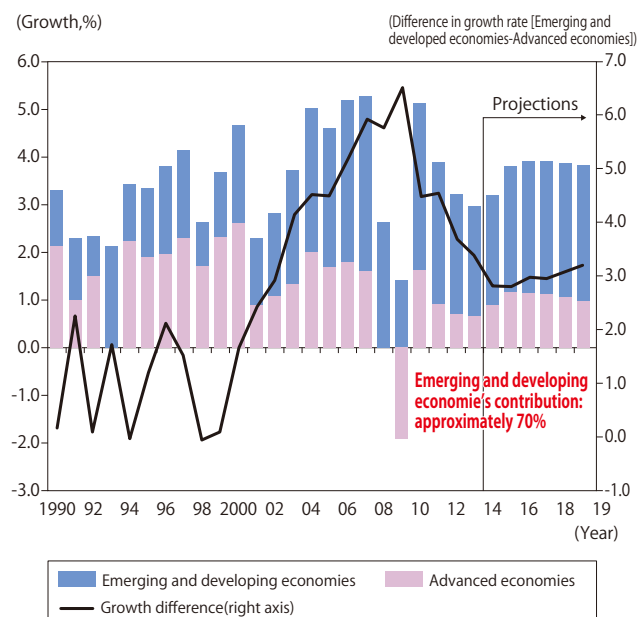
Source: UNCTAD.

GDP growth by country and region

	2012	2013	2014 (Projections)	2015 (Projections)
World	3.5	3.2	3.4	4.0
Advanced economies	1.4	1.3	1.8	2.4
United States	2.8	1.9	1.7	3.0
Euro Area	-0.7	-0.4	1.1	1.5
Japan	1.4	1.5	1.6	1.1
Emerging and developing economies	5.1	4.7	4.6	5.2
Europe	1.4	2.8	2.8	2.9
Russia and CIS	3.4	2.2	0.9	2.1
Asia	6.7	6.6	6.4	6.7
China	7.7	7.7	7.4	7.1
India	4.7	5.0	5.4	6.4
ASEAN5	6.2	5.2	4.6	5.6
Latin America and the Caribbean	2.9	2.6	2.0	2.6
Middle East and North Africa	4.9	2.5	3.1	4.8
Sub-Saharan Africa	5.1	5.4	5.4	5.8

Note: The definitions of advanced countries and emerging and developing countries follow the World Economic Outlook. The ASEAN5 refers to Indonesia, Malaysia, Philippines, Thailand, and Vietnam. Middle East and North Africa includes Afghanistan and Pakistan. Source: "WEO, July 2014" (IMF).

Emerging and developing economies' contribution to global economic growth



Note: Contribution is calculated based on the weighted PPP(Purchasing Power Parity) for 2013. Source: "WEO, April 2014"(IMF).

- ◆ Japan's trade in 2013 declined in both exports and imports, resulting in a deficit for three consecutive years. A significant decrease was seen in transport equipment and electric equipment, compared to those of 2008. Meanwhile, general machinery was in good shape.
- ◆ The current account surplus is continuing to decline to \$31.7 billion in 2013, influenced by the increased trade deficit. However, the deficit in trade in services decreased. The trade balance in transportation and travel improved, and there was an increase in trade surplus for royalties and license fees.

Japan's trade

		(US\$ million, %)			
		2012		2013	
			YoY Change		YoY Change
World	Export	801,335	- 2.4	719,205	- 10.3
	Import	888,584	4.2	838,889	- 5.6
	Trade balance	- 87,250	- 54,973	- 119,684	- 32,435
China	Export	144,686	- 10.4	129,851	- 10.3
	Import	189,019	3.0	182,192	- 3.6
ASEAN	Export	129,788	5.8	111,671	- 14.0
	Import	129,603	4.0	118,644	- 8.5
U.S.	Export	140,624	11.9	133,199	- 5.3
	Import	76,460	3.0	70,322	- 8.0
EU	Export	81,742	- 14.3	72,173	- 11.7
	Import	83,520	4.0	78,995	- 5.5

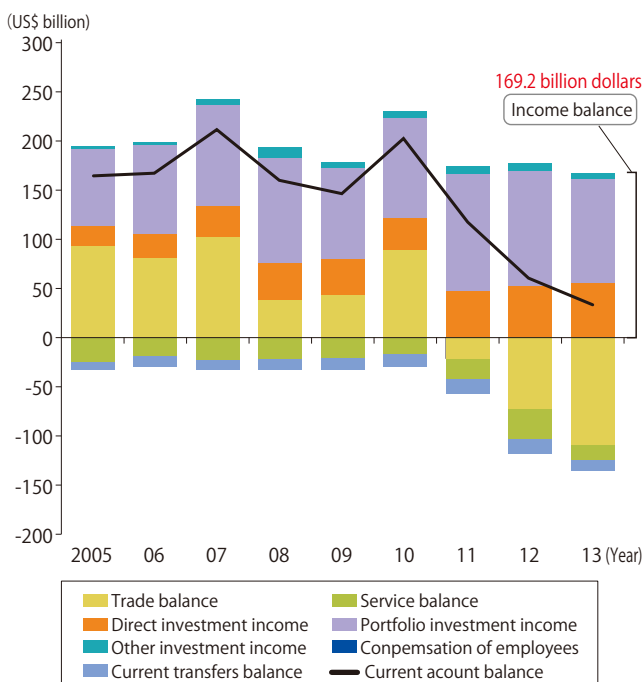
Note: 1) Yen-based values converted to dollar-based values by JETRO. 2) There are cases where the lowest digit may not match because of rounding error. 3) YoY change in trade balance indicates increase or decrease from the previous year. 4) EU consisted of 27 countries in 2012, and 28 in 2013. The YoY changes for 2013 was based on the trade value of 28 countries. Therefore, they are not consistent with the result calculated from figures on the table. Source: "Trade Statistics" (Ministry of Finance).

Japan's trade balance by product (2008–2013)

Surplus of US\$19.8 billion in 2008 → Deficit of US\$119.7 billion (-US\$139.5 billion)	
Exports: US\$775.9 billion → US\$719.2 billion (-US\$56.7 billion)	
Imports: US\$756.1 billion → US\$838.9 billion (+US\$82.8 billion)	
Transport equipment	Surplus of US\$173.3 billion → Surplus of US\$140.2 billion (-US\$33.1 billion)
	Volume of automobiles exports: 8.29 million → 5.82 million (-2.48 million) (Reference) Volume of Japanese automobiles produced overseas: 11.65 million → 16.76 million (+5.1 million)
General Machinery	Surplus of US\$92.3 billion → Surplus of US\$72.9 billion (-US\$19.5 billion)
	Volume of exports for printing machines excluding machine parts: 1.91 million → 0.92 million (-0.99 million)
	Volume of construction machines exports: 0.21 million → 0.15 million (-0.06 million)
Electric equipment	Surplus of US\$60.8 billion → Surplus of US\$11.5 billion (-US\$49.3 billion)
	Volume of video/digital camera exports: 42.82 million → 12.84 million (-29.98 million) Volume of mobile phone imports: 7.95 million → 34.58 million (+26.62 million)
Mineral fuel	Deficit of US\$248 billion → US\$265.3 billion (-US\$17.3 billion)
	Volume of crude oil imports: 240 million KL → 210 million KL (-30 million KL) Import unit price: US\$101.9/barrel → US\$110.5/barrel
	Volume of LNG imports: 69.26 million ton → 87.49 million ton (+18.23 million ton) Import unit price: US\$652/ton → US\$828/ton

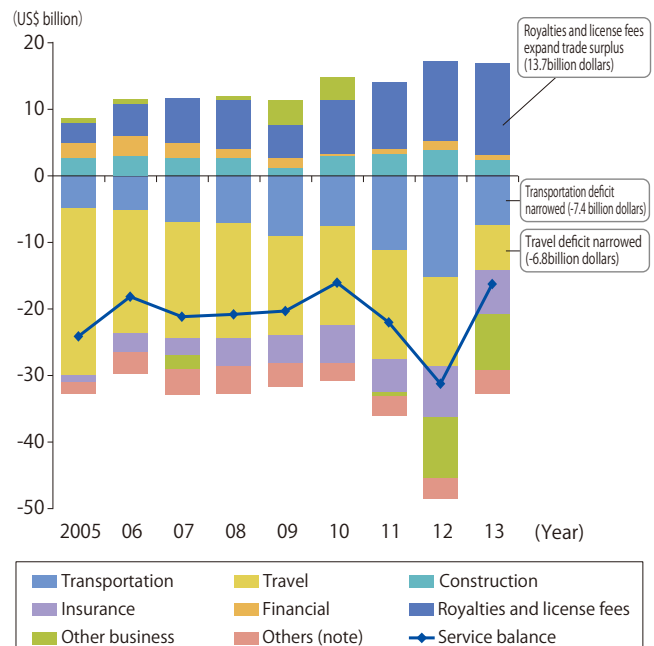
Note: Figures in parentheses indicate the increase or decrease during 2008 to 2013. There are cases where the lowest digit may not match because of rounding error. Source: "Trade Statistics" (Ministry of Finance), Japan Automobile Manufacturers Association, Inc.)

Japan's current account balance



Source: "Balance of Payments" (Ministry of Finance) and "Foreign Exchange Rate" (Bank of Japan).

Japan's service trade balance



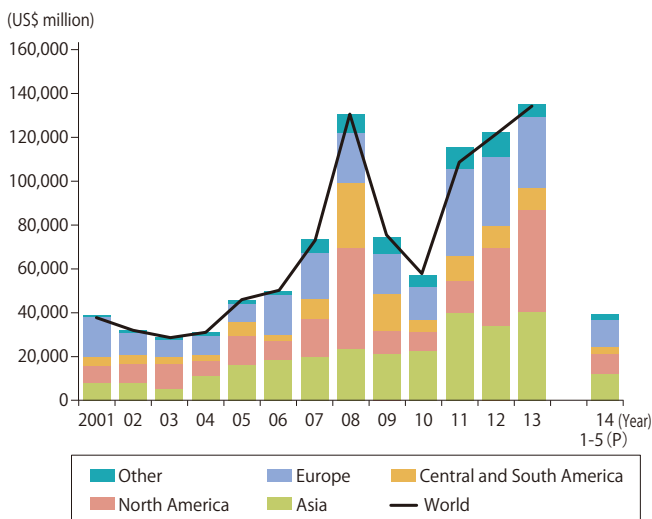
Note: "Others" includes the communications, computer and information, personal, cultural and recreational, and government services, n.i.e.

Source: "Balance of Payments" (Ministry of Finance, Bank of Japan) and "Foreign Exchange Rate" (Bank of Japan).

Japanese outward FDI reaches record high

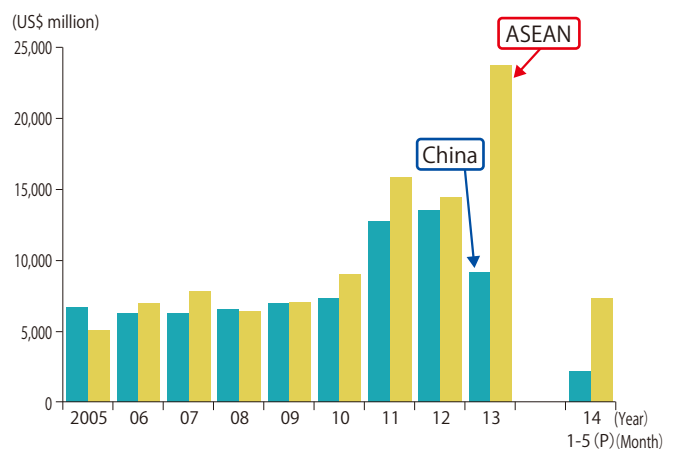
- ◆ Outward FDI of Japan broke its record for the first time in five years, reaching \$135 billion with an increase of 10.4%. While the investment toward ASEAN marked a record high of \$23.6 billion, those toward China decreased by 32.5% to \$9.1 billion.
- ◆ Amount of return on outward FDI in 2013 totaled \$68.2 billion. By region, investment returns from Asia was the largest, followed by North America, then Europe. An increase in rate of returns on outward FDI centering on Asia must be achieved.
- ◆ Rate of return on investments toward Japan has greatly increased, compared to those toward other countries. With the recovery of the Japanese economy, the Japanese market has become attractive for foreign companies.

Japan's outward FDI by country and region (net flow)



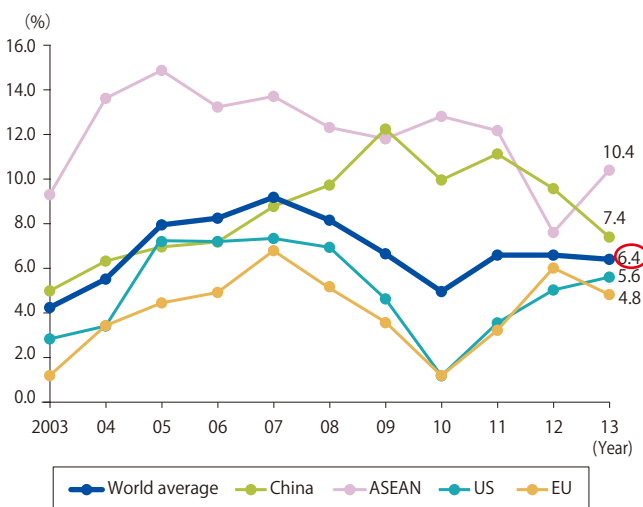
Note:
 1) Yen-based values are converted to dollar-based values by JETRO.
 2) Only the data for "world" was revised in 2011. Since detailed information has not been announced, original values are used for regional data.
 3) Figures have been calculated based on the new standards set in the sixth edition of IMF Balance of Payments Manual since January 2014.
 Source: "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan).

Japan's outward FDI – Comparison between China and ASEAN



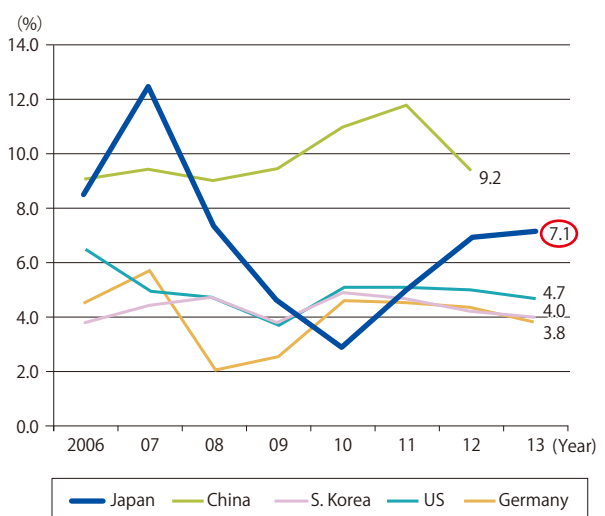
Note:
 1) Data excludes investment in the finance and insurance sectors of Thailand in relation to the floods in the country. (Q4, 2011: US\$3.924 billion, Q1, 2012: -US\$3.674 billion).
 2) Figures have been calculated based on the new standards set in the sixth edition of IMF Balance of Payments Manual since January 2014.
 Source: "Balance of Payment Statistics" (Ministry of Finance, Bank of Japan)

Rate of returns on Japan's outward FDI by country and region



Note:
 1) (Rate of returns on Japan's outward FDI) = (Current direct investment income credit) / (Stock of outward direct investment during the period) x 100 (%).
 2) The number of EU member countries was 15 until 2003, 25 between 2004 and 2006, 27 between 2008 and 2012, and has been 28 since 2013.
 Source: "Balance of Payment Statistics", "International Investment Position" (Ministry of Finance, Bank of Japan)

International comparisons of rate of returns on inward FDI



Note:
 1) (Rate of returns on inward FDI) = (Current direct investment income debit) / (Balance of inward direct investment during the period) x 100 (%).
 2) The statistics for China are only available up to 2012.
 Source: "BOP, June 2014" (IMF). "Balance of Payment Statistics" "International Investment Position" (Ministry of Finance, Bank of Japan).

- ◆ Negotiations for five mega-FTAs, the TPP, RCEP, TTIP, Japan-EU and China-Japan-South Korea FTA, are currently progressing. The Japanese government's Growth Strategy sets a target of raising the FTA coverage ratio to 70% (18.2% as of year 2013). If the FTAs (including Mega-FTAs) currently under negotiation become in force, Japan will increase its coverage to about 80%.
- ◆ International Investment Agreements, including FTA investment chapters, are in force between Japan and 28 other countries and regions. Those agreements currently occupy 29.1% of Japan's outward FDI stock.
- ◆ Procedures for applying for a certificate of origin or satisfying rules of origin are a burden on Japanese companies using FTAs. Efforts to expand the utilization of self-certification system of approved exporters and fine-tuned public relations activities tailored to SMEs need to be continued.

Proportions of mega-FTAs in relation to the world in terms of economy and population

	Economic scale(note(1))		Population scale(note(2))		Countries/regions
	Trillion dollars	%	100 million people	%	
Trans-Pacific Partnership agreement (TPP)	27.8	37.5	8.0	11.4	12
Regional Comprehensive Economic Partnership (RCEP)	21.3	28.7	34.4	48.8	16
China-Japan-South Korea Free Trade Agreement(CJK)	15.3	20.7	15.4	21.9	3
EU-Japan Economic Partnership Agreement(EUJ)	22.3	30.1	6.3	9.0	29
Transatlantic Trade and Investment Partnership (TTIP)	34.2	46.2	8.2	11.7	29
Free Trade Area of the Asia-Pacific(FTAAP)	42.6	57.6	28.0	39.9	21
World	74.0	100.0	70.4	100.0	189

Note:

1) Figures were calculated based on nominal GDP in 2013. 2) Figures are from 2013. 3) Only four countries from ASEAN – Brunei, Malaysia, Singapore and Vietnam – participate in TPP. Cambodia, Laos and Myanmar do not participate in FTAAP (APEC). 4) Percentage values show the ratio in comparison to the world. The total of the percentages for each agreement exceeds 100% since many countries are participating in more than one FTA.

Source: "WEO, April 2014"(IMF).

Japan's outward FDI stock of partner countries that Investment Agreements with Japan are in force

Country/region	(US\$ million,%)	
	Stock	Share
ASEAN	136,258	12.2
China	98,132	8.8
South Korea	29,850	2.7
Hong Kong	19,820	1.8
India	13,738	1.2
Taiwan	11,808	1.1
Switzerland	4,947	0.4
Mexico	4,241	0.4
Saudi Arabia	3,906	0.3
Russia	2,499	0.2
Treaties in force: Total	325,197	29.1
Reference: Signed		
Australia	54,112	4.8

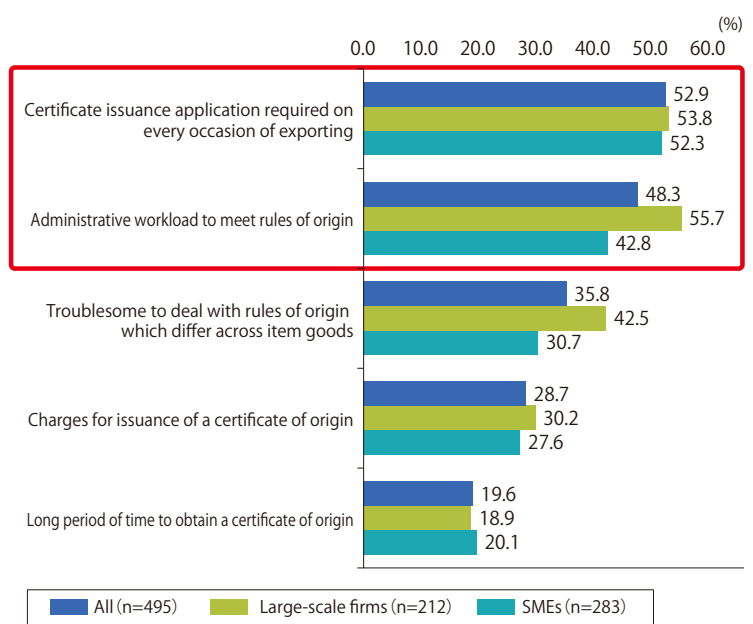
Note:

1) Stock figures are as of the end of 2013.
2) Fifteen partner countries are excluded from the total since their statistics are not available.

3) Investment agreements include FTA investment chapters.

Source: "International Investment Position" (Bank of Japan).

Problems faced by exporters using FTAs



Note:

1) Companies utilizing FTAs for exports from Japan were surveyed.

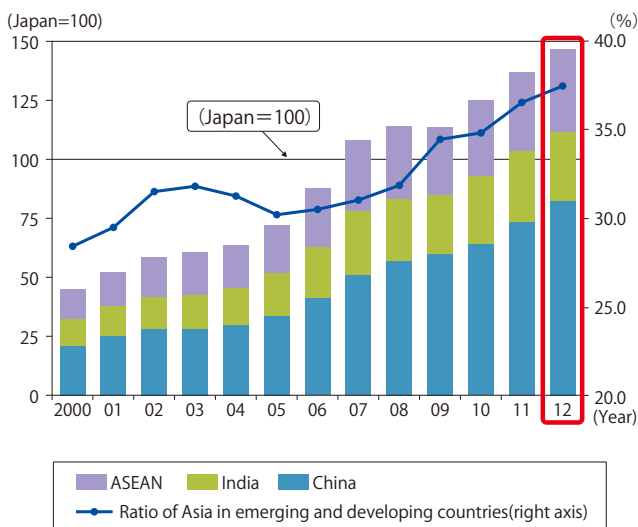
2) The top five items were chosen as excerpts for the table.

Source: "Results of JETRO's FY2013 Survey on the International Operations of Japanese Firms"(JETRO).

- ◆ Household consumption expenditures in Asia are 1.5 times those of Japan as of 2012. The market scale in Asia is continuing to expand due to the growth of population and an increase in income levels.
- ◆ Consumption in Asia is changing in quality as well as quantity. Expenditure is growing more sophisticated. The demand is shifting from basic goods into durable consumer goods and further on to services.
- ◆ Some capital cities of major ASEAN countries mark a per capita GDP of over \$10,000.

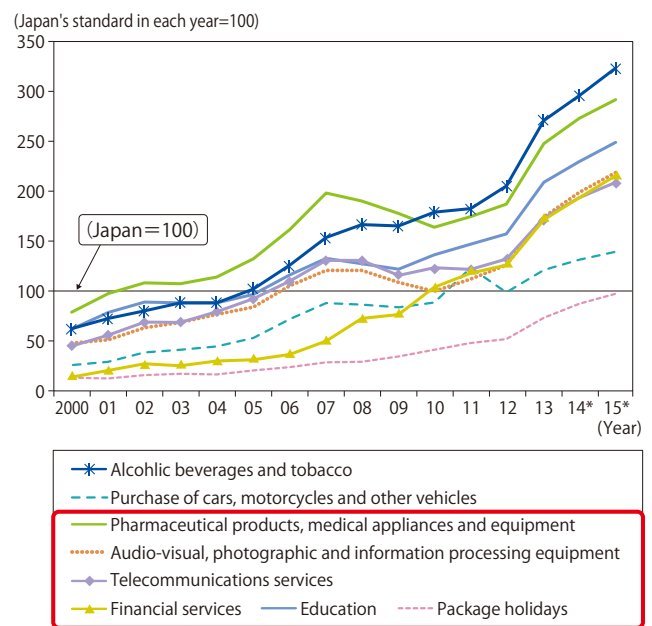
*In this section, Asia represents three economies: China, India and ASEAN.

Household consumer expenditure in Asia (nominal)



Note: The definitions of emerging and developing countries follow the United Nations.
Source: "National Accounts Main Aggregates Database" (United Nations).

Household consumer expenditure in Asia by purpose



Note: * indicates predicted figures. Source: Euromonitor International.

GDP per capita in major Asian cities (2010/2012)

Country	City	GDP per capita	Population	Country	City	GDP per capita	Population
China	(National)	6,078	135,404	Thailand	(National)	5,390	6,789
	Shenzhen(Guangdong)	19,532	1,055		Bangkok*	14,044	844
	Guangzhou(Guangdong)	16,784	1,284	Indonesia	(National)	3,591	24,447
	Tianjin	14,766	1,413		Jakarta*	11,947	999
	Shanghai	13,530	2,380	Philippines	(National)	2,790	9,580
	Beijing*	13,863	2,069		Metro Manila*	7,391	1,155
	Wuhan(Hubei)	12,596	1,012	Vietnam	(National)	1,753	8,876
India	(National)	1,515	122,719		Ho Chi Minh	4,117	768
	National Capital Territory of Delhi*	3,280	1,694		Hanoi*	2,253	696
Malaysia	(National)	10,387	2,934	Cambodia	(National)	926	1,525
	Kuala Lumpur*	17,376	167	Myanmar	(National)	876	6,366

Notes:

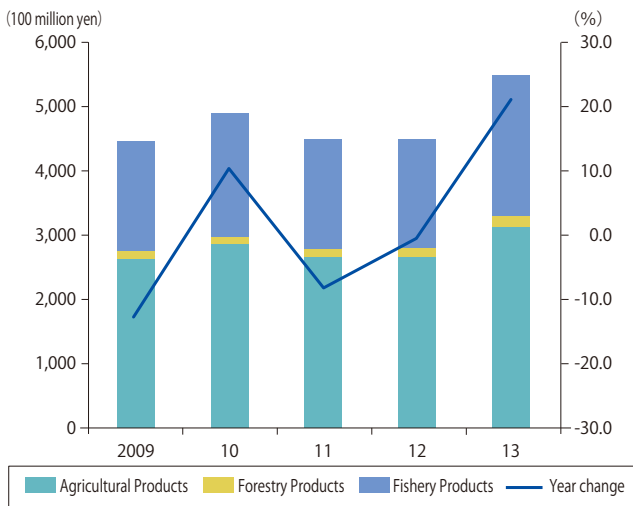
1)* indicates the capital or a region where the capital is located. 2) Chinese cities with populations larger than 10 million were chosen.

3) The GDP per capita and population of Malaysia and the population of Philippines are as of 2010, while those of other countries are as of 2012.

Source: "WEO, April 2014", IFS (IMF), CEIC, National Economic and Social Development Board(Thailand), "Hanoi Statistical Yearbook 2012".

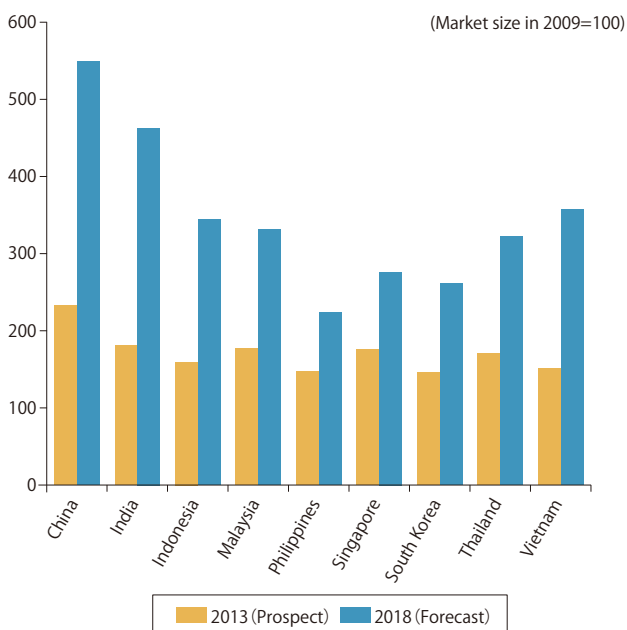
- ◆ Export of agricultural, forestry and fishery products marked a record high of ¥550.5 billion in 2013, a 22.4% increase from the previous year. Overseas subsidiaries in the Japanese service industry (non-manufacturing) have been increasing by approximately 92% since 2003, showing that Japanese companies are rapidly expanding overseas.
- ◆ Medical equipment markets are projected to grow centering in emerging countries such as China. It is expected that export competitiveness of the industry will be enhanced as the manufacturing companies play an active role in export.
- ◆ Japan lags behind other countries in making inroads into Africa. While Africa has great potential for expansion, support systems must be strengthened for Japanese companies to obtain sufficient information and avoid risks.

Japan's agricultural, forestry and fishery exports



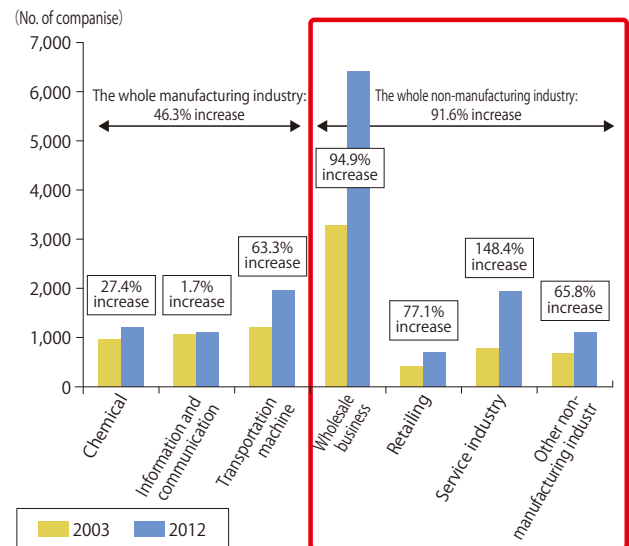
Note: Includes alcoholic beverages, cigarettes and pearls.
Source: "Exports and imports of Agricultural, Forestry, and Fishery Products" (Ministry of Agriculture, Forestry and Fisheries).

The market size of the medical equipment in major Asian emerging countries



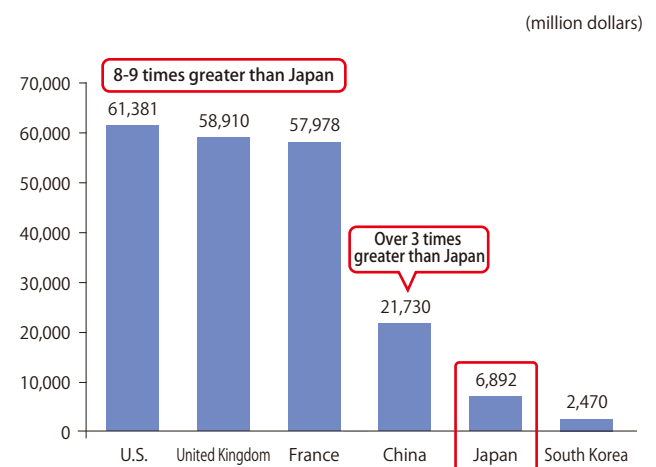
Source: "Worldwide Medical Market Forecasts to 2018."

The number of overseas subsidiaries by industry



Note: Major sectors with large sales amounts in manufacturing and non-manufacturing industries are shown. Other sectors are also included in the total data.
Source: "Basic Survey of Overseas Business Activities (2012)" (METI).

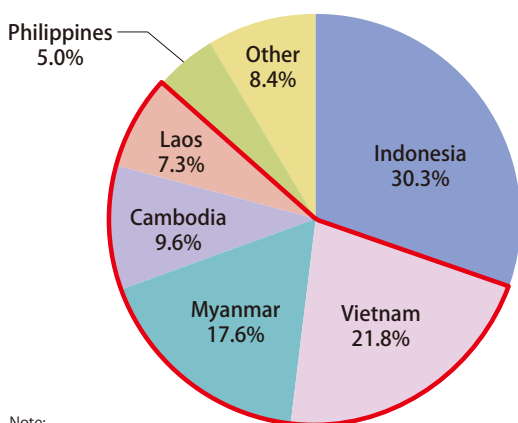
FDI stock in Africa by country (2012)



Note: The definition of Africa is based on the source materials.
Sources: Japan: "Balance of Payments Statistics" (Ministry of Finance, Bank of Japan), China: "Statistical Bulletin of China's Outward Foreign Direct Investment", All other countries: "International Direct Investment Statistics 2014" (OECD).

- ◆ Reorganization of overseas bases by Japanese companies is being undertaken. Partly due to the rise in employment costs, Japanese companies are increasingly transferring their bases and functions to ASEAN countries out of China. Moreover, there has recently been a trend of Japanese companies in Thailand advancing into neighboring countries, called "Thai Plus One."
- ◆ 13.7% of Japanese companies, registered for JETRO's individual assistance service for launching businesses in emerging countries, hope to enter countries other than those of East Asia or ASEAN. More SMEs hope to set up business in Latin America or Southwest Asia.
- ◆ There are signs of a movement, called "Made by Japanese", to export products to a third country from overseas bases. In South Africa, the number of Japanese-manufactured automobiles imported from Japan's overseas bases such as India is as twice as big of that of from Japan.

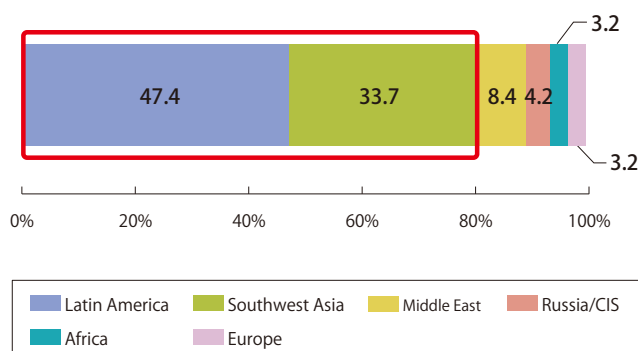
Countries in which Japanese companies have established or are expected to establish overseas bases for "Thai Plus One"



Note:

- Multiple answers allowed.
 - Figures for each country indicate the ratio to the total of 261 responses.
- Source: "For the 2nd half of 2013 Survey of Business Sentiment by Japanese Corporation in Thailand" (Japanese Chamber of Commerce in Bangkok, Thailand).

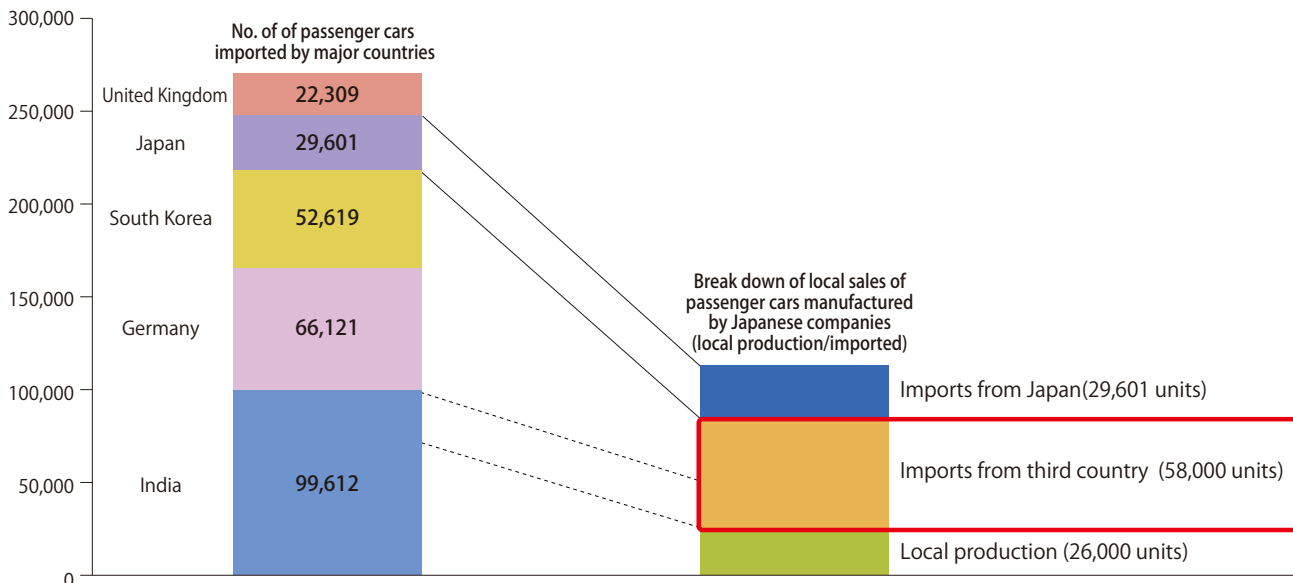
Breakdown of Japanese companies hoping to expand their business in regions other than Southeast Asia or East Asia



Note: As of July 2014, there were 695 valid respondents out of 1,195 companies, registered for JETRO's individual assistance service for launching businesses in emerging countries (1,449 companies applied in total). Among the respondents, 95 companies hoping to operate their businesses in regions other than Southeast Asia or East Asia were surveyed.

The number of Japanese-manufactured passenger cars imported to South Africa from a third country

(No. of Unit)



Note:

- The number of passenger cars imported to South Africa by major country shows the top five exporting countries of HS8703, to South Africa.
 - The number of passenger cars manufactured and imported by Japanese manufacturers is based on data from a local company which does research on passenger cars and small-sized commercial vehicles. An approximate calculation was made for a portion of the data in which the two types of vehicles could not be distinguished.
- Source: "The South African Merchandise Trade statistics".

Foreign-affiliated companies regard Japan's expensive business costs as obstacle. Signs of improvement can be seen.

- ◆ The benefits of FDI into Japan are its large-scale economy, sophisticated infrastructure and human resources. However, foreign-affiliated companies evaluate expensive business costs including tax rates as hindrance to investment.
- ◆ Comparing business costs, property costs in other cities in Asia can be higher than those of Tokyo. The differences in employment cost for some occupations have been significantly reduced.
- ◆ There are many foreign-affiliated companies that have a large share in markets for Japan's domestic consumer goods. Foreign-affiliated companies are the top sellers in beverages, contact lenses and accessories.

Top 5 incentives and obstacles of the investment environment in Japan

Attractiveness			
	World Bank	IMD	UNCTAD
1	Resolving insolvency	Skilled workforce	Availability of low-cost labour and skills
2	Protecting investors	Reliable infrastructure	Enabling infrastructure
3	Ease of trading across borders	High educational level	Presence of natural resources
4	Ease of getting electricity	Strong R&D culture	Market attractiveness
5	Ease of getting credit	Effective labor relations	—
Overall rankings of Japan	27th/189 countries/regions	24th/60 countries/regions	10th/177 countries/regions
Notes	Ranking of 10 indexes on the ease of doing business	Ranking based on percentage of responses by companies. Multiple answers up to 5 choices.	Ranking of 4 indexes on attractiveness. "Labor force" and "Infrastructure" were both ranked first.
Obstacles			
	World Economic Forum (WEF)	JETRO	Ministry of Economy, Trade and Industry
1	Tax rates	Business cost	Business cost
2	Restrictive labor regulations	Uniqueness of the Japanese market	Exclusivity and uniqueness of the Japanese market
3	Inefficient government bureaucracy	Communication in a foreign language	High level of customers' demand
4	Policy instability	Administrative procedures/authorization system	Regulations/authorization system
5	Insufficient capacity to innovate	Securing human resources	Difficulties in securing human resources
Overall rankings of Japan	9th/148 countries/regions	n.a.	n.a.
Notes	Ranking based on percentage of responses by companies. Multiple answers up to 5 choices.	Ranking based on the number of companies that responded. Multiple answers up to 4 choices.	Ranking based on percentage of responses by companies. Multiple answers up to 5 choices.

Source: "Doing Business 2014" (World Bank), "World Competitiveness Yearbook 2013" (IMD), "World Investment Report 2012" (UNCTAD), "The Global Competitiveness Report 2013-2014" (WEF), "Survey of Trends in Business Activities of Foreign Affiliates (2012)" (METI), "Results of JETRO's survey of foreign firms regarding obstacles and necessary improvements in doing business in Japan" (JETRO).

Comparison of business cost among major Asian cities

(dollar, %, month)						
		Shanghai	Hong Kong	Seoul	Singapore	Tokyo
Wages	Manufacturing: Worker	495	1,728	1,851	1,432	2,523
	Manufacturing: Mid-level engineers	867	2,148	2,392	2,947	3,475
	Manufacturing: Department chief	1,485	3,492	3,218	4,584	4,653
	Non-manufacturing: Clerical staff	908	2,168	2,301	2,396	2,591
	Non-manufacturing: Department chief	2,230	4,152	3,711	4,489	4,901
	Social security burden ratio (Employer's) (%)	42.0	5.0	25.4	16.0	19.2
Bonus payments (months)	1.8	1.9	3.4	2.4	4.0	
Real estate	Office rent (monthly) (per sq.m)	52	109	57	66	35
	Store/showroom rent in the city center (monthly) (per sq.m)	206	368	32	309	46
	Industrial estate (land) purchaserate (per sq.m)	222	477	320	999	1,433
	Housing rent for resident agent (monthly)	2,703	2,966	2,167	4,654	2,761
Public utility rate	Electricity rate for general use (per kWh)	0.13	0.18	0.09	0.21	0.24
	Water rate for general use (per cu.m)	0.76	0.86	0.78	1.74	2.04

Note:
 1) In the case that figures vary, the intermediate values are selected.
 2) The monthly base salaries are used as the value for wages in manufacturing and non-manufacturing industries.
 3) Refer to source materials for detailed information or real estate.

Source: "The 24th Survey of Investment Related Costs in Asia and Oceania (May 2014)" (JETRO).

International comparisons of Japan's gross regional product (nominal) (FY2011)

(billion dollar)			
Kanto	2530.0	Brazil	2474.6
Kinki	981.0	South Korea	1114.5
Chubu	930.4	Indonesia	845.6
Hokkaido/Tohoku	717.8	Turkey	774.7
Kyushu	602.5	Switzerland	658.9
Chugoku	355.3	Thailand	345.7
Shikoku	175.3	New Zealand	162.7

Note: Regional GPA outputs were converted to dollar-based values by JETRO.
 Source: "WEO, April 2014" (IMF), "Report on Prefectural Accounts" (Cabinet Office).

Foreign-affiliated companies occupying the large shares in the Japanese consumer market

Categories/Companies	Company Shares	ranking in the Category (%)
(Café/Bar)		
Starbucks Corp (U.S)	2.6	2nd
(Soft drink)		
Coca-Cola Co, (U.S)	23.2	1st
(Tobacco)		
Philip Morris International Inc (U.S)	24.5	2nd
British American Tobacco Plc (U.K)	11.4	3rd
(Coffee)		
Nestlé SA (Switzerland)	32.6	1st
Mondelez International, Inc (U.S)	16.0	2nd
(Fast food)		
McDonald's Corp (U.S)	12.3	2nd
(Glasses: contact glass)		
Johnson & Johnson Inc (U.S)	17.1	1st
Bausch & Lomb Inc (U.S)	3.5	3rd
(Personal ornaments)		
Richemont SA, Cie Financière (Switzerland)	6.5	1st
LVMH (France)	5.9	2nd
PPR (France)	3.8	3rd

Note:
 1) The definitions of each sector are those proposed by the Euromonitor.
 2) The shares for soft drinks and cigarettes are calculated based on the trade/retail volume, while in other categories, they are calculated based on service/retail value.
 Source: "Euromonitor International"

- ◆ Presidents and prime ministers of major countries engage in promotion of their own countries. Since competition to attract foreign companies is becoming intensified, it is essential that the whole country participate in this initiative. European countries and the US are expanding these efforts to local government levels.
- ◆ JETRO has supported over 10,000 projects for investment into Japan since 2003, among which 1,136 companies have successfully established their bases in Japan. We are especially reaching out to industries of environment, health, tourism and retail or R&D bases.
- ◆ The number of foreign travelers visiting Japan reached a record high of over 10 million in 2013, which had a positive impact on the Japanese economy. In order to acquire even more tourists from abroad, utilization of local industrial facilities and factories is expected, under a campaign referred to as "industrial tourism".

Action taken by other countries to increase inward FDI

U.S.	President Obama established a federal investment promotion project referred to as "Select USA" (June, 2011). The President held "Select USA Summit" in Washington. 1,200 investors from over 58 countries participated (October, 2013).
France	"Strategic Investment Attraction Council" was held by President Hollande attended by 34 foreign companies located in France (February, 2014).
U.K.	Prime Minister Cameron invited executives of 18 Japanese companies located in the UK and conducted hearings regarding matters necessary to expand investment in the UK (February, 2014). A program in which a minister is appointed to each major investment project implemented by foreign companies is being conducted.
South Korea	President Park Geun-hye invited executives of foreign companies located in South Korea to hear about such matters as obstacles when doing business in South Korea (April, 2013 and January, 2014).
China	Premier Li Keqiang invited foreign residents in China and delivered a policy of attracting excellent human resources to China (January, 2014).

Source: Compiled by JETRO from various news articles.

Regional Investment Promotion Agencies (IPAs) which owns representative office in Japan

U.S.	IPAs	U.S.	IPAs
Alabama	Department of Commerce	North Carolina	State government
Arkansas	State government	Ohio	Jobs Ohio
Florida	Enterprise Florida	Oregon	State government
Georgia	Georgia Department of Economic Development	Pennsylvania	Exports Pennsylvania's products, technologies & services
Iowa	Iowa economic development	Tennessee	State government
Indiana	State government	Texas	State government
Kentucky	State government	Virginia	Virginia Economic Development Partnership
Mississippi	State government	Washington	Export Washington
Missouri	State government	West Virginia	State government
Nebraska	State government	South Carolina	State government
U.K.	IPAs		
England	London & Partners		
Scotland	Scottish Development International		
Wales	Welsh government		
Northern Ireland	Invest Northern Ireland		
Germany	IPAs		
Bayern	Investment in Bavaria		
Hamburg	HWF Hamburg Business Development Corporation		
Hessen	Hessen Trade & Invest GmbH		
North Rhine-Westphalia	NRW. Invest GmbH		
Saxony	Saxony Economic Development Corporation		

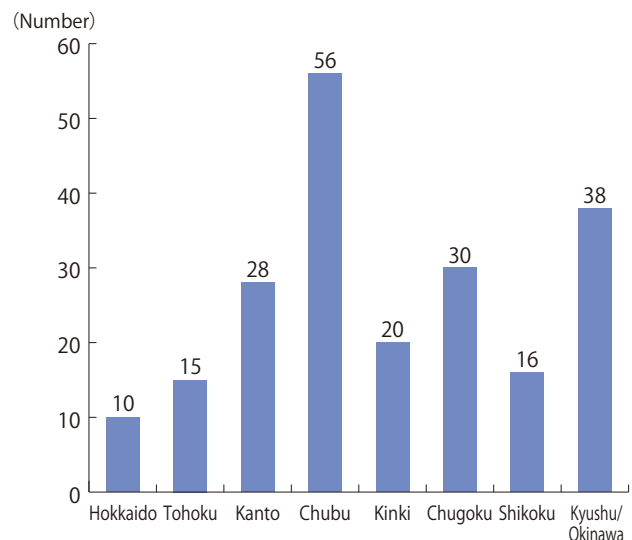
Source: The American State Offices Association (ASOS), JETRO website.

Breakdown of JETRO's achievements attracting FDI into Japan (FY2003-2013 based on the number of successful cases)

By Industry	number	% share	By function	(number, %)	
				number	% share
Service	208	18.3	Sales office	875	77.0
Software/Contents	200	17.6	Representative office	138	12.1
Electric, electronic parts	80	7.0	R&D base	34	3.0
Machinery	76	6.7	Procurement base	30	2.6
Automobile parts	73	6.4	Finance base	16	1.4
Information and communication	65	5.7	Production base	13	1.1

Note: The total of composition ratios does not add up to 100% since only the data for major industries/functions are shown.

The number of local industrial facilities which attract foreign travelers

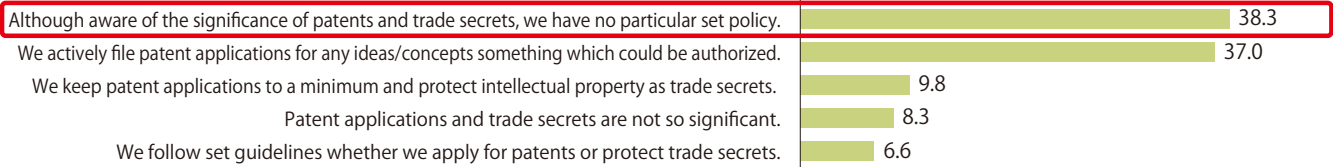


Note: Calculated from the number of local industrial facilities which are actively attracting foreign tourists and are listed on the JETRO website as of July 29. Source: JETRO website.

- ◆ A shift from “measures on intellectual property”, those centered around the problems of counterfeiting, piracy, and patent rights, to “strategies on intellectual proerty”, those including protection of trade secrets, must be undertaken.
- ◆ Business innovation through the promotion of “brain circulation” between Japan and Silicon Valley must be created by Japanese companies. Support for small and medium-sized venture companies to expand overseas is also necessary.
- ◆ It is best that a “diversity in business” be established with urgency, where foreign students and those with diverse backgrounds and abilities can perform at their full potential to create innovation.

Strategies of SMEs for patents and trade secrets

(Response weighting (%))



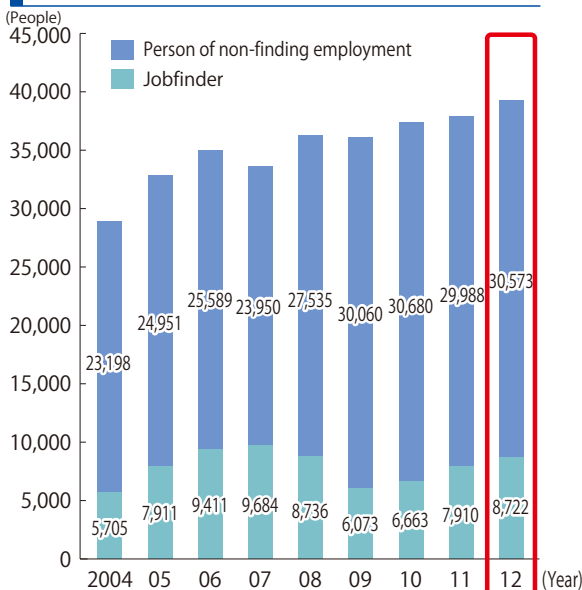
Source: “Basic Survey Report on SME Intellectual Property Activities” from FY2013 Analytical Examination Project on SME IP Support Policy (Japan Patent Office).

Current state of “brain circulation”

	Countries/regions with brain circulation established	Japan
Historical backdrop of brain circulation	<ul style="list-style-type: none"> ○ Highly skilled personnel in Taiwan, Israel, China and India experienced difficulties in finding good research/employment opportunities for some time after the WWII. ○ They migrated to Silicon Valley and other regions in the US, in search for opportunities to study abroad and for employment, by the thousand. 	<ul style="list-style-type: none"> ○ Brain circulation did not occur in Japan, where the rapid reconstruction and economic growth provided excellent circumstances for research and employment after the WWII. ○ The fear of brain drain out was more dominant than the benefit of brain circulation.
Background of establishing brain circulation	<ul style="list-style-type: none"> ○ Since 1980, highly-skilled personnel who were employed or educated in the US have begun to return to their native countries, with their economies rapidly growing. ○ The experience in the US enable them to transfer international technology and the creation of added value to their native countries. 	<ul style="list-style-type: none"> ○ Highly skilled personnel is fostered through internal transfer in Japanese companies principally implementing lifetime employment. ○ Means of brain circulation across companies was not utilized in fostering highly skilled personnel. Human resources were not developed by means of brain circulation, a transfer of personnel across companies.
Present situation of brain circulation	<ul style="list-style-type: none"> ○ Social and economic (eco) systems encouraging entrepreneurs, such as Silicon Valley, have been established in Hsinchu in Taiwan, Tel Aviv in Israel, Shanghai in China and Bangalore in India. ○ Highly skilled personnel returning to their native countries have contributed to the founding and development of new industries, by utilizing Silicon Valley's network. ○ In regards to the number of foreign companies going public on the NASDAQ exchange, Israel marks second after China. 	<ul style="list-style-type: none"> ○ Cases where the Japanese founded companies in Silicon Valley, or in Japan by utilizing Silicon Valley's network, is few in number. ○ Unique manufacturing venture companies, using Silicon Valley's ecosystems, are finally beginning to appear. ○ The entrepreneurship environment ranks 120th in the world. (World Bank Doing Business).

Source: Compiled by JETRO.

The number of international students who graduated from Japanese colleges and were employed by Japanese companies



Note: 1) “International students” are those enrolled in universities, colleges, specialized vocational high schools, professional training colleges. 2) Year indicates fiscal year, meaning that 12 begins in April 2012 ends in March 2013. 3) The number of “non-employed foreign students” is obtained by deducting “employed students” from “graduated international students”. International students, whose paths after graduation are unknown, are included. Source: Japan Student Services Organization (JASSO).

Successful cases where foreign graduates from Japanese college play an active role

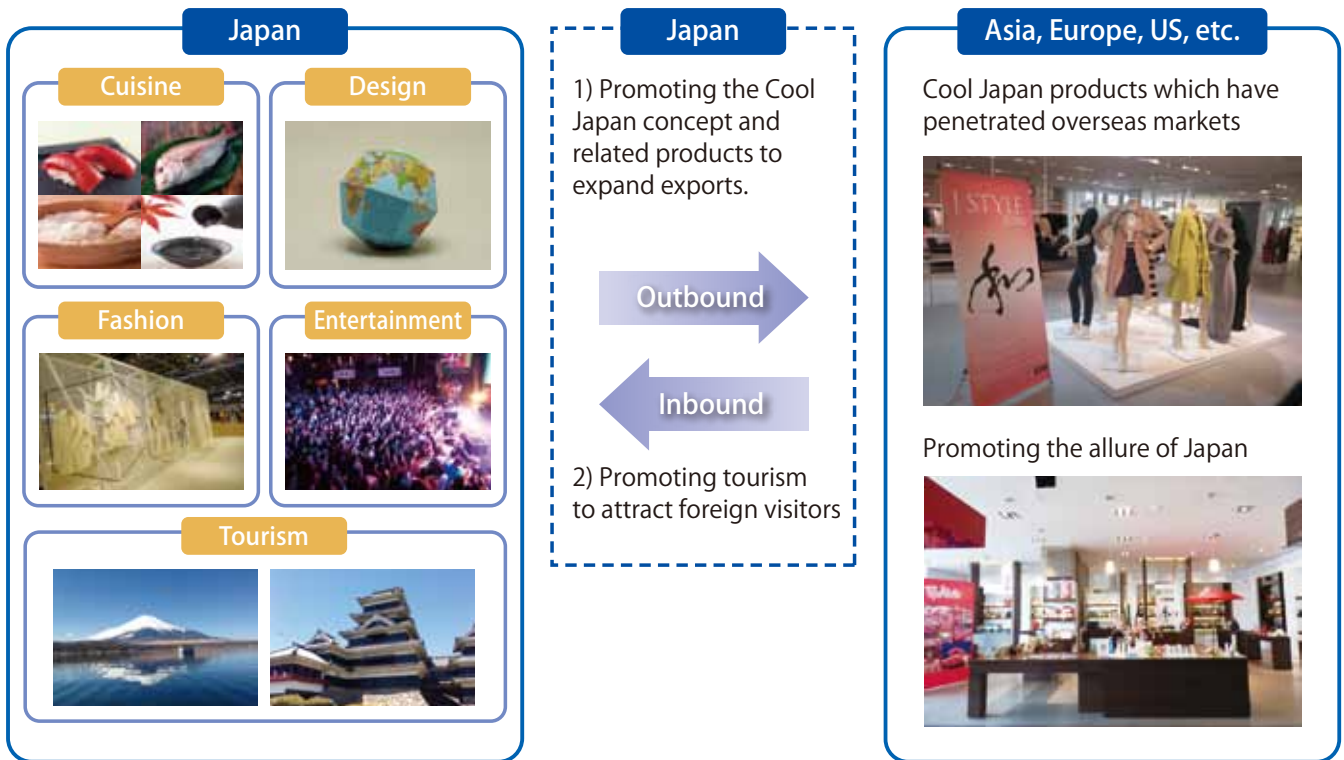
Company name	Prefecture	Type of business	Foreign employees/ Total employees	Actual exmple
Kaneko Manufacturing Co., Ltd.	Saitama	Cutting work of parts in health care/aviation/s pace fields	2/80	In order to negotiate overseas direct transactions, which have been realized through JETRO's overseas exhibitions, they have employed foreigners who are currently being trained as sales engineers.
Fujii Corporation Co., Ltd.	Niigata	Snowblower/G rassmower manufacturer and seller	1/143	They offer foreign students a half-year internship. They have hired a person from Bangladesh who graduated from a Japanese local college and majored in electrical and electronic sciences in graduate school. He is engaging in product development and writing manuals for overseas customers using his sufficient knowledge of technical terms. Proper attention to foreign religion, customs and culture are given by the company and his employees.
Kikusui Sake Co., Ltd	Kochi	Sake brewing company	1/60	They employed an American female to develop a new kind of sake for overseas export to attract. They successfully produce unique sparkling sake and expanded their business.
DUNKSOFT Co., Ltd.	Tokyo	Website const- ruction, Software development	2/22	They accept Internship of foreign students, including Turkish students who are now employed as the team leader of the new software development due to their high agilities in the IT field.
Okinawa Watabe Wedding Corporation	Okinawa	Wedding Service	7/233	Every year, they employ at least one foreign student. They have accepted exchange students from East Asia who are studying at a local college in Okinawa, to meet the demands from tourists from East Asia to hold a luxurious wedding ceremony in Okinawa. They engage in coordinating with East Asia countries and working as ceremony staff.

Note: The cases were selected from companies with less than 300 employees including foreigners. Source: “2013-14 Best Practices from 100 Selected Diversity Firms” (METI).



JETRO activities promoting "Cool Japan"

Japan is a country rich in culture and history, and also a leading center of design and innovation. From traditional crafts with a modern appeal to gourmet foods and cutting-edge textiles, the Japanese Government has created a campaign called "Cool Japan" to redefine its reputation as a pioneer in design, fashion, entertainment and cuisine. JETRO has an important role in promoting the Cool Japan concept by supporting unique, attractive products and services to be showcased all over the world.



1) JETRO provides various support to SMEs to expand Cool Japan related activities overseas.



Business consultation



Inviting potential buyers from around the world



Business seminar



Participating in overseas trade fairs
Test marketing in emerging markets

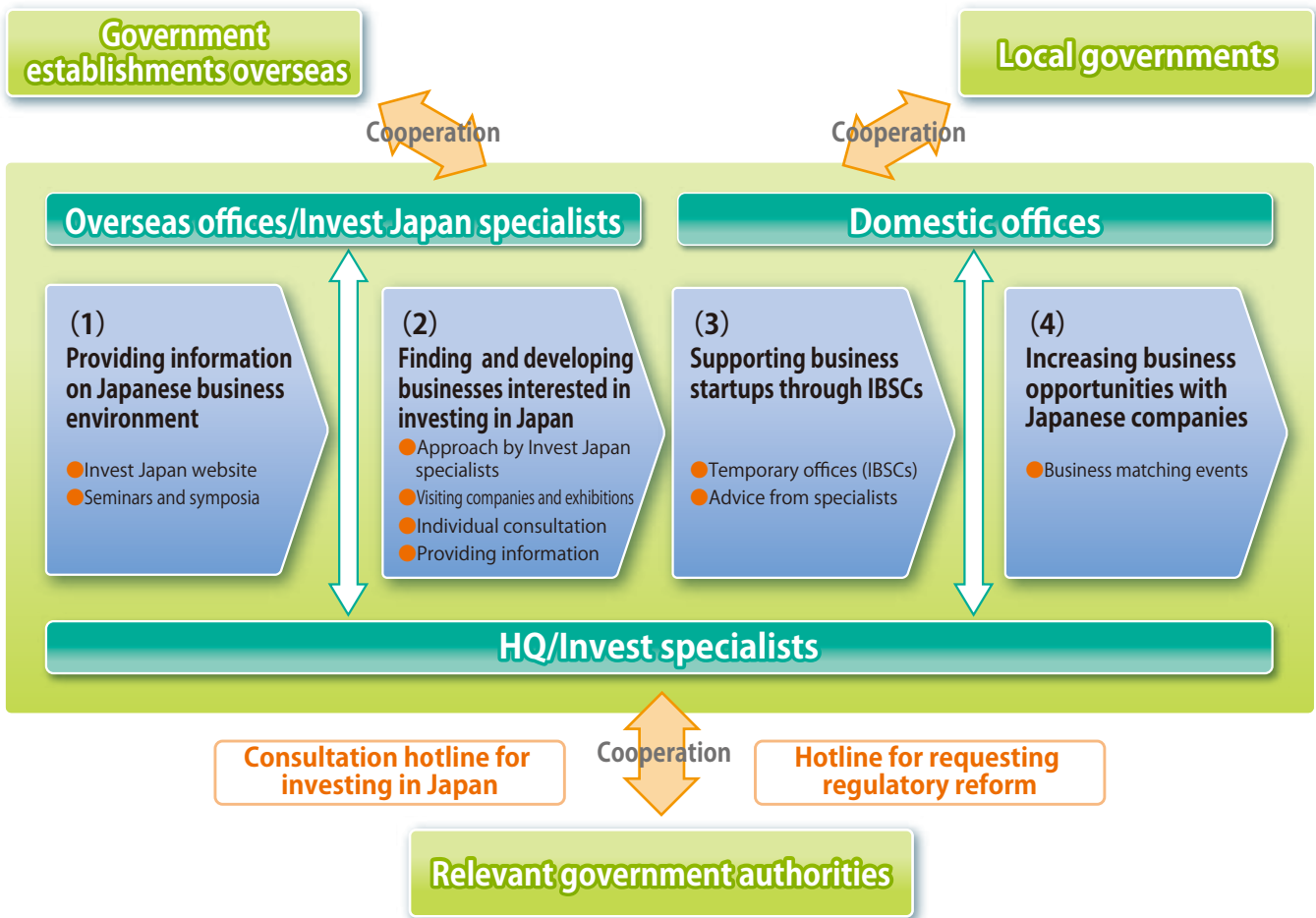


Dispatching business delegations to promising countries and areas

2) JETRO cooperates with The Japan Tourism Agency (JTA), the Ministry of Economy, Trade and Industry (METI) and the Japan National Tourism Organization (JNTO) to increase the number of foreign visitors.



JETRO activities for promoting direct investment in Japan



- (1)Providing information on Japanese business environment**……Promoting investing in Japan via Invest Japan website (available in six languages), brochures, Invest Japan seminars/symposia.
- (2)Finding and developing businesses interested in investing in Japan**……Approach by Invest Japan specialists, finding businesses interested in investing in Japan by visiting companies and exhibitions, individual consultation, providing information about Japanese market and industries, helping build business models, providing information about regulations, supporting establishment of branch offices, solving problems related to regulations and business.
- (3)Supporting business startups**……Offering temporary offices (IBSCs located in six major cities in Japan). Consultation by professionals (taxation/accounting, incorporation, human resource and labor, visa, real estate, etc.).
- (4)Increasing business opportunities with Japan**……Supporting business matching with Japanese companies.
- Cooperation with local governments**……Providing information on locations all over Japan, market and industry information, incentives provided by local governments, and supporting promotional activities by local governments.
 - Cooperation with government establishments overseas**……Finding businesses interested in investing in Japan by cooperating with government establishments overseas.
 - Cooperation with relevant government authorities**……Arranging meetings with officials of regulatory agencies, relaying requests for regulatory reforms to the Japanese Government.



Invest Japan website (available in six languages)



Distributing information via seminars/symposia, etc.



Business matching events, increasing business opportunities with Japan



Providing temporary offices (IBSC)

Global Network

For contact information please visit <http://www.jetro.go.jp/en/jetro/worldwide>



The logo for JETRO, featuring the word "JETRO" in a white, serif font on a dark blue square background.

Japan External Trade Organization

For more information,
please contact:

Japan External Trade Organization
International Economic Research Division
Overseas Research Department
ORI@jetro.go.jp
TEL : 03-3582-5177 FAX : 03-3582-5309