



Japan External Trade Organization

**FY2013 Survey on the International
Operations of Japanese Firms
– JETRO Overseas Business Survey –**

February 27, 2014

Japan External Trade Organization
(JETRO)

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Survey outline and profile of the respondent firms

Survey outline

1. Survey targets

A total of 9,800 firms (headquarters) with keen interest in overseas business

The FY2013 survey covered 3,397 JETRO member firms plus 6,403 firms using JETRO services.

• This survey has been conducted since FY2002 directed at JETRO member companies and this year marked its 12th edition. From FY2011, JETRO has expanded the number of subject firms.

2. Survey topics

- (1) Efforts for international trade
- (2) Efforts for overseas expansion
- (3) Future promising markets and related issues
- (4) Business in China
- (5) Business environment in emerging countries
- (6) Free trade agreement (FTA) utilization

3. Period

November 30, 2013 to December 27, 2013

4. Response

Number of valid replies: 3,471 (of which 1,315 are JETRO member firms)

Response rate : 35.4%

* Due to rounding, percentages stated in figures of this document do not necessarily add up to 100%.

Profile of respondent firms

	No. of Firms	%	SMEs
All respondent firms	3,471	100.0	(2,791)
Manufacturing	2,101	60.5	(1,742)
Food & beverages	432	12.4	(397)
Textiles/clothing	118	3.4	(110)
Wood & wood products/furniture & building materials/paper & pulp	76	2.2	(63)
Chemicals	113	3.3	(77)
Medical products & cosmetics	60	1.7	(46)
Coal & petroleum products/plastics/rubber products	112	3.2	(93)
Ceramics/earth & stone	60	1.7	(51)
Iron & steel/non-ferrous metals/metal products	238	6.9	(207)
General machinery	222	6.4	(179)
Electrical equipment	119	3.4	(90)
IT equipment/electronic parts & devices	82	2.4	(48)
Cars/car parts/other transportation machinery	154	4.4	(105)
Precision equipment	91	2.6	(76)
Other manufacturing	224	6.5	(200)
Non-manufacturing	1,370	39.5	(1,049)
Trade and wholesale	769	22.2	(641)
Retail	110	3.2	(80)
Construction	93	2.7	(64)
Transport	98	2.8	(69)
Finance & insurance	65	1.9	(6)
Information & software	31	0.9	(24)
Professional services	50	1.4	(41)
Other non-manufacturing	154	4.4	(124)
Large scale firms	680	19.6	-
Small and medium-sized enterprises (SMEs)	2,791	80.4	-

Note: Small and medium-sized enterprises (SMEs) are classified as such based on the definition given in the Small and Medium-Sized Enterprise Basic Act of Japan. In concrete terms, a firm which meets either of the following employee or capital criteria by industry is regarded an SME.

Manufacturing and other industries: 300 employees or fewer, or 300 million yen or less

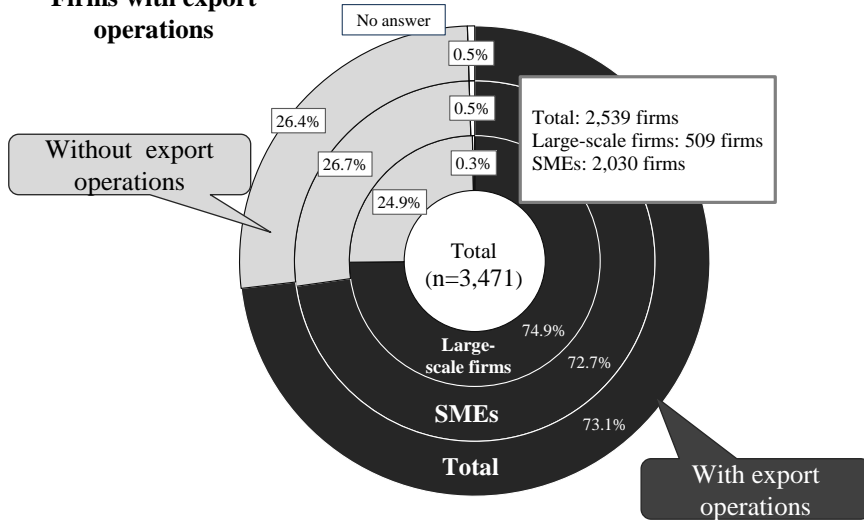
Wholesale: 100 employees or fewer, or 100 million yen or less

Retail: 50 employees or fewer, or 50 million yen or less

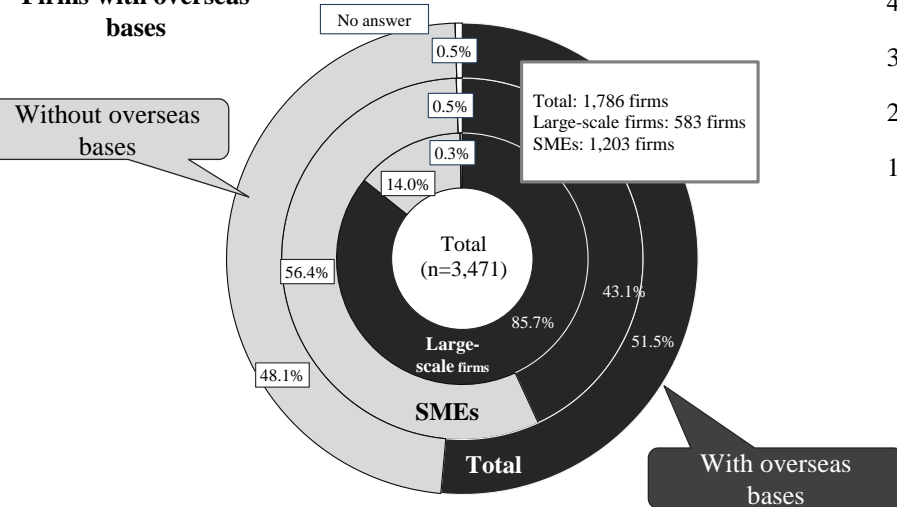
Services: 100 employees or fewer, or 50 million yen or less

Profile of respondent firms (status of current exports and overseas expansion)

Firms with export operations



Firms with overseas bases



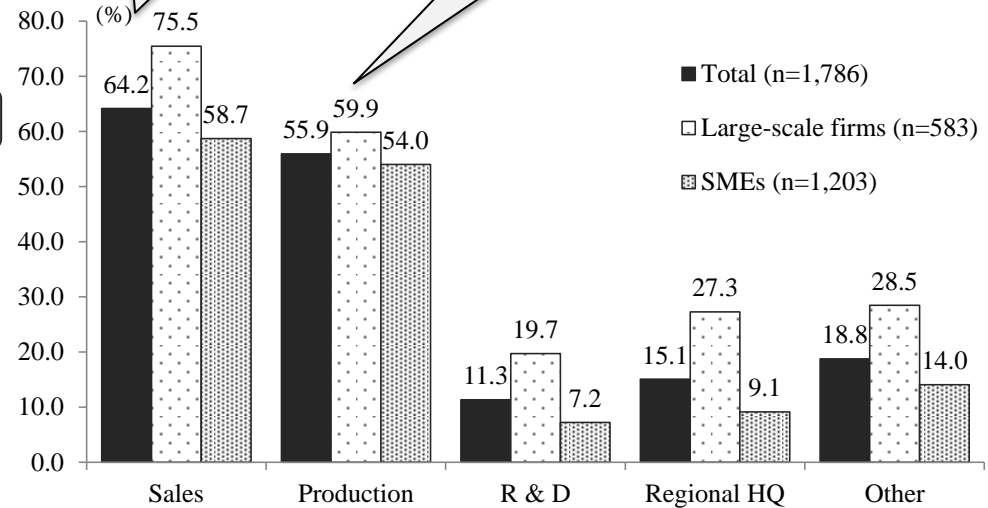
Overseas bases by function

Sales base

- (1) China (766 firms)
- (2) US (441 firms)
- (3) Thailand (411 firms)
- (4) Taiwan (317 firms)
- (5) Hong Kong (301 firms)
- (5) Western Europe (301 firms)

Production base

- (1) China (719 firms)
- (2) Thailand (301 firms)
- (3) US (202 firms)
- (4) Vietnam (177 firms)
- (5) Indonesia (175 firms)



R&D base

- (1) China (105 firms)
- (2) US (69 firms)
- (3) Thailand (44 firms)
- (4) Western Europe (40 firms)
- (5) Korea (19 firms)

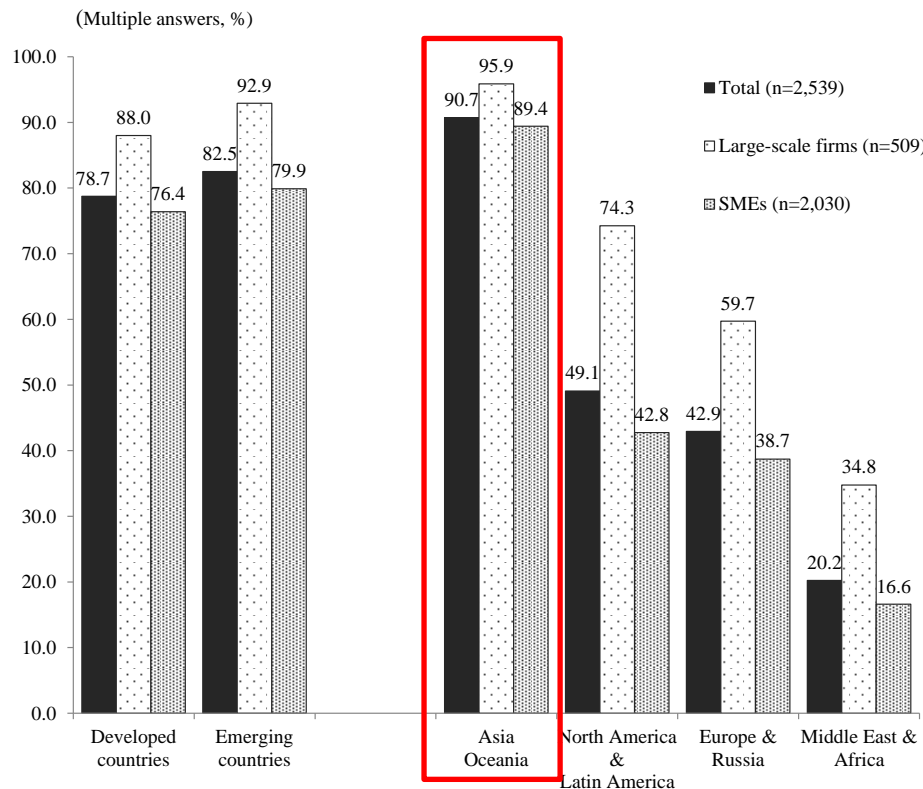
Regional HQ

- (1) China (116 firms)
- (2) US (95 firms)
- (3) Singapore (82 firms)
- (4) Western Europe (80 firms)
- (5) Thailand (51 firms)

(1) Efforts for international trade - Current export destinations

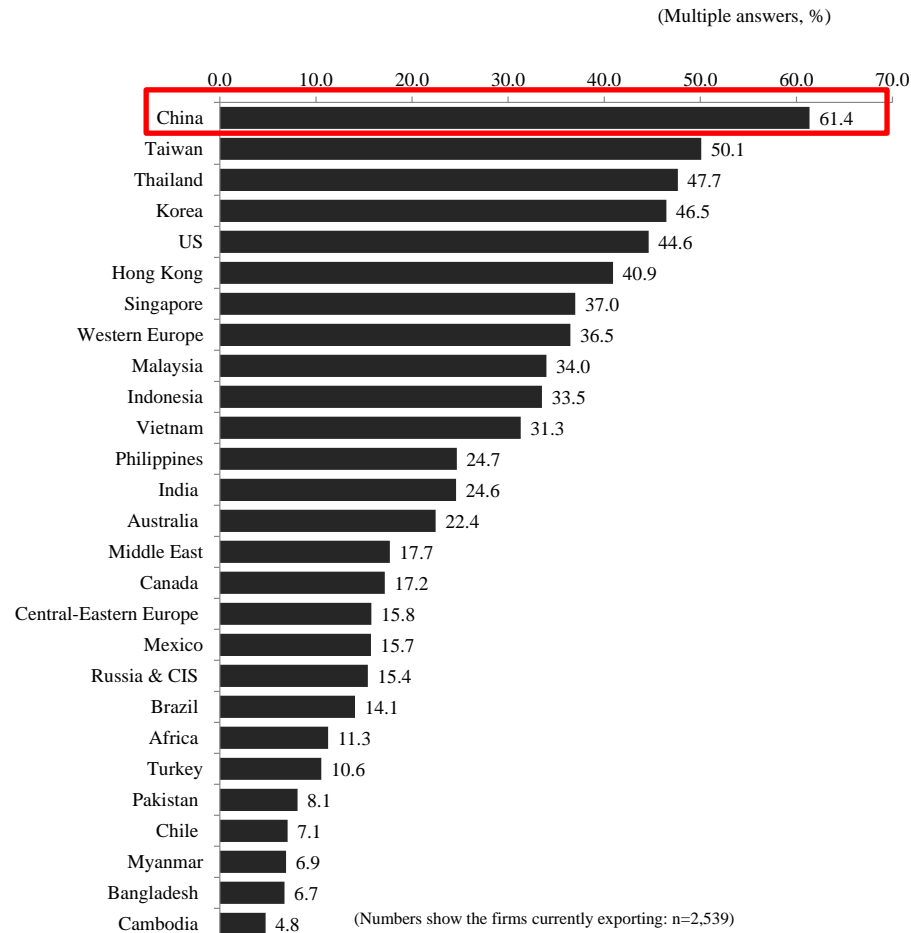
- 90% of firms, both large-scale and SMEs, export to the Asia Pacific.
- The top export destination is China (61.4%), followed by Taiwan (50.1%), Thailand (47.7%), and Korea (46.5%)

Export destinations (separated by developed/emerging countries and region)



Note: Of the total 28 countries and regions surveyed, 8 countries and regions are defined as developed countries: Hong Kong, Taiwan, Korea, Singapore, Australia, US, Canada, and Western Europe. The other 20 countries and regions are defined as emerging countries: China, Thailand, Malaysia, Indonesia, Philippines, Vietnam, Cambodia, Myanmar, India, Pakistan, Bangladesh, Mexico, Brazil, Chile, Central-Eastern Europe, Turkey, Russia & CIS, Middle East, Africa, and others.

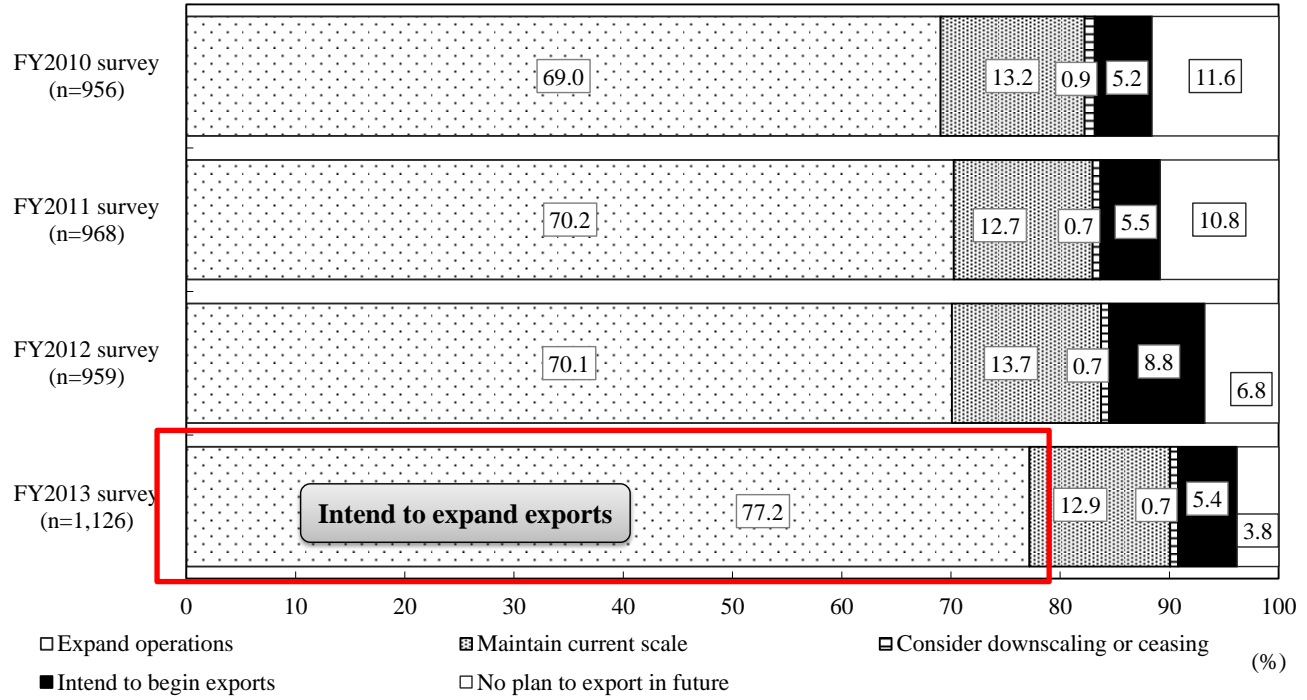
Export destinations (by country and region)



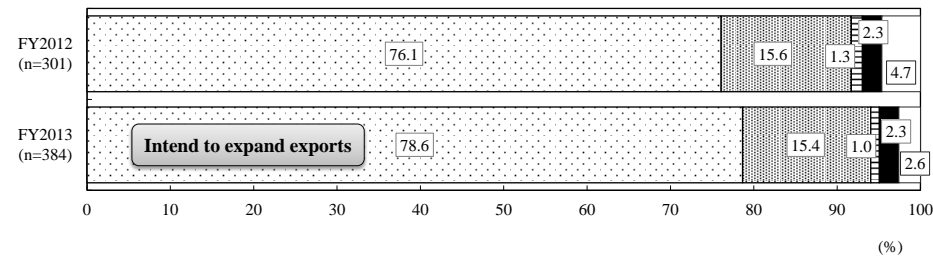
(1) Efforts for international trade - Future export plans

- Firms intending to expand exports (in about the next three years) increased from 70.1% to 77.2%.
- Intention to expand exports increased even more among small and medium enterprises (SMEs) (67.3 % increased to 76.4%)

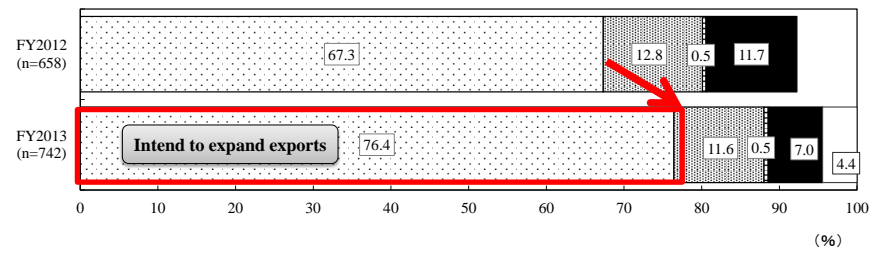
Policy on exports for about the next 3 years, including FY2013



Large-scale firms



SMEs



Note: For comparison with the results of past surveys, only responses from JETRO member firms were taken into account. This excludes responses from firms not in an industry that exports and those that did not answer. The results have been aggregated, while partly adjusting question items which differ from year to year.

(1) Efforts for international trade - Reasons of export expansion

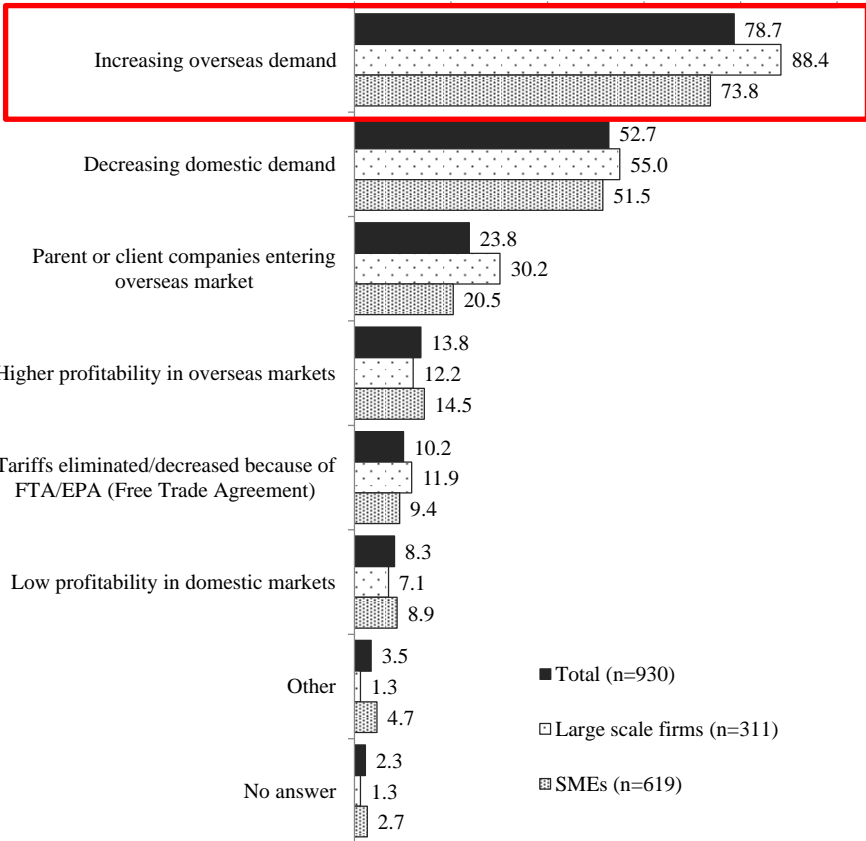
○ The biggest reason for export expansion was increasing overseas demand (78.7%), followed by decreasing domestic demand (52.7%).
 ○ The percent saying an increase in overseas demand was a reason rose from 67.2% to 78.7%, and those saying decreasing domestic demand was a reason fell from 59.8% to 52.7%.

Reasons for expansion of exports

By firm size

(Multiple answers, %)

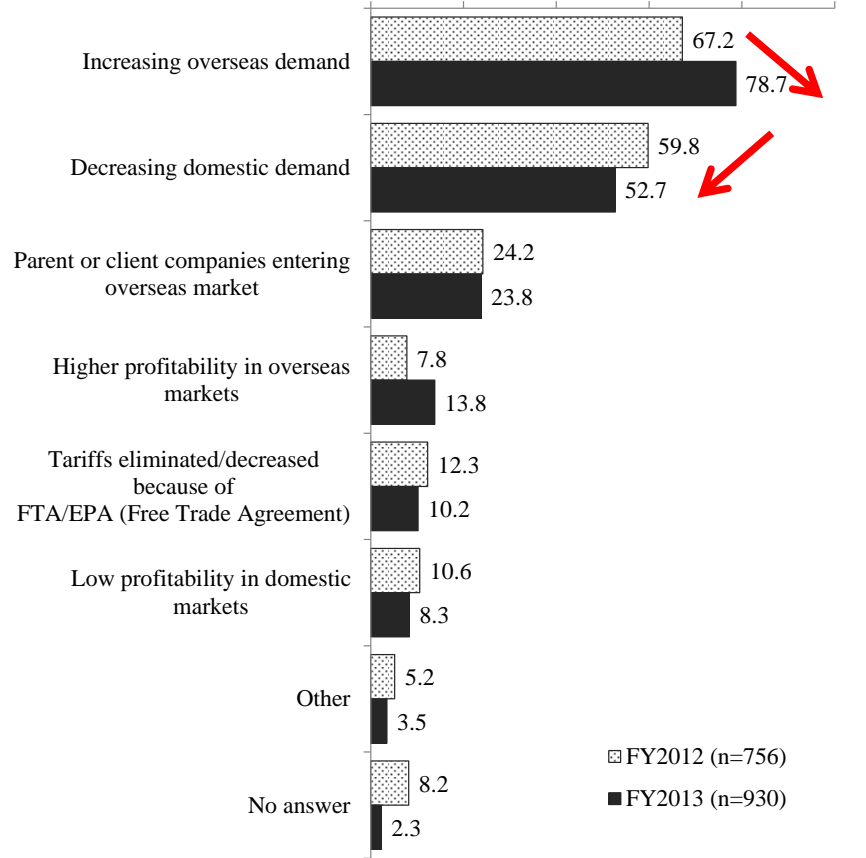
0.0 20.0 40.0 60.0 80.0 100.0



Compared to previous (FY2012) survey

(Multiple answers, %)

0.0 20.0 40.0 60.0 80.0 100.0



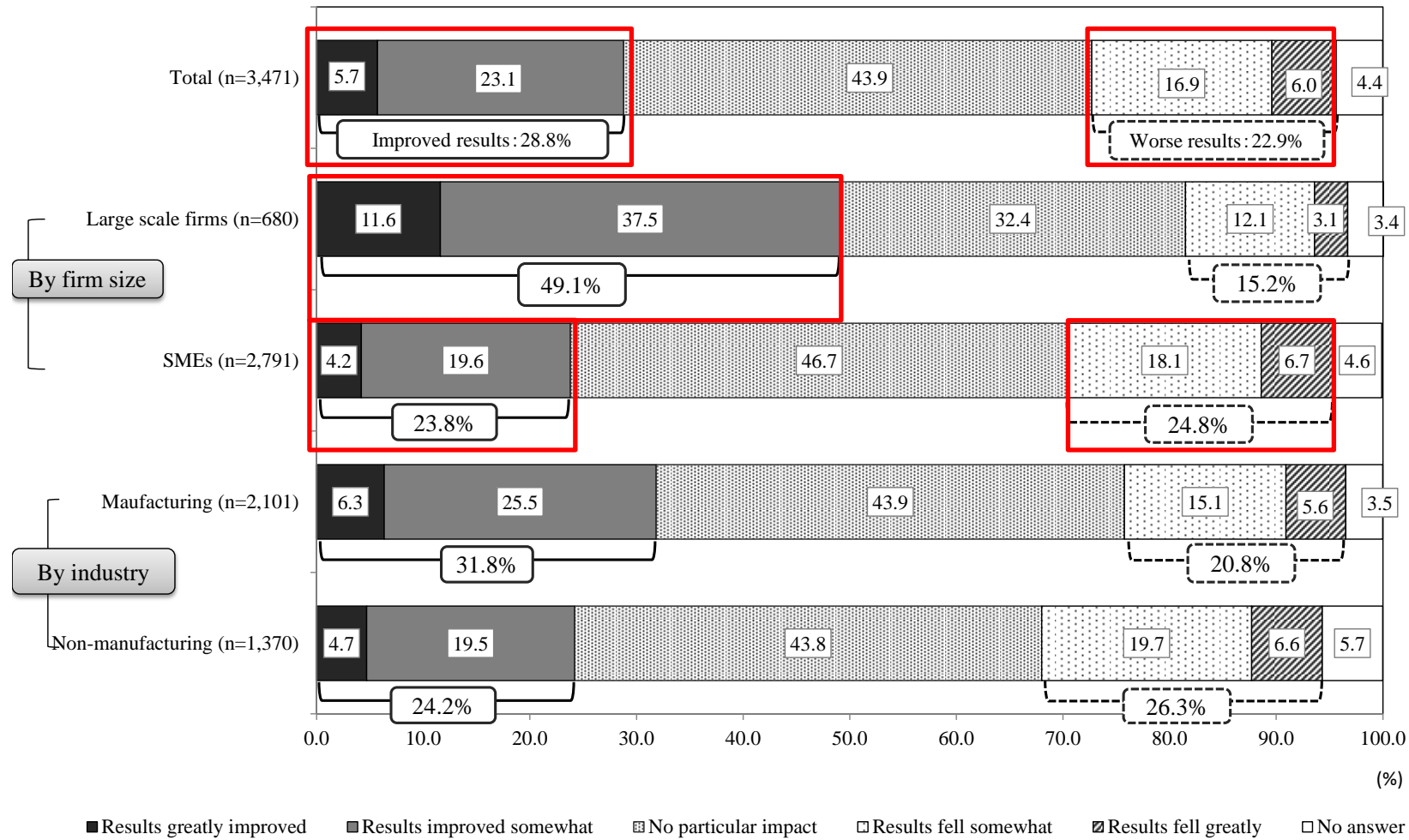
Notes: (1) For comparison with the results of past surveys, only responses from JETRO member firms were taken into account.
 (2) The variable “n” indicates the number of companies answering that they intend to expand exports and those who want to start exporting in the future.

(1) Efforts for international trade - Influence of exchange rate fluctuations

○ 28.8% of the firms reported that business results improved due to the weaker yen since the end of the year 2012. More than 20% of firms (22.9%) said it hurt their results.

○ 49.1% of the large-scale firms said it helped their results. 23.8% of SMEs reported that it helped results, but 24.8% said that it hurt.

Influence of weaker yen since end of 2012

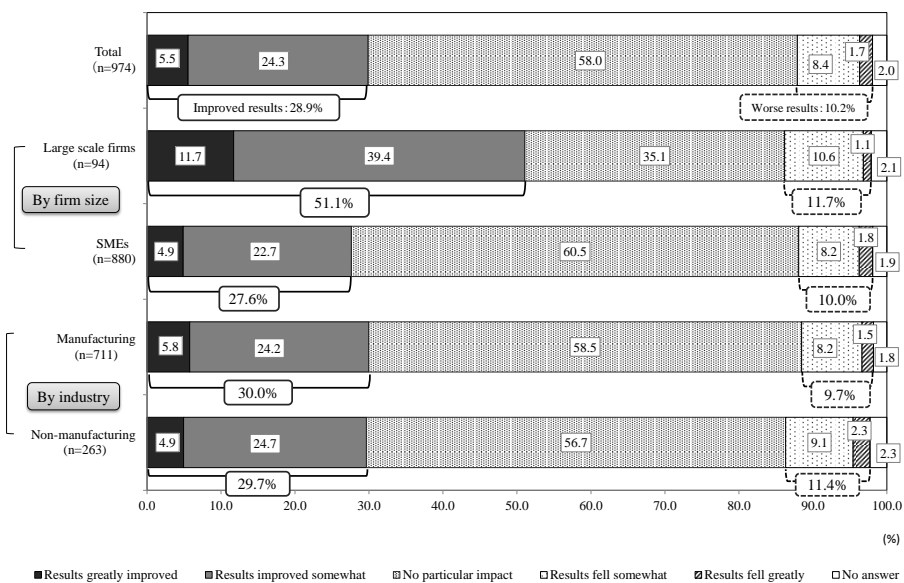


Note: (1) The variable “n” indicates total firms, regardless of whether they are exporting or importing.
 (2) Due to rounding, the percentages stated in the figures in this document do not necessarily add up to 100%.

(1) Efforts for international trade - Influence of exchange rate fluctuations (by export, import operations)

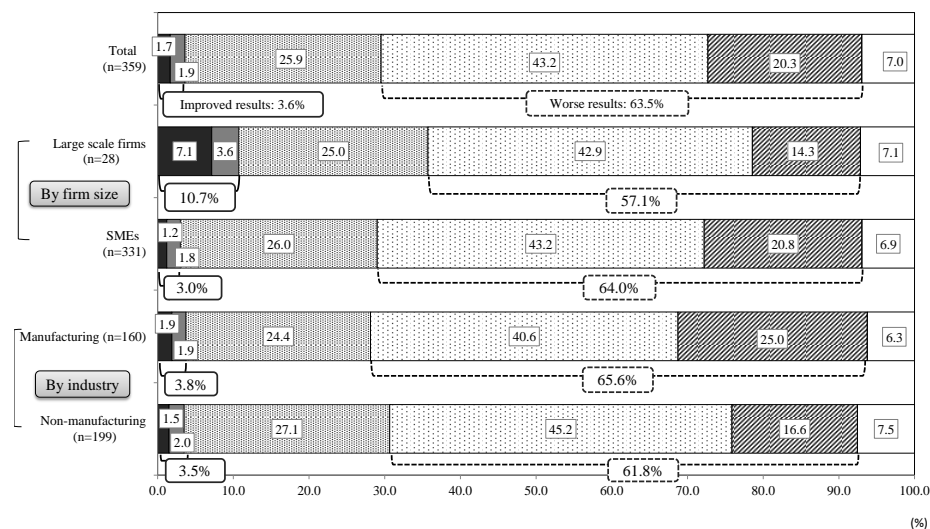
- Among firms only exporting, 29.8% reported better business results due to the weaker yen, whereas 10.1% reported a decline in results.
- Among firms only importing, 3.6% reported it helped results, whereas 63.5% reported it hurt them.

Influence of weaker yen – firms only exporting



Note: (1) The variable “n” indicates firms exporting but not importing.
 (2) Due to rounding, the percentages stated in the figures in this document do not necessarily add up to 100%.

Influence of weaker yen – firms only importing



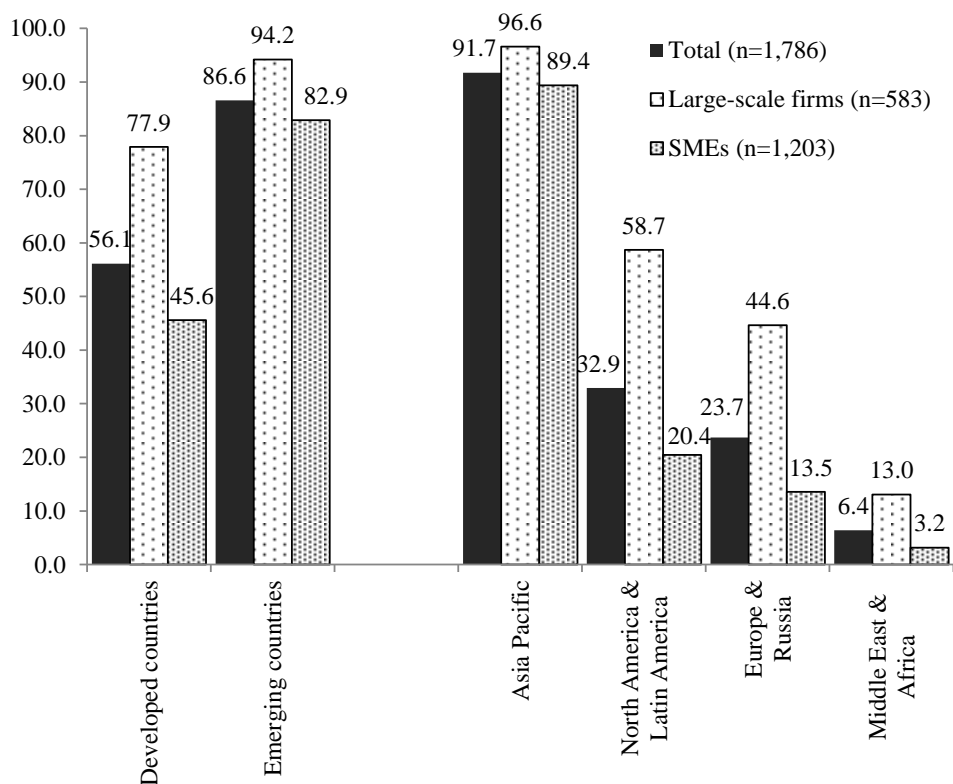
Note: (1) The variable “n” indicates firms importing but not exporting.
 (2) Due to rounding, the percentages stated in the figures in this document do not necessarily add up to 100%.

(2) Efforts for overseas expansion - Current overseas bases and locations

- 86.6% of firms with overseas bases are in emerging countries, and 91.7% have locations in the Asia Pacific.
- 2 out of 3 firms with overseas bases are in China.

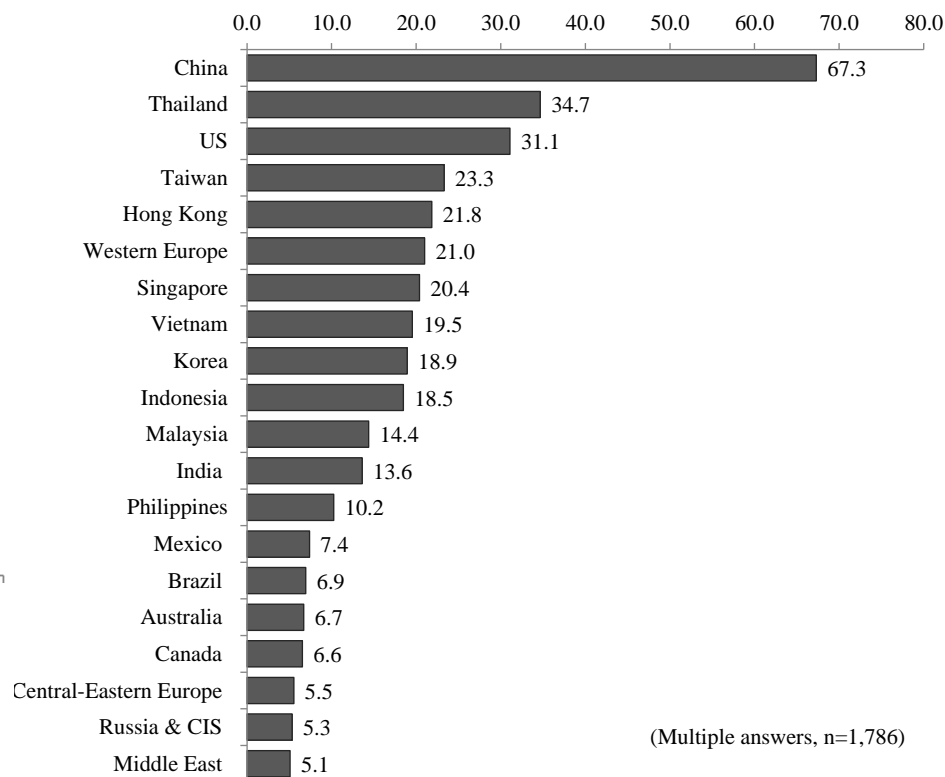
Location of overseas bases
(separated by developed/emerging country and region)

(Multiple answers, %)



Country and region of overseas bases

(%)



(Multiple answers, n=1,786)

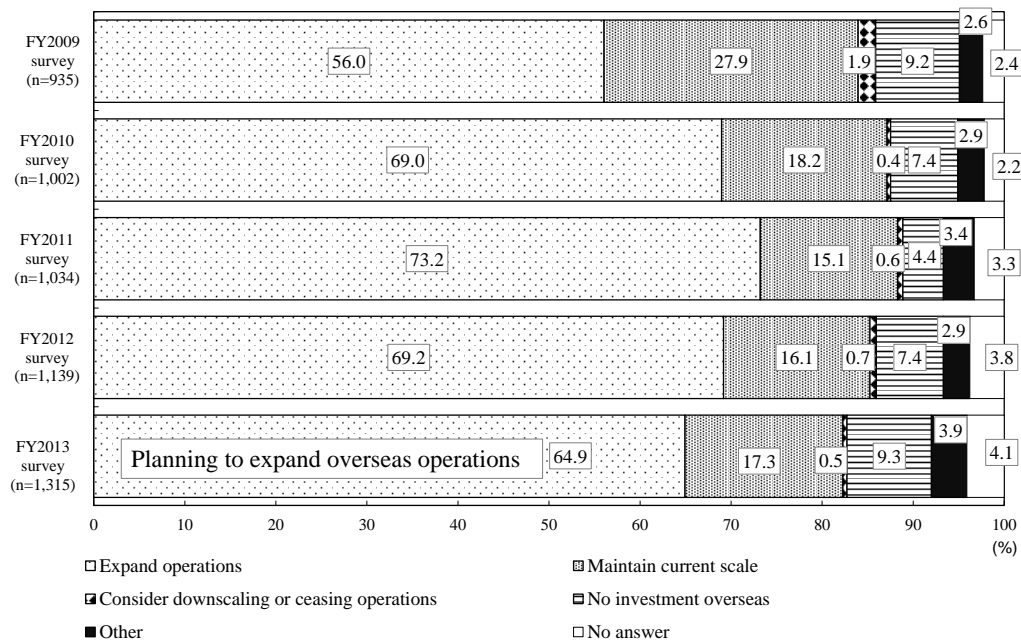
Note: Of the total 28 countries and regions surveyed, 8 countries and regions are defined as developed countries: Hong Kong, Taiwan, Korea, Singapore, Australia, US, Canada, and Western Europe. The other 20 countries and regions are defined as emerging countries: China, Thailand, Malaysia, Indonesia, Philippines, Vietnam, Cambodia, Myanmar, India, Pakistan, Bangladesh, Mexico, Brazil, Chile, Central-Eastern Europe, Turkey, Russia & CIS, Middle East, Africa, and others.

Notes: 1) Countries and regions recorded as locations, with 5% or more response ratio.
2) Figure includes only firms with overseas locations (1,786 firms).

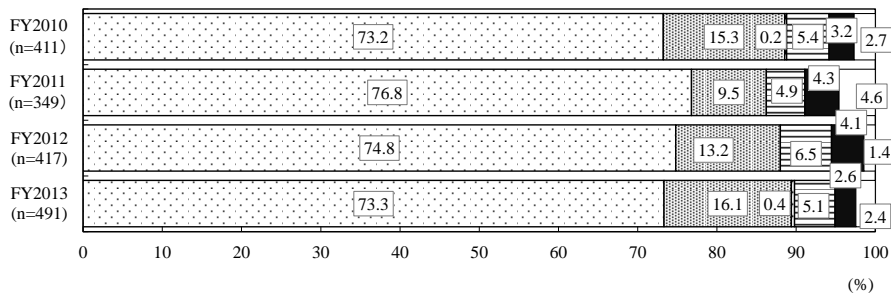
(2) Efforts for overseas expansion - Future overseas expansion policy

- 64.9% of firms intend to expand overseas operations (new investments, adding to existing operation bases).
- Large-scale firms and SMEs willing to expand overseas operations declined compared to the previous survey, but maintain a high level.

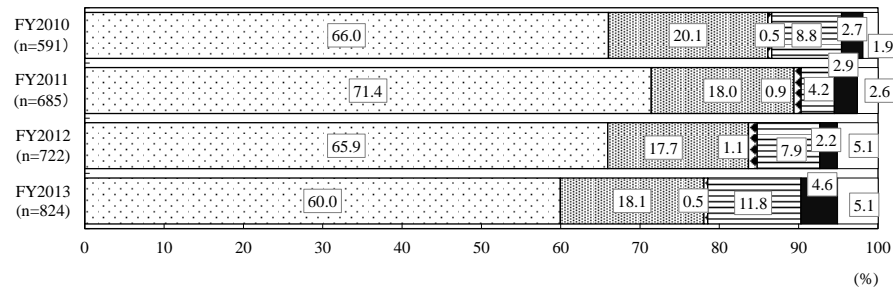
Future overseas expansion policy for about the next 3 years, including FY2013



Large-scale firms



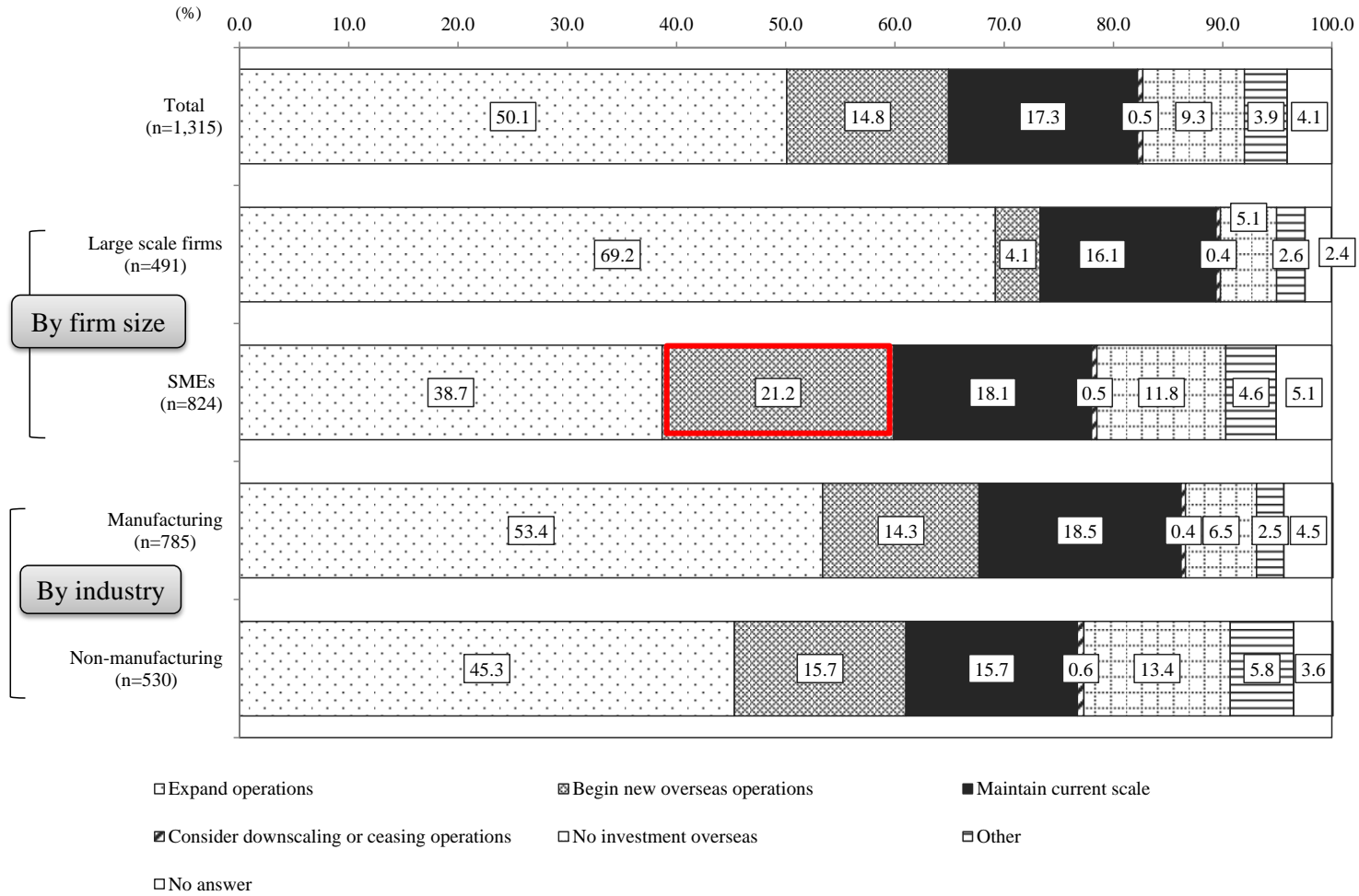
SMEs



Note: For comparison with the results of past surveys, only responses from JETRO member firms were taken into account.

(2) Efforts for overseas expansion - New overseas expansion plans

○ 14.8% of all the firms intend to expand new overseas business. Viewed by company size, 21.2% of SMEs intend to expand new business overseas. Viewed by industry, about 15% of both manufacturing and non-manufacturing firms intend to expand new business overseas.

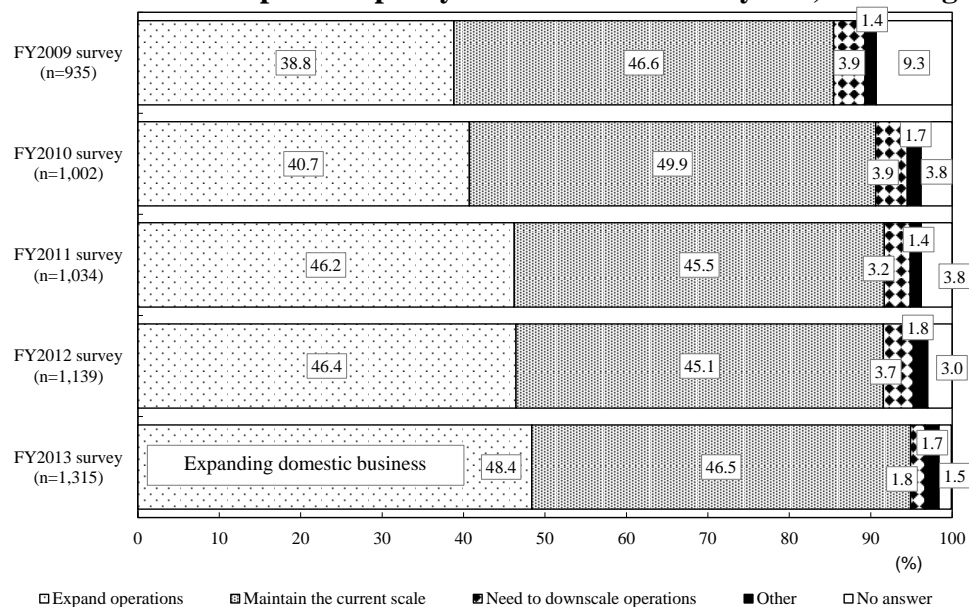


Note: For comparison with the results of past surveys, only responses from JETRO member firms were taken into account.

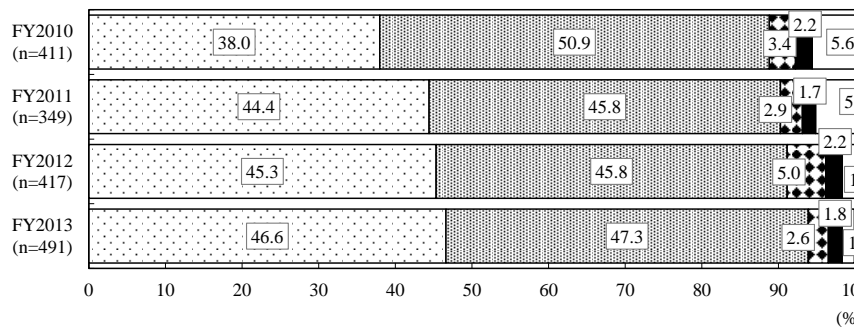
(2) Efforts for overseas expansion - Future domestic business expansion

- About 50% of firms intend to expand their domestic business (new investments, adding to existing operating bases). Firms willing to expand their domestic business tended to increase.
- The ratio of SMEs working to expand their domestic business (49.5%) is higher than large-scale firms (46.6%).

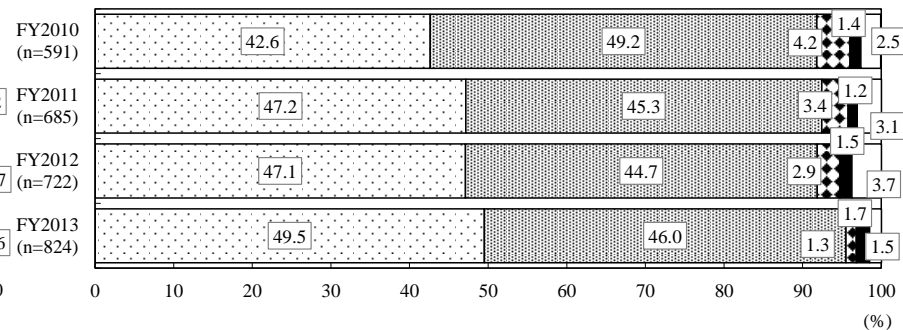
Future domestic expansion policy for about the next 3 years, including FY2013



Large-scale firms



SMEs

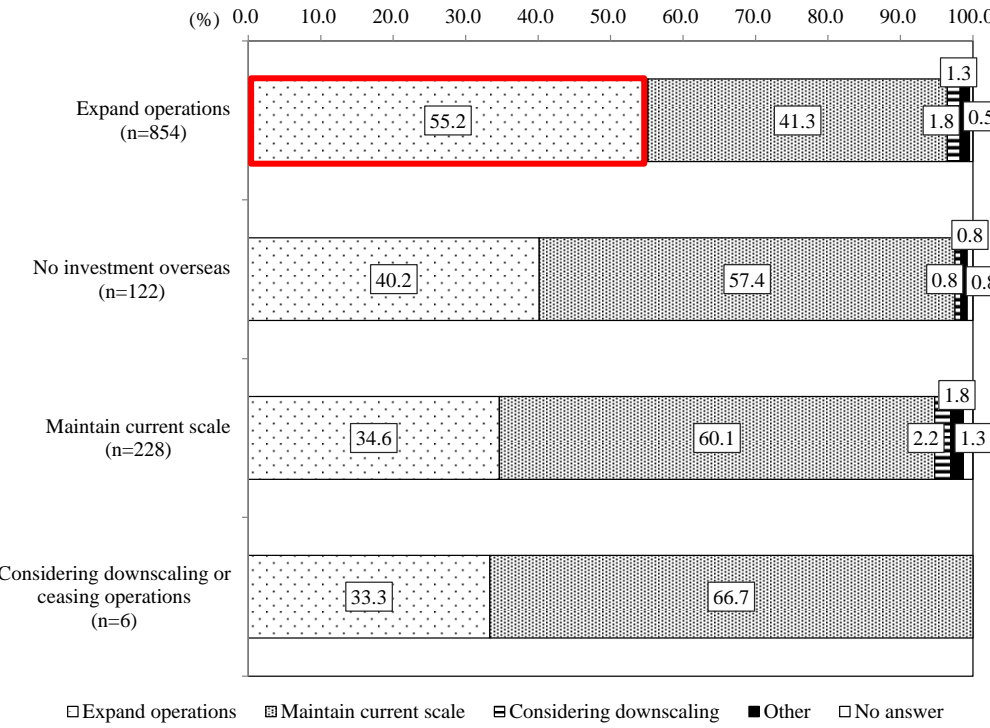


Note: For comparison with the results of past surveys, only responses from JETRO member firms were taken into account.

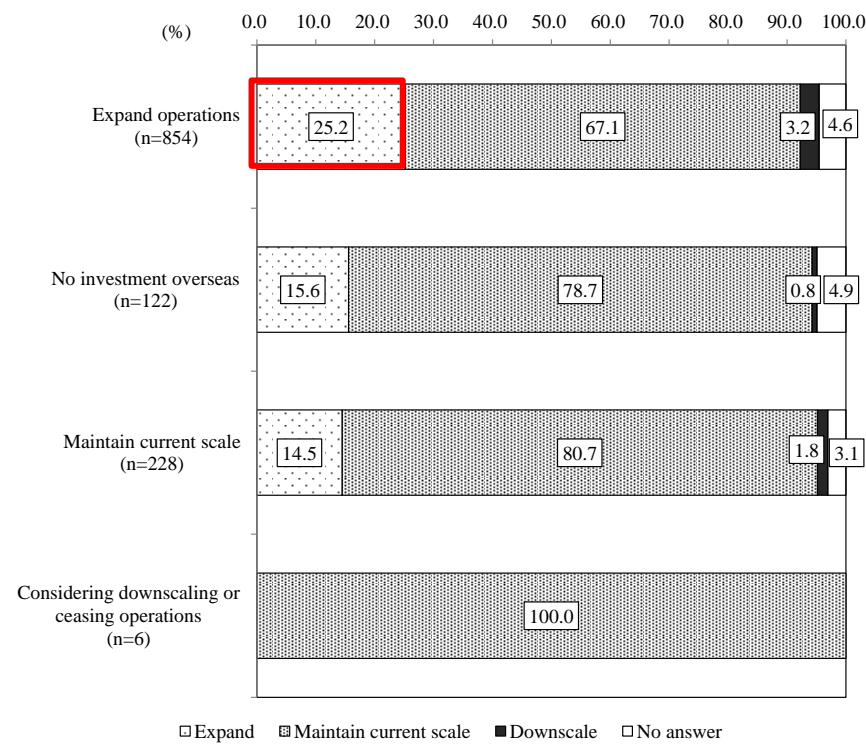
(2) Efforts for overseas expansion - Domestic business/employment by policy toward overseas expansion

○ Firms intending to expand their overseas business are also considering to expand their domestic operations and employment.
 ○ Firms wanting to maintain their current scale of overseas operations or not wanting to expand overseas, also show a stronger inclination towards maintaining their current scale of domestic operations.

Future direction of domestic business, by policy toward overseas expansion



Employment prospects in Japan, by policy toward overseas expansion



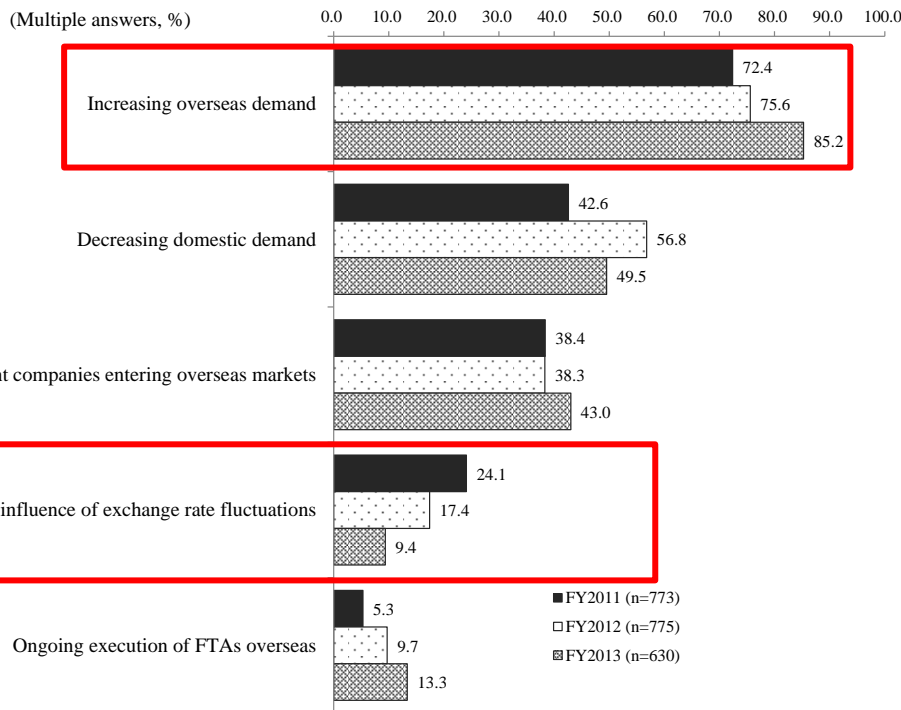
Notes: 1) Only responses from JETRO member firms were taken into account.
 2) With reference to plans for overseas expansion, firms answering "other" or giving no answer were not taken into account.

(2) Efforts for overseas expansion – Reasons for overseas expansion

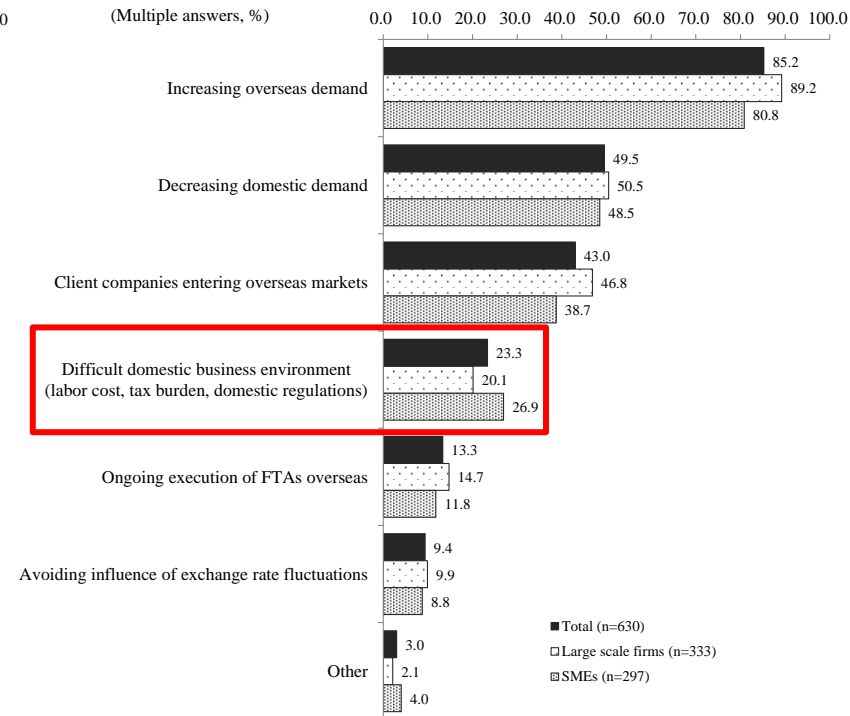
- The biggest reason for overseas expansion is “increasing overseas demand”. The ratio of firms citing this reason is increasing between FY2011 – FY2013 (from 72.4% →75.6%→85.2%).
The ratio of firms citing “avoiding influence of exchange rate fluctuations” is decreasing (24.1% →17.4% →9.4%).
- The ratio of SMEs (26.9%) citing “difficult domestic business environment in Japan (labor costs, tax burden, domestic regulations)” is higher than large-scale firms (20.1%).

Reasons for overseas expansion

Compared to previous FY survey



By firm size



Notes: 1) Number in each survey year indicates the number of firms answering that they intend to begin and expand overseas operations after excluding the number of firms which gave no answer regarding reasons to expand. However, number in FY 2013 indicates the number of firms “intending to expand overseas operations” after excluding the number of firms which gave no answer regarding reasons to expand.

2) Only responses from JETRO members were taken into account.

3) For comparison with past years, results in answers to “impact of the strong yen” in the FY 2011 and FY 2012 surveys are labeled here as “avoiding influence of exchange rate fluctuations”.

(2) Efforts for overseas expansion - Countries and regions targeted for overseas expansion, and functions to be expanded

- The countries and regions targeted for overseas expansion in the future were China followed by Thailand and Indonesia.
- By functions, emerging countries exceeded developed countries not only for sales and production, but also for R&D and logistics functions.

Functions planned to be expanded overseas (by country and region) by firms currently with overseas bases (for the next 3 years or so including FY 2013)

(Multiple answers, %)

Total			Sales function			Production						R & D				Regional HQ			Logistics function						
						General-purpose goods			High-valued added goods			New product development		Change specifications for local market											
Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%		
1	China	57.0	1	China	45.7	1	China	18.3	1	China	14.8	1	China	5.3	1	China	9.7	1	Singapore	4.1	1	China	4.9		
2	Thailand	47.1	2	Thailand	33.9	2	Thailand	13.9	2	Thailand	11.1	2	Thailand	2.1	2	Thailand	4.8	2	China	3.3	2	Thailand	3.6		
3	Indonesia	35.1	3	Indonesia	26.5	3	Indonesia	9.2	3	Vietnam	5.5	3	US	2.1	3	US	3.1	3	US	2.6	3	Indonesia	2.9		
4	Vietnam	29.6	4	US	20.6	4	Vietnam	8.7	4	Indonesia	5.3	4	Indonesia	1.4	4	Indonesia	2.7	4	Thailand	2.5	4	Vietnam	2.7		
5	US	25.4	5	Vietnam	18.9	5	India	5.2	5	US	4.3	5	Taiwan	1.4	5	Singapore	2.1	5	Western Europe	2.2	5	India	2.1		
6	Taiwan	20.1	6	Taiwan	17.0	6	US	4.1	6	Taiwan	3.1	6	Korea	1.3	6	Taiwan	1.9	6	Hong Kong	1.7	6	Singapore	2.0		
7	India	19.3	7	Korea	14.7	7	Taiwan	2.9	7	India	2.4	7	India	2.4	7	Korea	1.9	7	Vietnam	0.9	7	Hong Kong	1.4		
8	Singapore	18.3	8	India	14.2	8	Malaysia	2.9	8	Malaysia	2.2	8	Malaysia	2.2	8	Western Europe	1.3	8	India	1.9	8	Malaysia	1.3		
9	Korea	17.2	9	Western Europe	13.1	9	Korea	2.5	9	Korea	2.1	9	Korea	2.1	9	Vietnam	1.3	9	Malaysia	1.6	9	US	1.2		
10	Western Europe	15.7	10	Singapore	12.9	10	Myanmar	2.2	10	Singapore	2.0	10	Singapore	2.0	10	Malaysia	0.8	10	Western Europe	1.5	10	India	0.4		
11	Hong Kong	15.4	11	Hong Kong	12.2	11	Mexico	2.2	11	Western Europe	1.5	11	Western Europe	1.5	11	Hong Kong	0.7	11	Vietnam	1.4	11	Taiwan	0.4		
11	Malaysia	15.4	12	Malaysia	11.7	12	Philippines	2.1	12	Philippines	1.3	12	Philippines	1.3	12	Myanmar	0.4	12	Brazil	1.0	12	Philippines	0.3		
13	Philippines	10.9	13	Philippines	7.1	13	Cambodia	1.5	13	Myanmar	1.1	13	Philippines	0.4	13	Philippines	0.4	13	Myanmar	0.9	12	Myanmar	0.3		
13	Myanmar	10.9	14	Brazil	6.9	14	Singapore	1.3	14	Mexico	1.0	13	India	0.4	14	Hong Kong	0.8	12	Hong Kong	0.8	12	Turkey	0.3		
15	Brazil	8.0	15	Russia & CIS	5.9	14	Brazil	1.3	14	Brazil	1.0	14	Brazil	1.0	15	Cambodia	0.3	15	Philippines	0.7	15	Cambodia	0.2		
16	Mexico	7.6	16	Mexico	5.5	16	Bangladesh	1.2	16	Hong Kong	0.8	16	Brazil	0.2	16	Brazil	0.2	16	Central-East Europe	0.4	15	Canada	0.2		
17	Russia & CIS	6.5	17	Myanmar	5.1	16	Western Europe	1.2	17	Cambodia	0.4	17	Bangladesh	0.1	17	Bangladesh	0.1	17	Australia	0.3	15	Middle East	0.2		
18	Middle East	5.6	18	Middle East	4.6	18	Hong Kong	0.6	17	Africa	0.4	17	Australia	0.1	18	Australia	0.1	18	Cambodia	0.2	15	Brazil	0.2		
19	Cambodia	5.4	19	Africa	3.8	18	Africa	0.6	19	Australia	0.4	17	Central-Eastern Europe	0.1	18	Canada	0.2	18	Canada	0.2	19	Korea, Pakistan, Bangladesh, Mexico, Chile, Central-East Europe, Africa	0.1		
20	Africa	4.7	20	Australia	3.0	20	Central-East Europe	0.5	19	Central-East Europe	0.4	19	-	-	18	Mexico	0.2	18	Mexico	0.2	20	Brazil	0.3		
Developed countries		55.6	Developed countries		46.6	Developed countries		9.4	Developed countries		8.8	Developed countries		5.3	Developed countries		6.8	Developed countries			7.1	Developed countries			4.9
Emerging countries		93.2	Emerging countries		73.4	Emerging countries		35.4	Emerging countries		26.7	Emerging countries		7.7	Emerging countries		13.0	Emerging countries			6.3	Emerging countries			9.8

Notes: 1) The variable "n" indicates the number of firms that "currently have overseas bases and are planning to expand in future", excluding the firms which have not given an answer (1,119 firms) from the total (1,178 firms).

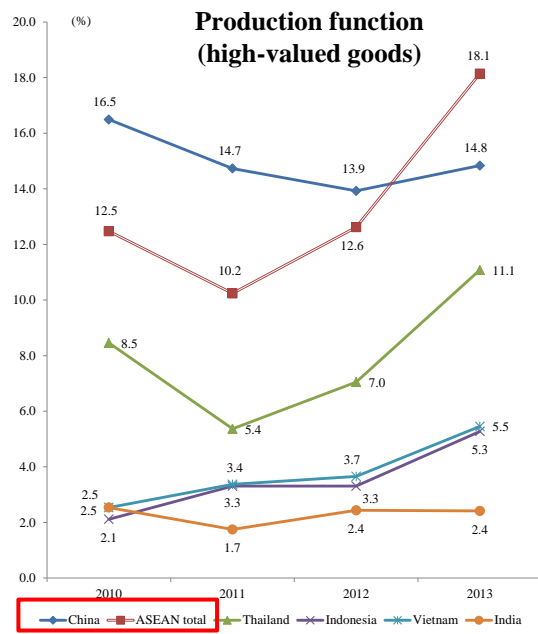
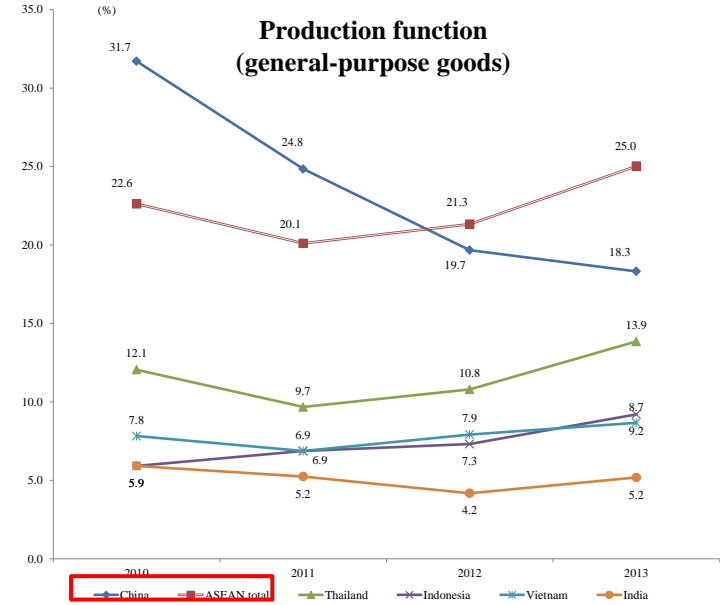
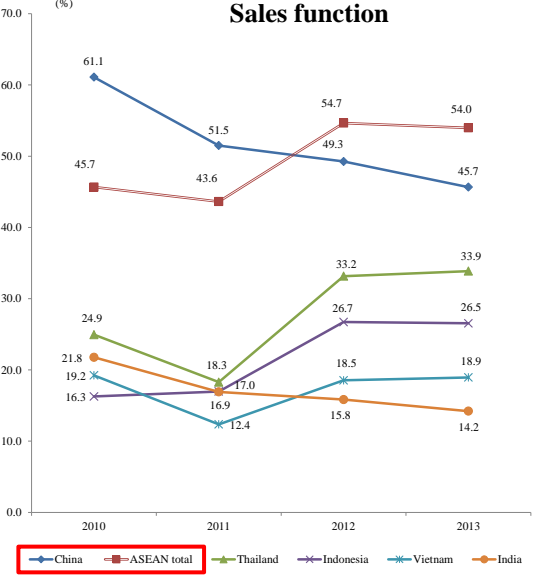
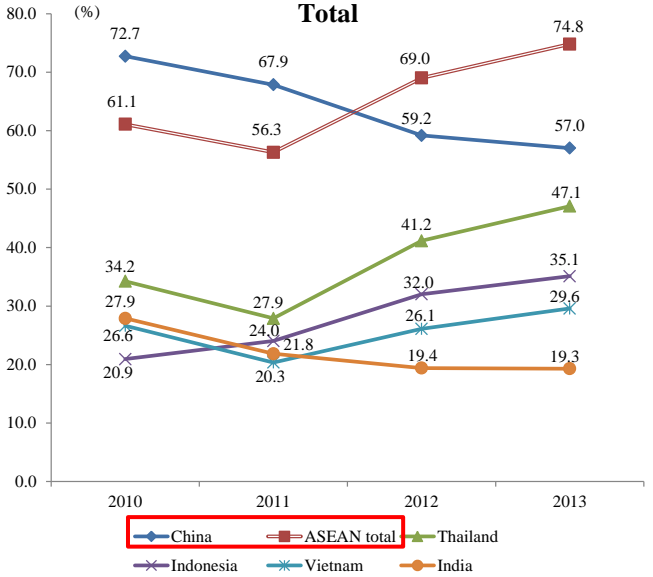
2) "Total" indicates the number of firms intending to expand one or more function in each country and region. If a firm is planning to expand several functions in one country or region, it is counted as one firm only.

(2) Efforts for overseas expansion - Countries & regions targeted for overseas expansion and functions to be expanded (time series changes)

○ As for the countries and regions targeted for overseas expansion, on the whole, the percentage of ASEAN countries was higher than China from FY 2012 onwards (by function, for sales and production of general purpose products). In FY 2013, ASEAN overtook China as a location for production of high value added products also.

Firms expanding to China, ASEAN, India (Entire business, sales and production functions) (Time-series comparison)

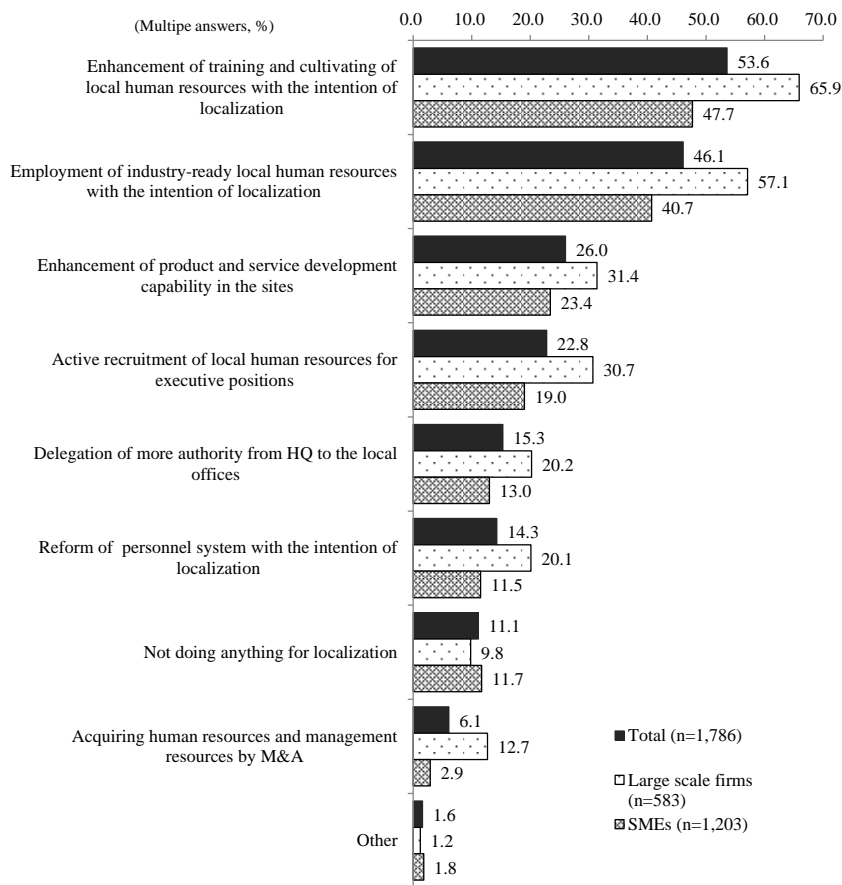
Notes:
 1) Number in each survey year indicates the number of firms intending to expand overseas in the next 3 years or so, after excluding those who did not answer. However, in FY 2013, the question on expansion was limited only to firms having overseas bases. In FY 2010-12, the survey was not limited by whether the firms currently have or do not have overseas bases.
 2) ASEAN total is the comparable sum of the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines and Vietnam (excluding overlapping firms).
 3) "Total" indicates the number of firms intending to expand one or more functions in each country and region. If a firm is intending to expand several functions to one country or region, it is counted as one firm only.
 4) FY 2010 survey targeted JETRO members only. From FY 2011, the target firms were expanded in the survey.



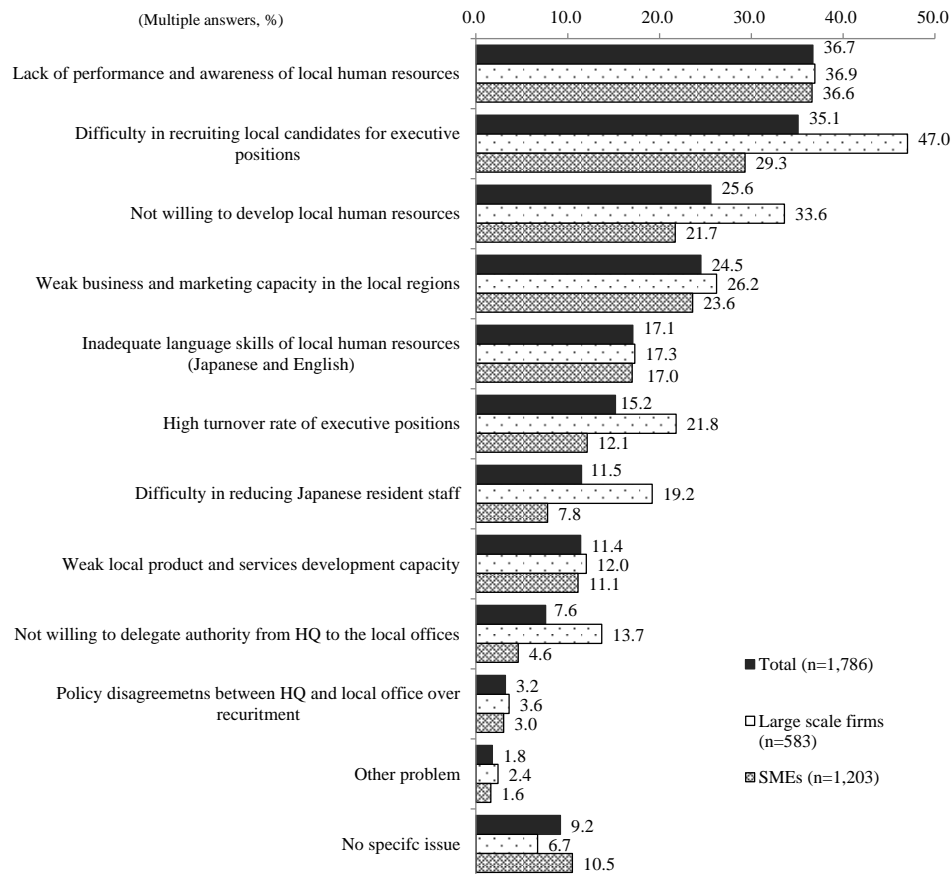
(2) Efforts for overseas expansion - Efforts & challenges for localization

- Japanese firms are expanding their efforts for localization with an emphasis on local human resources.
- The biggest challenge of SMEs for localization is “lack of abilities and awareness of local human resources” and for large-scale firms it is “difficulty in recruitment of executive positions”.

Efforts for localization



Challenges for localization



Note: Data shows numbers of firms with overseas bases.

(2) Efforts for overseas expansion - Reorganizing of bases and functions

- Of the total 3,471 respondent firms, 595 firms (17.1%) have either reorganized in the past 2-3 years or intend to reorganize in the next 2-3 years or so (to be specific, 382 SMEs and 213 large-scale firms). Number of firms shifting their locations was 780 (multiple answers).
- Total number of firms shifting their locations to ASEAN countries accounted for 46.2%. Of the combination of patterns, a shift from “Japan to ASEAN” was highest.
- As for the number of firms shifting their bases from China, about half of them (52.2%) replied that they intended to shift their locations to ASEAN countries.

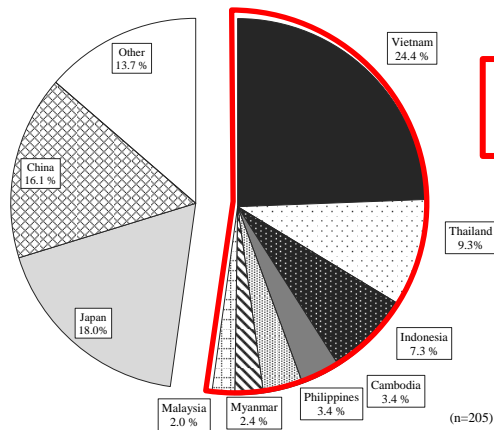
Reorganizing trends in domestic and overseas bases and functions

(n=780, %)

		Shift to				
		China	ASEAN	Japan	Other	Total
Shift from	China	4.2	13.7	4.7	3.6	26.3
	ASEAN	0.3	6.2	1.8	0.5	8.7
	Japan	15.3	24.2	-	10.9	50.4
	Other	1.4	2.1	3.1	8.1	14.6
	Total	21.2	46.2	9.6	23.1	100

[Note] The figures in the composition ratio are the rounded up figures, so they do not necessarily match the total.

Destination of shift of bases & functions from China



Note: “Other” includes the answers without any specific countries.

Main shift pattern details

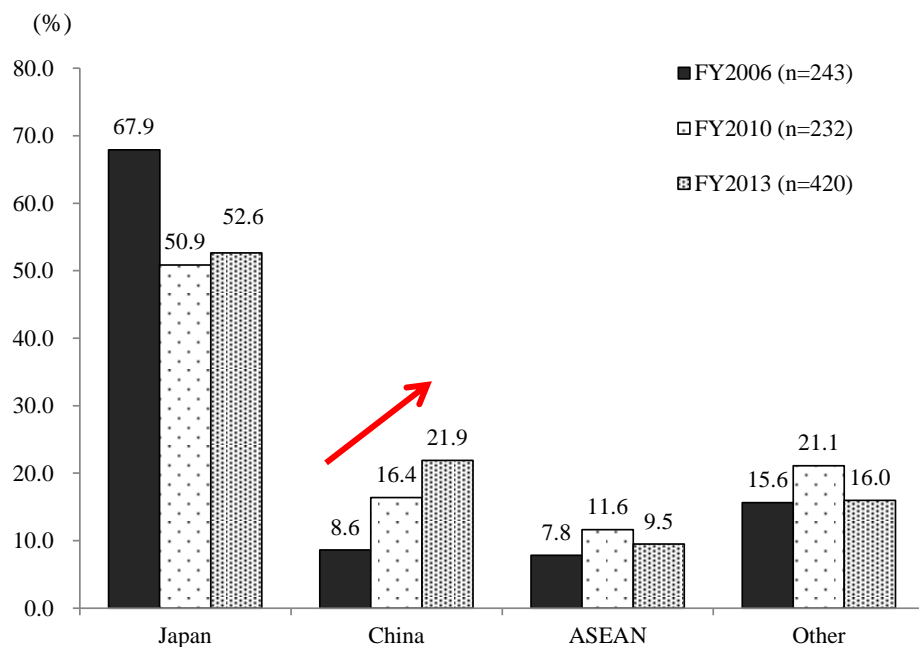
Shift from	Shift to	Ratio	Main industry groups
Japan	ASEAN (n=189)	24.2	Iron & Steel/ Non ferrous metals/ Metal products (13.8) Cars/ Car parts/ Other transportation machinery (13.8) General machinery (9.0)
	Thailand (n=85)	10.9	Iron & Steel/ Non ferrous metals/ Metal products (21.2) Cars/ Car parts/ Other transportation machinery (14.1) Electrical equipment (10.6)
	Vietnam (n=35)	4.5	Cars/ Car parts/ Other transportation machinery (17.1) Petroleum & coal products (11.4) Iron & Steel/ Non ferrous metals/ Metal products (11.4)
	Indonesia (n=22)	2.8	General machinery (27.3) Cars/ Car parts/ Other transportation machinery (18.2) Electrical equipment (13.6)
Japan	China (n=119)	15.3	Cars/ Car parts/ Other transportation machinery (11.8) Chemicals (11.8), Trade and wholesale (11.8)
China	ASEAN (n=107)	13.7	Trade and wholesale (25.2), Textile/Clothing (15.0) Iron & Steel/ Non ferrous metals/ Metal products (7.5) Electrical equipment (7.5)
	Vietnam (n=50)	6.4	Trade and wholesale (32.0), Textile/Clothing (14.0) Coal and petroleum products (10.0)
China	Japan (n=37)	4.7	Iron & Steel/ Non ferrous metals/ Metal products (18.9) Trade and wholesale (16.2), Food & beverages (8.1) Other manufacturing (8.1)
China	China (n=33)	4.2	Textile/Clothing (12.1), Chemicals (12.1) Information communication machinery (9.1) Cars/ Car parts/ Other transportation machinery (9.1)
Total (n=780)		100	Trade and wholesale (13.3) Cars/ Car parts/ Other transportation machinery (10.1) Iron & Steel/ Non ferrous metals/ Metal products (8.8)

Note: The parentheses () after the main industry groups indicate the breakdown ratio (%) obtained, when the transfer pattern is 100% .

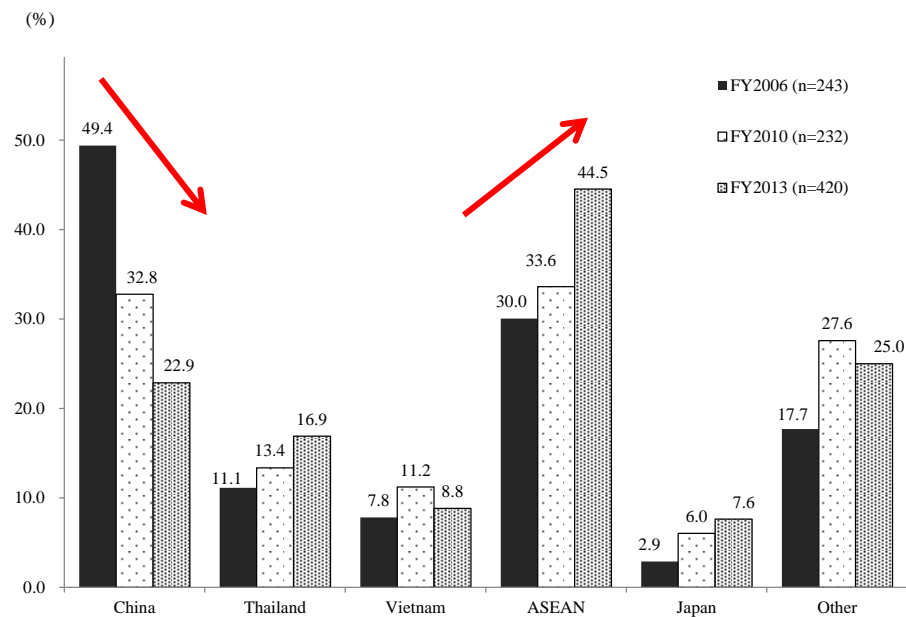
(2) Efforts for overseas expansion - Reorganizing of bases and functions (time series comparison)

- When comparing with past data on the reorganization of bases and functions, the shift rate from China has showed an uptrend.
- Regarding destination countries, China has been on a downward trend, while ASEAN has been on an uptrend.

Countries/regions from where the bases and functions are shifted



Countries/regions where the bases and functions are shifted to



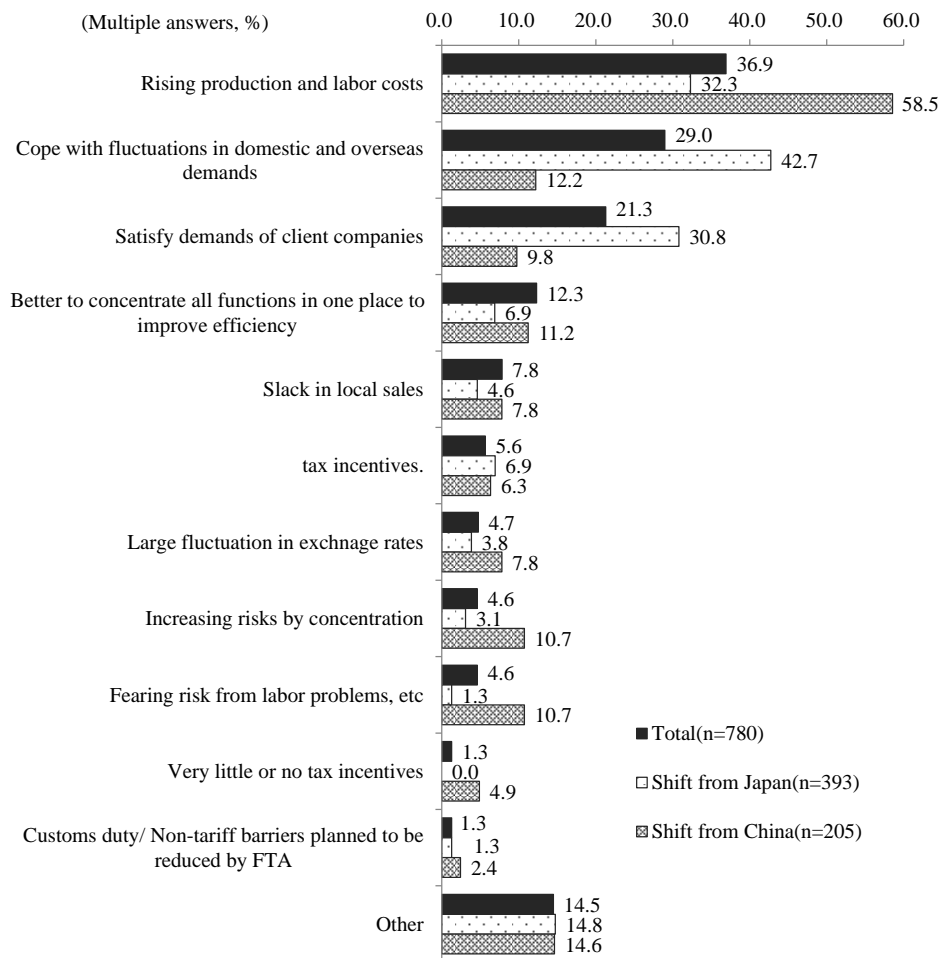
Notes

- 1) For comparison with the results of the past surveys, only responses from JETRO member firms are taken into account.
- 2) "Other" in both countries of withdrawal and transfer include the answers without any specific countries.

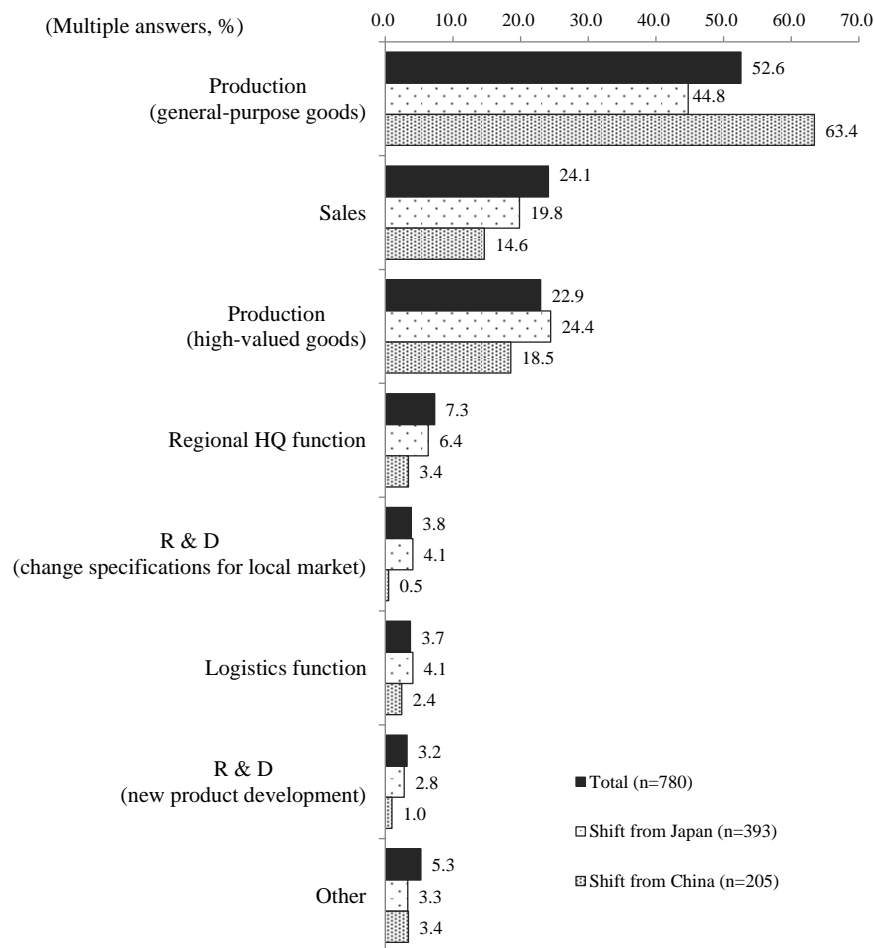
(2) Efforts for overseas expansion - Reasons for shift and functions shifted

- The most cited reason for shifting from Japan was “to cope with fluctuations in domestic and overseas demand”. On the other hand, “increase in production and labor costs” was the most cited reason for shifting from China.
- As for the functions shifted from both Japan and China, the ratio of production of general-purpose goods was the highest, followed by production of high-valued goods and sales.

Reasons for shifting



Functions shifted

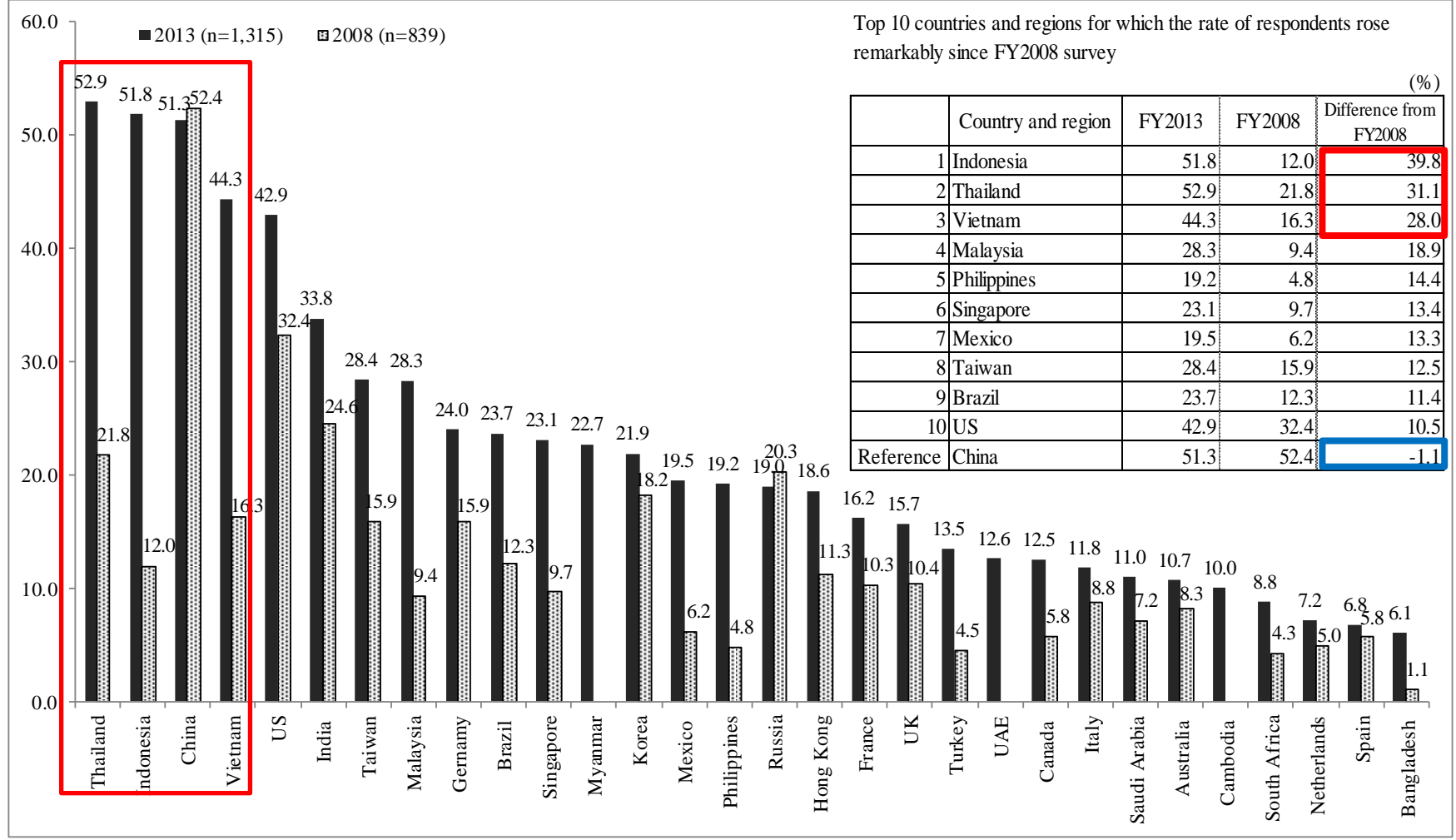


(3) Promising markets and challenges - Prioritized countries and regions for the next three fiscal years (1)

○ Compared with a FY2008 survey, the rate of respondents who sited ASEAN member nations as promising markets for Japanese firms increased significantly.
 ○ The proportion of respondents who regarded China as promising declined 1.1 points from the FY2008 survey to 51.3%. The figure was still high above 50% but a shift toward ASEAN has become vivid.

Changes in promising markets for Japanese firms (FY2008 → FY2013)

(Multiple answers, %)



Notes: 1) Each figure represent the rate of respondents for the corresponding country and region (number of responses for each country and region/"n").
 2) The rate of respondents in FY 2008 indicates the sales locations considered the most important in the next 3 years.
 3) For comparison with FY 2008 survey results, FY 2013 survey results contain only responses of JETRO member firms (1,315 firms).
 4) Myanmar, UAE and Cambodia were not included among alternative responses in the FY 2008 survey.

(3) Promising markets and challenges - Prioritized countries and regions for the next three fiscal years (2)

○ As for the promising markets, manufacturing firms rated China, Thailand, Indonesia and the US, while non-manufacturing firms rated Thailand, Indonesia, Vietnam and China high.

Top 10 promising markets for Japanese firms (for the next three fiscal years including FY2013)

(Multiple answers, %)

	No.	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
		Thailand	Indonesia	China	Vietnam	US	India	Taiwan	Malaysia	Germany	Brazil
Total	1,315	52.9	51.8	51.3	44.3	42.9	33.8	28.4	28.3	24.0	23.7
Large scale firms	491	64.0	63.5	62.9	49.9	48.1	42.6	25.9	28.9	24.0	32.6
SMEs	824	46.2	44.8	44.4	41.0	39.8	28.5	29.9	27.9	23.9	18.4
Manufacturing firms	785	54.9	54.8	56.8	43.3	51.0	37.5	31.5	28.3	29.3	31.2
Food & beverages	90	54.4	45.6	47.8	44.4	56.7	13.3	47.8	31.1	21.1	18.9
Textiles/ clothing	30	23.3	46.7	53.3	20.0	60.0	16.7	6.7	13.3	30.0	16.7
Wood & wood products/ furniture & building materials/ paper & pulp	26	38.5	53.8	61.5	42.3	57.7	19.2	23.1	30.8	26.9	19.2
Chemicals	64	71.9	59.4	65.6	48.4	45.3	50.0	35.9	26.6	34.4	40.6
Medical products & cosmetics	26	46.2	50.0	69.2	42.3	53.8	26.9	38.5	19.2	53.8	34.6
Coal & petroleum products/ plastics/ rubber products	47	59.6	57.4	53.2	42.6	51.1	36.2	27.7	27.7	27.7	23.4
Ceramics/ earth & stone	27	40.7	51.9	44.4	33.3	51.9	37.0	51.9	37.0	25.9	33.3
Iron & steel/ non-ferrous metals/ metal products	93	54.8	47.3	46.2	38.7	46.2	38.7	29.0	24.7	31.2	23.7
General machinery	107	61.7	65.4	54.2	52.3	39.3	42.1	28.0	30.8	23.4	36.4
Electrical equipment	54	50.0	64.8	61.1	59.3	50.0	50.0	31.5	33.3	22.2	46.3
IT equipment/ electronic parts & devices	34	52.9	50.0	73.5	38.2	61.8	52.9	32.4	23.5	41.2	38.2
Cars/ car parts/ other transportation machinery	58	69.0	67.2	67.2	27.6	65.5	50.0	13.8	22.4	24.1	36.2
Precision equipment	43	51.2	55.8	58.1	55.8	58.1	51.2	34.9	41.9	48.8	37.2
Other manufacturing	86	51.2	46.5	59.3	40.7	45.3	33.7	32.6	27.9	27.9	31.4
Non-manufacturing	530	49.8	47.4	43.2	45.8	30.9	28.3	23.8	28.3	16.0	12.6
Trade and wholesale	530	49.1	43.8	46.4	42.3	34.0	30.2	28.7	27.5	18.5	14.7
Retail	530	48.1	37.0	29.6	40.7	37.0	25.9	29.6	37.0	22.2	-
Construction	530	59.3	44.4	25.9	59.3	25.9	29.6	18.5	25.9	11.1	11.1
Electricity, gas & water	530	66.7	100.0	-	33.3	66.7	33.3	33.3	33.3	-	-
Transport	530	44.4	52.8	44.4	50.0	36.1	36.1	11.1	22.2	22.2	27.8
Finance & Insurance	530	63.1	52.3	49.2	64.6	20.0	20.0	15.4	18.5	10.8	6.2
Information communication service, software	530	50.0	43.8	62.5	37.5	18.8	25.0	18.8	37.5	12.5	12.5
Professional services	530	47.2	63.9	27.8	58.3	16.7	30.6	19.4	33.3	16.7	11.1
Other non-manufacturing	530	38.2	49.1	41.8	29.1	36.4	23.6	21.8	38.2	7.3	9.1

Notes: 1) Only responses from JETRO member firms are subject for counting.

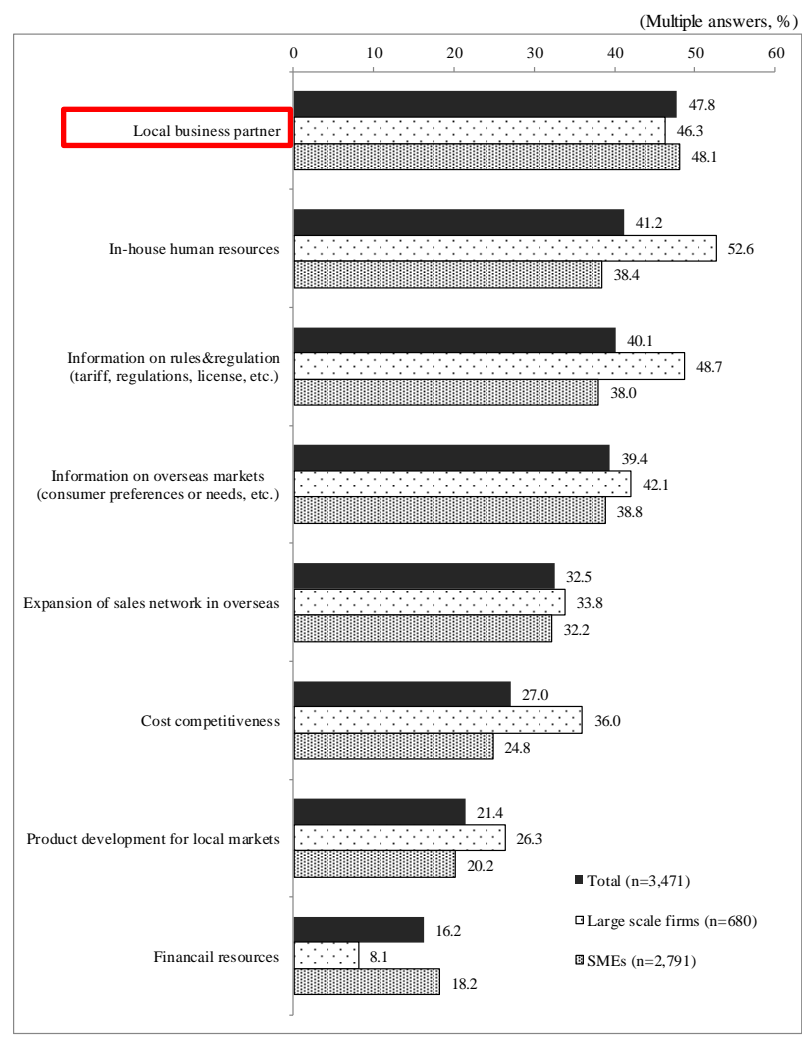
2) Each figures represent the rate of respondents for the corresponding country and region by scale of firms and industry (number of responses for each country and region/"No." by scale of firms and industry).

3) The grey cells indicate industries which have a response ratio of 50% or higher.

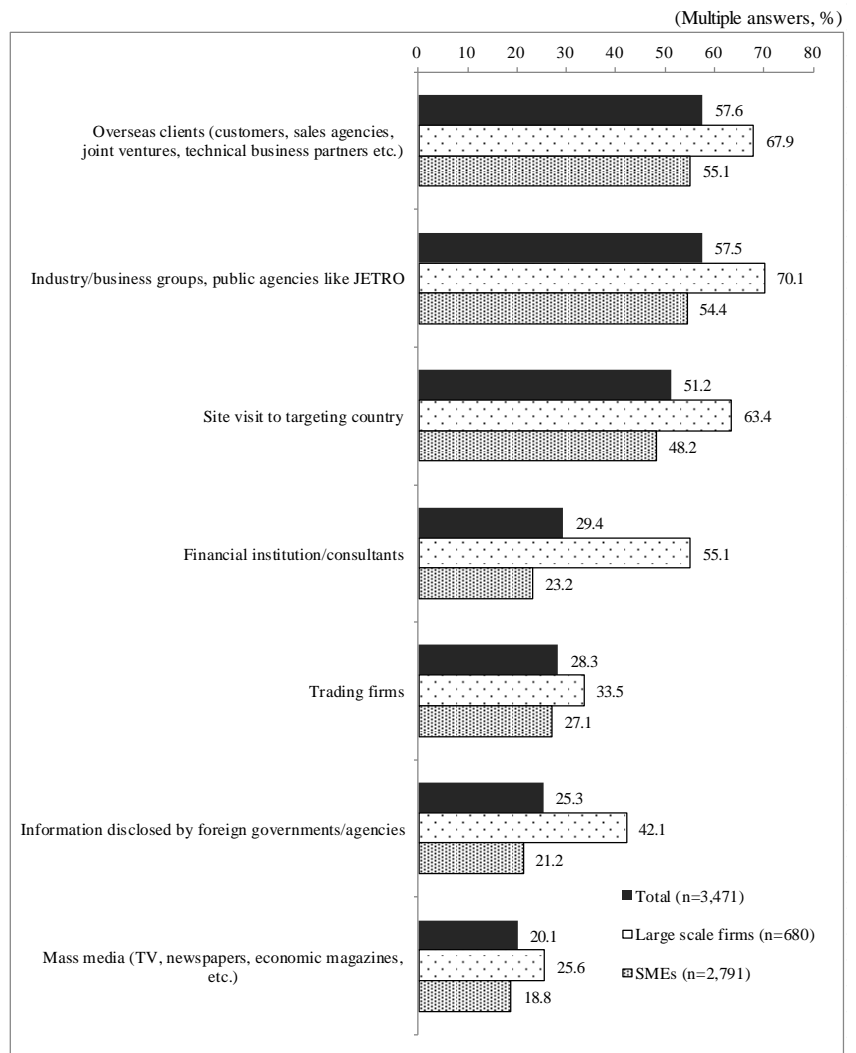
(3) Promising markets and challenges - Bottlenecks in overseas business expansion and information sources

- The challenges cited most for expanding exports and overseas operations was “securing of local business partners” (47.8%).
- Information necessary for overseas business can be obtained from overseas business partners and public institutions.

Bottlenecks for export and overseas business expansion



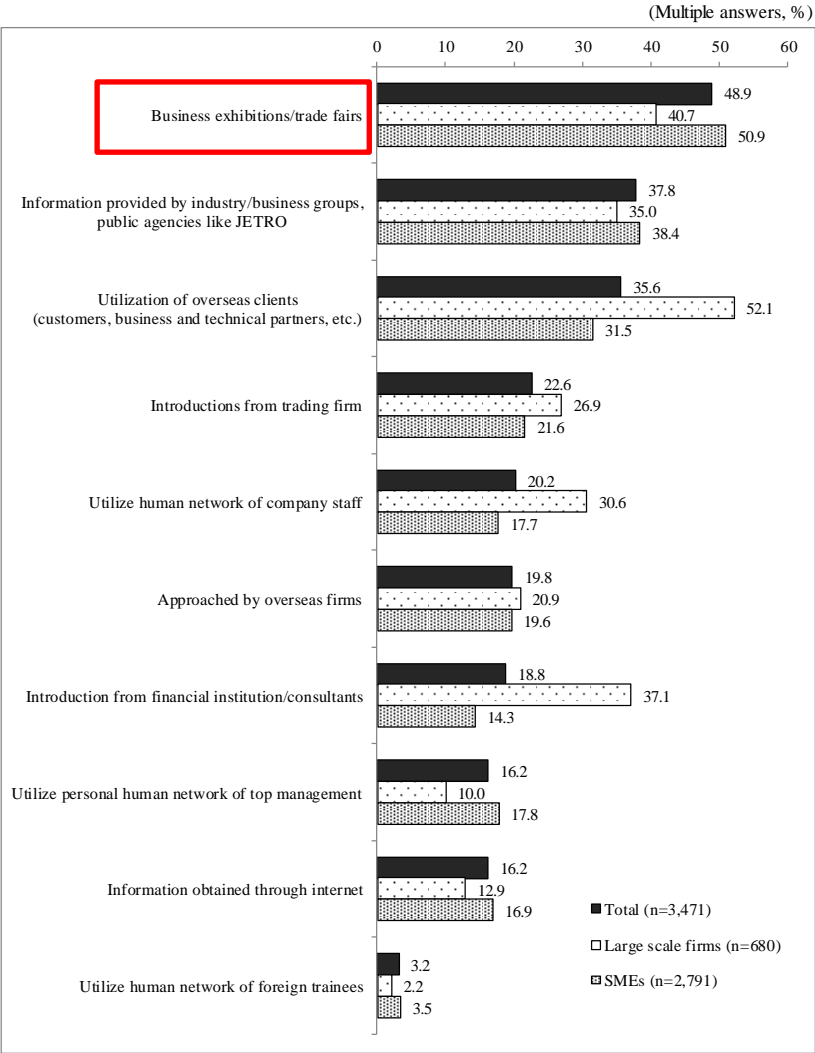
Information sources for overseas business



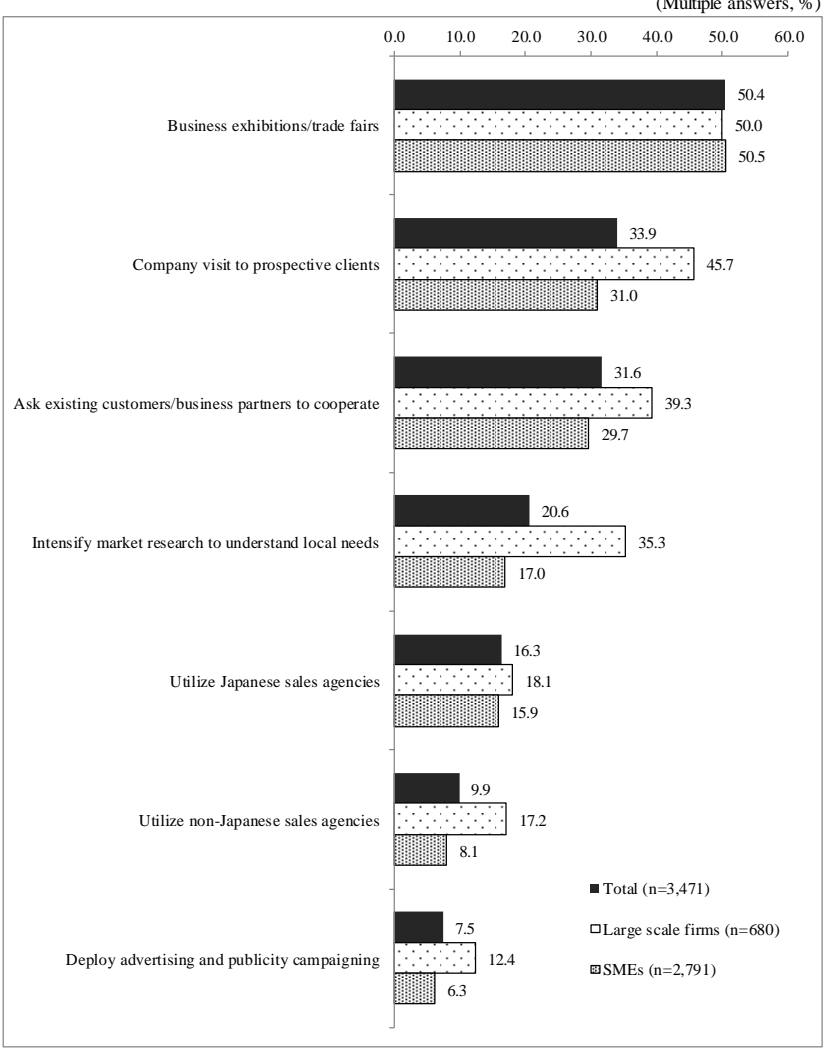
(3) Promising markets and challenges - Specific measures for overseas market development

○ About half of respondents cited participation in business exhibitions or fairs as means of seeking out overseas partners.
 ○ Similarly, more than half of the firms use business exhibitions or fairs for overseas market development. This is vital for SMEs.

Measures for finding overseas business partners

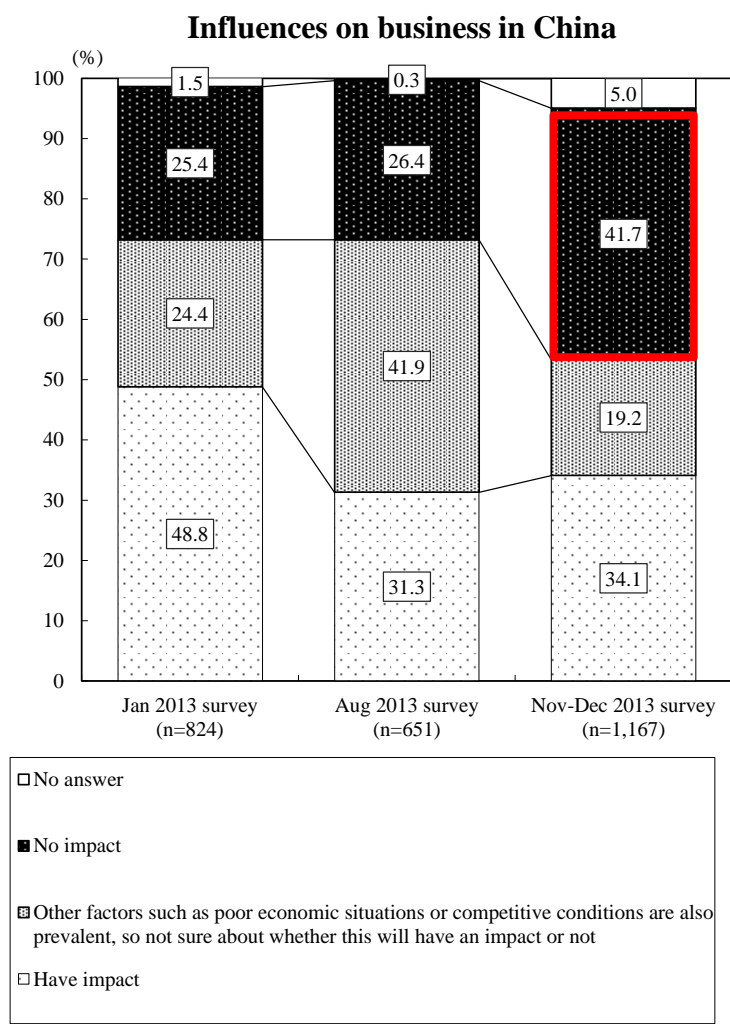
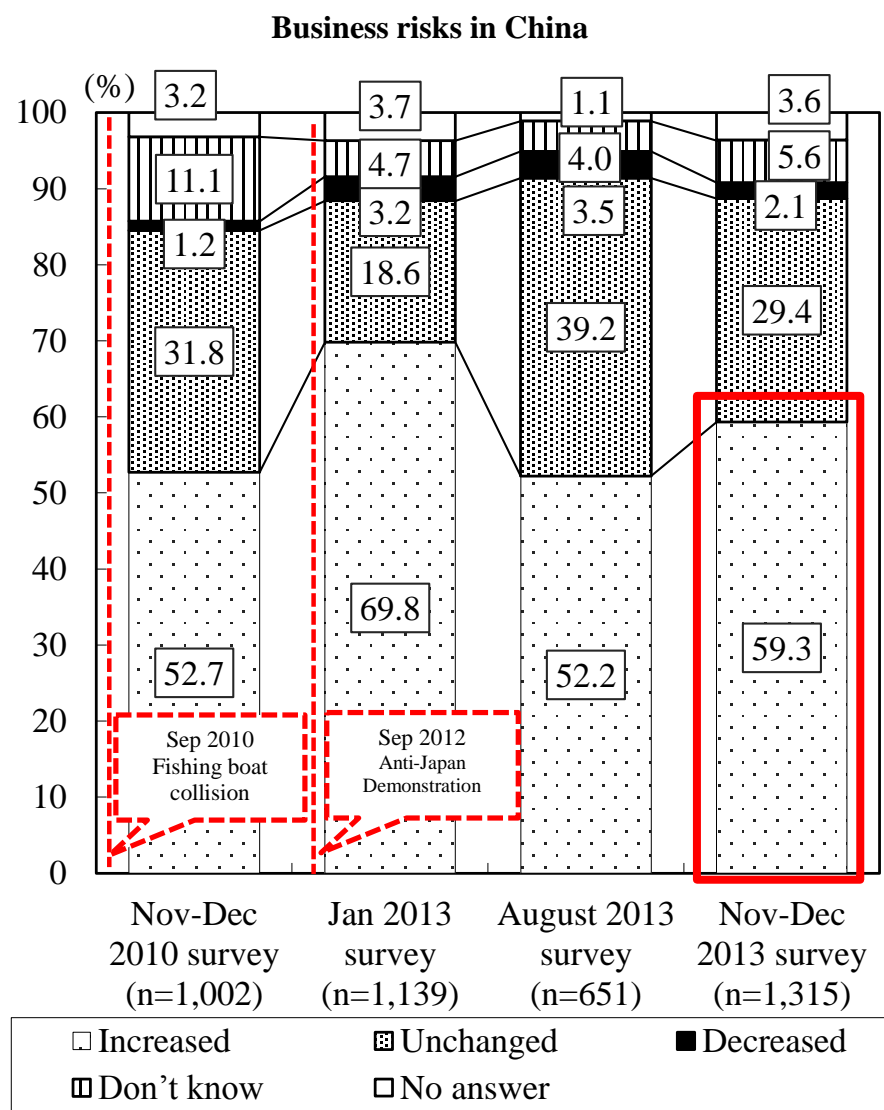


Tools for overseas market development



(4) Business in China - Business risks and influence

○ 59.3% of respondents considered that “business risks in China have grown”, showing an increase from 52.2% in August 2013. However, the figure was lower than the 69.8% in January 2013 shortly after demonstrations in China.
 ○ Meanwhile, regarding influences on business in China, those responding that there has been “no impact” expanded to 41.7%.

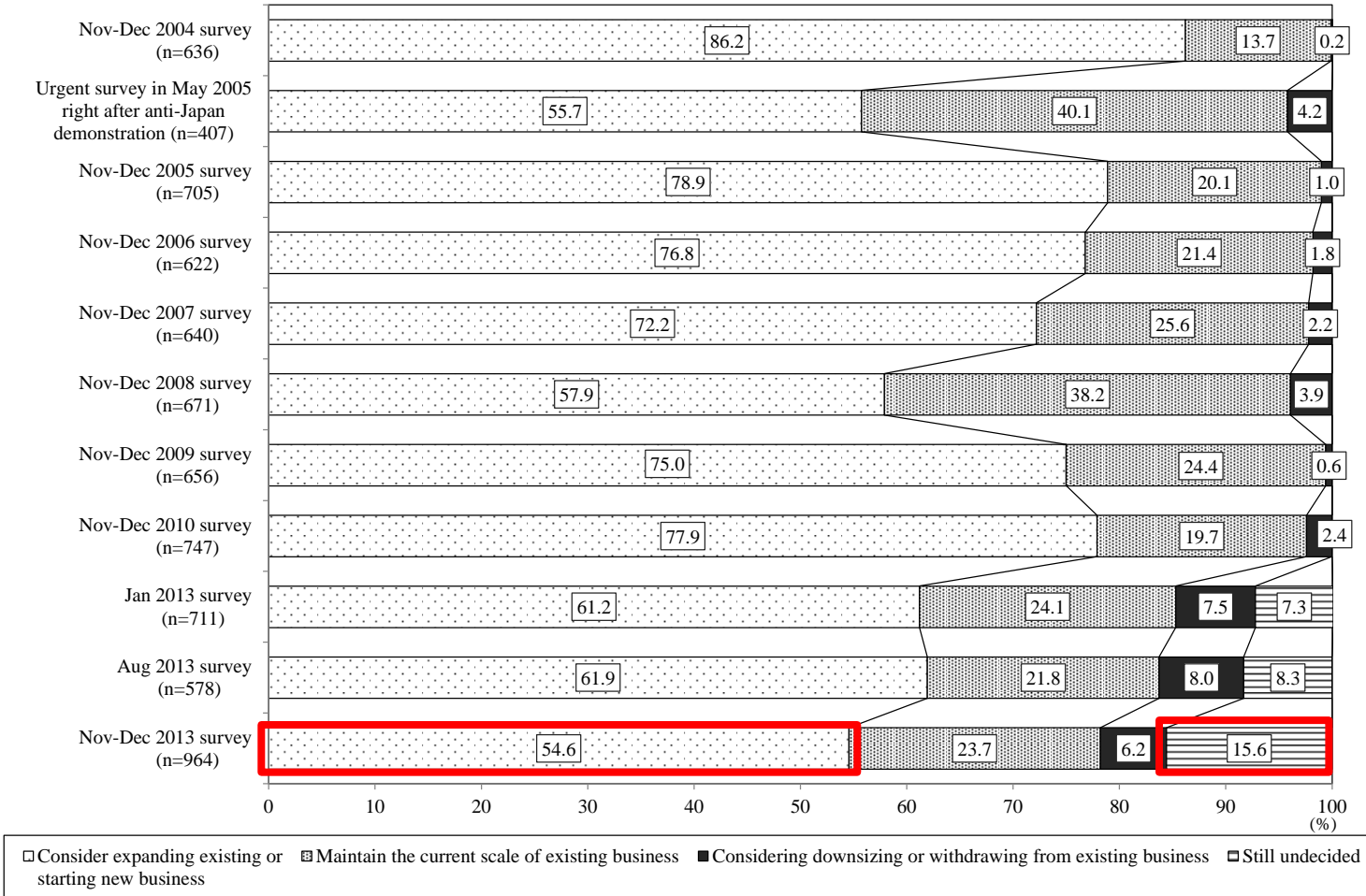


Notes: 1) Only responses from JETRO member firms were taken into account.
 2) The August 2013 survey refers to “JETRO’s Survey on the Operations of Japanese Firms in China” conducted between 9th and 23rd of August 2013.
 3) For the Jan 2013 and Nov-Dec 2013 surveys on the right, companies not engaged in business with China have been excluded from the numbers.

(4) Business in China - Future plans (time-series comparison)

- Regarding future business plans in China, the rate of respondents planning to expand existing operations or to consider new ones decreased to 54.6%, reaching record low levels.
- The percentage of firms reporting that they will consider “maintaining the current scale of existing business” or “downsizing or withdrawing from existing business” remained unchanged, while the rate of those responding that plans are “still undecided” increased to 15.6%, hitting a record high.

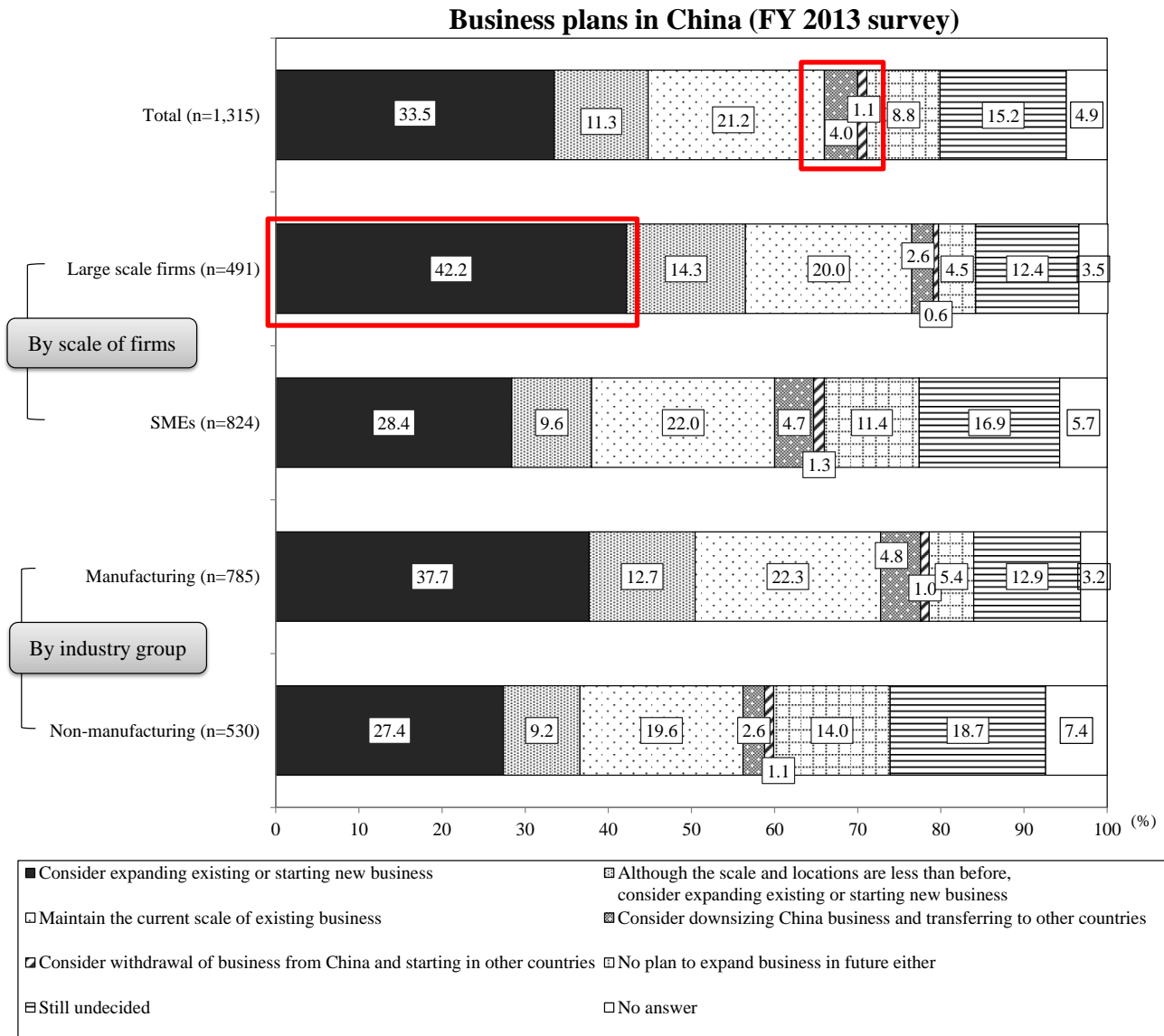
Business plans in China (time-series comparison)



Notes: 1) Only responses from JETRO member firms were taken into account. 2) In order to maintain continuity of the results of the FY2004 survey onward in time-series comparison, aggregation from FY2008 onward takes into account only the “manufacturing,” “trade & wholesale,” and “retail” industries. 3) The August 2013 survey refers to “JETRO’s Survey on the Operations of Japanese Firms in China” conducted between 9th and 23rd of August 2013. 4) The results have been aggregated, while partly adjusting question items which differ from year to year.

(4) Business in China - Future plans

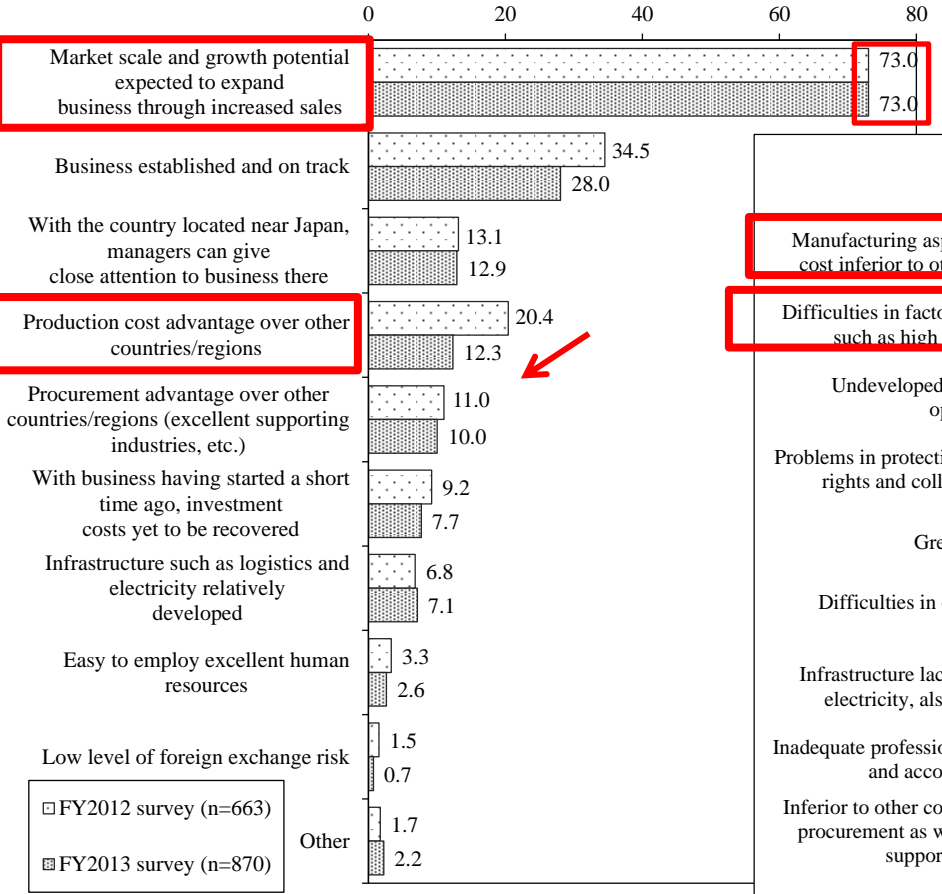
- The percentage of firms reporting that they will consider “downsizing” or “withdrawing from existing operations,” regardless of firm size or industry type, remained somewhere around 5%.
- Within the large-scale firms, the percentage reporting that they will consider “expanding existing business or starting new business” is relatively high.



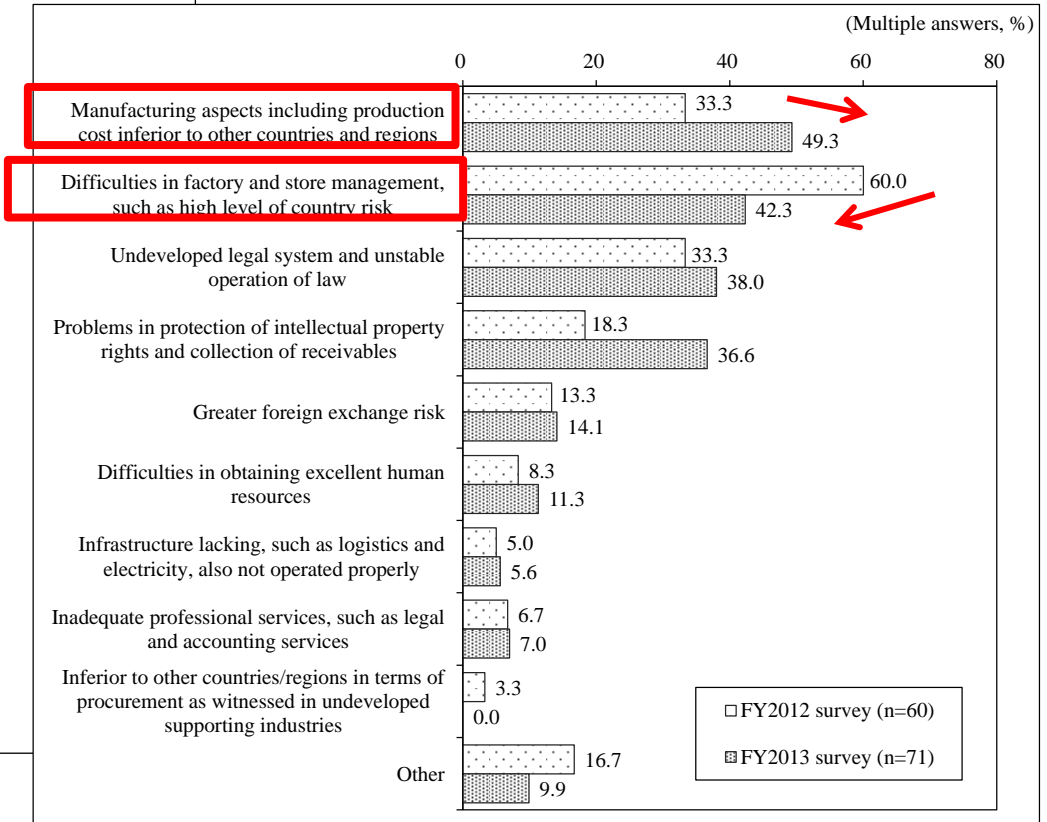
(4) Business in China - Reasons for expanding/continuing or downsizing/withdrawing from business

- Among reasons for expanding or continuing business in China, the most common one was “China’s market scale and growth potential” with 73.0%, continuing to top.
- Regarding reasons for considering downsizing or withdrawing business from China, the answer “manufacturing aspects including production cost inferior to other countries and regions” moved into top with 49.3%. “Country risk” declined from 60.0% in the FY2012 survey to 42.3%.

Reasons for expanding or continuing business in China



Reasons for considering downsizing or withdrawing business from China



Note: Only responses from JETRO member firms were taken into account.

(5) Business environment in emerging countries - Appealing points and advantages

- Regarding appealing points and advantages about the business environment in emerging countries, “market scale and growth potential” was cited most within all of the subject countries.
- Although rising labor costs are noted in Asia, “reasonable labor costs and the abundant workforce” there are still highly regarded.

Points appealing to business and advantages in emerging countries/regions

(Multiple answers, %)

	No.	Market scale and growth potential	Adequate infrastructure (electricity, transport, communications, etc.)	Quick procedures, etc.	Concentration of related industries	Concentration of client companies	Reasonable labor costs and the abundant workforce	High employee retention ratio	High quality employees	Abundant land /office space, cheap land/rent	Tax incentives (corporate tax, tariffs, etc.)	Plenty of investment incentives	Stable government/social conditions	Very little language or communication problems	Excellent living conditions for resident employees	Other
China	1,841	85.8	13.6	0.8	19.1	27.3	16.9	1.2	5.4	2.9	1.0	0.6	0.8	7.5	4.5	1.0
ASEAN (Note 3)	-	74.6	11.8	2.3	10.0	23.4	27.5	3.7	11.6	5.9	4.4	3.2	10.3	7.4	9.8	2.0
Thailand	1,372	73.5	23.9	3.9	20.4	39.1	18.6	4.4	13.7	4.7	7.8	7.6	7.3	4.9	21.4	1.7
Malaysia	710	63.9	20.1	4.2	8.5	18.7	10.7	3.1	9.4	4.5	3.7	1.7	22.0	14.1	15.1	2.7
Indonesia	1,015	87.5	4.2	1.0	8.5	26.0	26.0	2.0	3.8	4.4	2.1	1.4	6.5	3.1	3.4	2.0
Philippines	499	63.7	4.8	2.4	4.6	16.8	30.5	3.0	8.8	6.8	5.4	2.6	6.4	26.1	3.6	3.2
Vietnam	1,047	75.0	5.3	0.9	5.1	14.7	44.0	5.3	19.7	8.3	3.0	1.7	15.3	3.5	4.0	1.4
Myanmar	427	77.5	1.4	0.0	0.9	3.7	43.6	3.3	10.3	8.7	2.1	0.5	2.3	2.8	0.5	1.6
India	682	92.4	2.5	0.1	5.0	16.9	21.7	1.2	4.5	3.4	1.3	0.4	4.0	10.3	0.3	0.6
Mexico	274	85.0	6.2	1.5	9.9	35.4	17.2	1.8	3.3	2.9	3.3	2.6	7.7	1.5	0.4	1.1
Brazil	342	92.1	6.1	0.0	4.7	15.8	8.5	1.5	1.8	1.2	0.9	0.3	2.0	3.2	1.2	2.0
Russia	321	92.8	7.5	1.2	2.2	8.4	4.0	1.2	3.7	1.9	0.3	0.6	8.7	2.8	1.9	0.9
Turkey	218	81.2	11.0	0.0	6.4	13.8	6.0	3.7	9.2	2.3	1.8	0.9	8.3	4.6	3.7	4.1
South Africa	133	85.0	10.5	3.0	1.5	8.3	9.8	2.3	1.5	4.5	0.8	0.0	5.3	11.3	3.8	2.3

Notes: 1) The variable "No." indicates the total number of firms doing business or considering starting new business who reported the appeal or advantage of the respective country;

2) Each figure is the response ratio for the corresponding item, arrived at by dividing the number of positive responses by "No.";

3) The ASEAN value is the average of the total "No." of the 6 target countries.

4) Highlighted boxes represent advantages that recorded a response ratio of 20% or more.

(5) Business environment in emerging countries - Business risks and issues

○ Regarding business risks in emerging countries, China stood out with response rates exceeding 20% in nine items such as “political risk,” “intellectual property rights” and “labor cost.”

○ “Infrastructure”, “legal system” and “political risk” were cited as issues in a lot of emerging countries.

Business risks and issues in emerging countries/regions

(Multiple answers, %)

	No.	High level of exchange risk	Inadequate infrastructure	Undeveloped legal system and problems in application of laws	Related industries not concentrated nor developed	Problems in protection of intellectual property rights	High or rising labor costs	Labor shortage or difficulty in recruiting human resources	Labor difficulties	Insufficient land and office space, rising land prices and rent	Tax risks and problems	Risks and problems related to collection of receivables	Political risks or problems in social conditions and law and order	Consumer movement/boycott (consumer boycott, etc.)	Natural disaster risks or environmental pollution problems	No particular risk or problem identified
China	2,018	20.5	9.9	44.5	1.9	51.3	50.8	14.3	22.3	9.5	18.9	40.3	59.8	34.8	27.2	1.6
ASEAN (Note 3)	-	14.9	32.3	19.6	10.9	6.1	17.3	9.7	6.9	4.9	6.3	11.2	25.2	0.7	14.6	18.6
Thailand	1,217	13.1	9.1	7.1	2.1	4.5	29.3	19.6	5.4	5.4	4.4	7.1	46.4	1.0	28.8	14.1
Malaysia	566	11.8	11.7	7.1	7.1	4.9	17.8	9.5	5.3	2.1	2.5	9.9	5.7	0.9	3.4	40.5
Indonesia	886	21.8	41.5	24.5	9.4	6.4	19.9	6.2	13.9	6.3	11.1	12.9	22.6	0.8	12.8	15.7
Philippines	500	11.6	31.4	12.2	11.6	5.2	5.2	3.2	3.8	1.6	4.4	11.4	23.2	0.6	23.6	21.4
Vietnam	878	15.7	48.7	31.9	17.9	8.0	12.6	6.3	6.5	4.3	7.9	14.2	8.2	0.1	4.3	17.3
Myanmar	468	12.0	70.5	42.5	28.0	8.1	2.6	3.8	3.6	9.0	5.8	14.5	32.7	0.9	4.7	9.0
India	648	21.5	55.7	28.7	11.4	8.3	7.7	3.9	13.4	3.4	13.9	23.5	17.9	0.5	9.3	11.0
Mexico	276	17.0	14.9	7.2	7.6	4.0	5.8	6.5	7.2	1.8	6.5	14.1	32.2	0.4	1.4	30.8
Brazil	324	31.2	14.2	16.0	5.6	4.6	16.4	5.2	9.9	3.7	19.4	17.3	27.5	0.0	1.2	18.8
Russia	313	17.6	11.8	30.7	10.9	5.8	8.3	3.2	6.1	2.6	12.8	27.5	27.5	0.0	2.6	22.0
Turkey	220	15.9	7.3	6.8	9.1	3.6	6.4	2.7	1.8	0.5	3.6	14.1	20.5	0.0	2.3	39.1
South Africa	210	15.7	18.6	11.9	12.4	4.3	5.7	4.3	6.7	1.0	2.9	17.1	34.8	0.5	2.4	31.0

Notes: 1) The variable "No." indicates the total number of firms that are doing business or considering starting new business, who reported a risk or problem in the respective country;

2) Each figure is the response ratio for the corresponding risk item, arrived at by dividing the number of responses by "No.";

3) The ASEAN value is the average of the total "No." of the 6 target countries.

4) Highlighted frames represent risk items that recorded a response ratio of 20% or more.

(5) Business environment in emerging countries - Business risks and problems (by topic)

- In comparison with the previous year's survey, recognition of "exchange risk" increased in general as a business risk.
- In China, "exchange risk", "labor cost" and "environmental pollution" rose from the FY2012 survey.

Business risks and issues in emerging countries (ranking by topic, compared with the previous year's survey)

(Multiple answers, %)

	High level of exchange risk		Inadequate infrastructure		Undeveloped legal system and problems in application of laws		Related industries not concentrated nor developed		Problems in protection of intellectual property rights					
	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12				
Brazil	31.2	21.9	Myanmar	70.5	60.4	China	44.5	45.1	Myanmar	28.0	32.2	China	51.3	53.1
Indonesia	21.8	12.4	India	55.7	56.8	Myanmar	42.5	39.3	Vietnam	17.9	23.0	India	8.3	6.9
India	21.5	13.8	Vietnam	48.7	43.6	Vietnam	31.9	27.8	South Africa	12.4	14.4	Myanmar	8.1	8.7
China	20.5	12.3	Indonesia	41.5	36.4	Russia	30.7	32.7	Philippines	11.6	15.2	Vietnam	8.0	8.7
Russia	17.6	13.7	Philippines	31.4	28.6	India	28.7	29.6	India	11.4	18.5	Indonesia	6.4	6.5
Mexico	17.0	14.4	South Africa	18.6	20.1	Indonesia	24.5	27.2	Russia	10.9	12.0	Russia	5.8	7.4
Turkey	15.9	9.3	Mexico	14.9	15.6	Brazil	16.0	16.5	Indonesia	9.4	11.1	Philippines	5.2	6.4
Vietnam	15.7	14.2	Brazil	14.2	15.5	Philippines	12.2	15.6	Turkey	9.1	10.2	Malaysia	4.9	3.4
South Africa	15.7	13.9	Russia	11.8	18.7	South Africa	11.9	11.5	Mexico	7.6	9.6	Brazil	4.6	6.1
Thailand	13.1	10.4	Malaysia	11.7	10.0	Mexico	7.2	11.2	Malaysia	7.1	10.0	Thailand	4.5	4.8
Myanmar	12.0	8.7	China	9.9	11.6	Thailand	7.1	6.5	Brazil	5.6	7.1	South Africa	4.3	3.8
Malaysia	11.8	9.7	Thailand	9.1	10.5	Malaysia	7.1	6.8	Thailand	2.1	5.5	Mexico	4.0	3.6
Philippines	11.6	8.8	Turkey	7.3	10.7	Turkey	6.8	7.1	China	1.9	3.3	Turkey	3.6	3.1

	High or rising labor costs		Labor difficulties		Tax risks and problems		Risks and problems related to collection of receivables		Natural disaster risks or environmental pollution problems					
	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	FY12				
China	50.8	49.5	China	22.3	34.1	Brazil	19.4	19.5	China	40.3	45.6	Thailand	28.8	41.6
Thailand	29.3	30.1	Indonesia	13.9	22.1	China	18.9	23.2	Russia	27.5	25.0	China	27.2	4.8
Indonesia	19.9	21.0	India	13.4	23.7	India	13.9	15.0	India	23.5	23.1	Philippines	23.6	14.4
Malaysia	17.8	15.9	Brazil	9.9	13.5	Russia	12.8	16.9	Brazil	17.3	18.2	Indonesia	12.8	18.5
Brazil	16.4	14.5	Mexico	7.2	12.8	Indonesia	11.1	13.7	South Africa	17.1	12.9	India	9.3	5.3
Vietnam	12.6	18.1	South Africa	6.7	11.5	Vietnam	7.9	9.8	Myanmar	14.5	21.0	Myanmar	4.7	5.2
Russia	8.3	10.2	Vietnam	6.5	11.9	Mexico	6.5	7.6	Vietnam	14.2	15.7	Vietnam	4.3	3.4
India	7.7	7.9	Russia	6.1	9.2	Myanmar	5.8	9.3	Mexico	14.1	14.0	Malaysia	3.4	3.8
Turkey	6.4	6.2	Thailand	5.4	12.7	Philippines	4.4	8.3	Turkey	14.1	10.2	Russia	2.6	3.2
Mexico	5.8	6.0	Malaysia	5.3	9.3	Thailand	4.4	5.6	Indonesia	12.9	15.8	South Africa	2.4	2.9
South Africa	5.7	6.2	Philippines	3.8	8.8	Turkey	3.6	5.3	Philippines	11.4	15.4	Turkey	2.3	5.3
Philippines	5.2	7.3	Myanmar	3.6	9.6	South Africa	2.9	4.8	Malaysia	9.9	11.9	Mexico	1.4	4.0
Myanmar	2.6	3.3	Turkey	1.8	4.9	Malaysia	2.5	4.9	Thailand	7.1	9.9	Brazil	1.2	2.4

[n (FY13) = China: 2,018, Thailand: 1,217, Malaysia: 566, Indonesia: 886, Philippines: 500, Vietnam: 878, India: 648, Myanmar: 468, Mexico: 276, Brazil: 324, Russia: 313, Turkey: 220, South Africa: 210]

[n (FY12) = China: 1,304, Thailand: 750, Malaysia: 472, Indonesia: 615, Philippines: 409, Vietnam: 612, India: 507, Myanmar: 366, Mexico: 250, Brazil: 297, Russia: 284, Turkey: 225, South Africa: 209]

Notes: 1) The variable "n" indicates the total number of firms that are doing business or considering starting new business in the respective country.

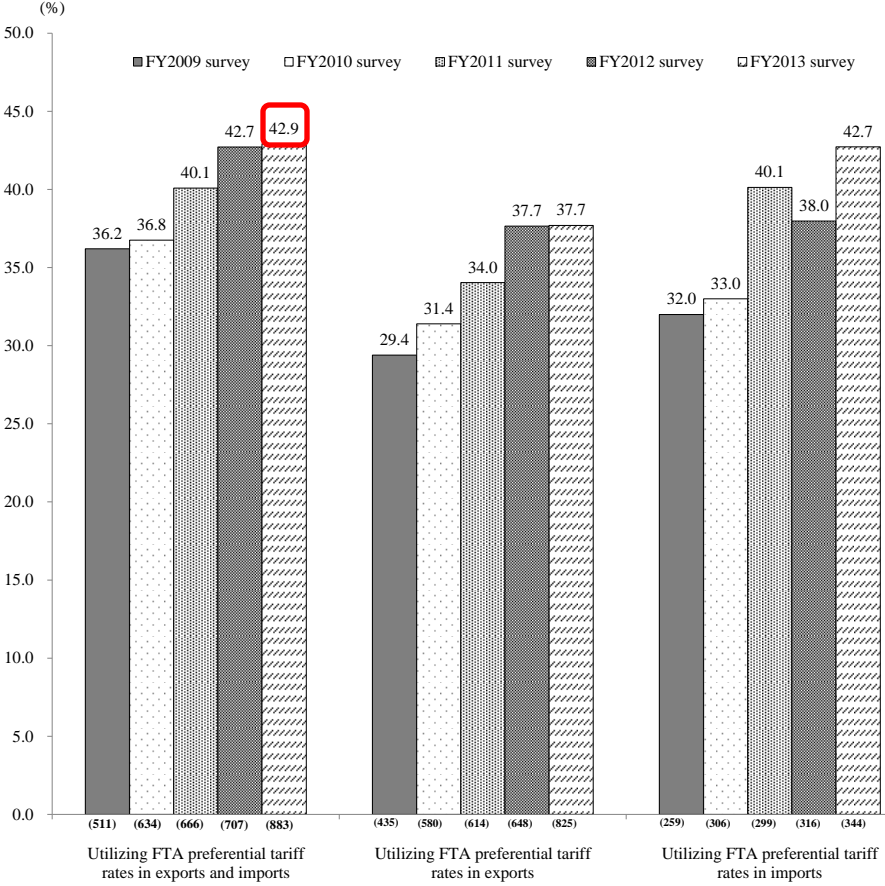
2) "Natural disaster risks or environmental pollution problems" was only reported as "Natural disaster risks" in FY 2012.

(6) Free trade agreement (FTA) utilization - Status of FTA utilization by Japanese firms

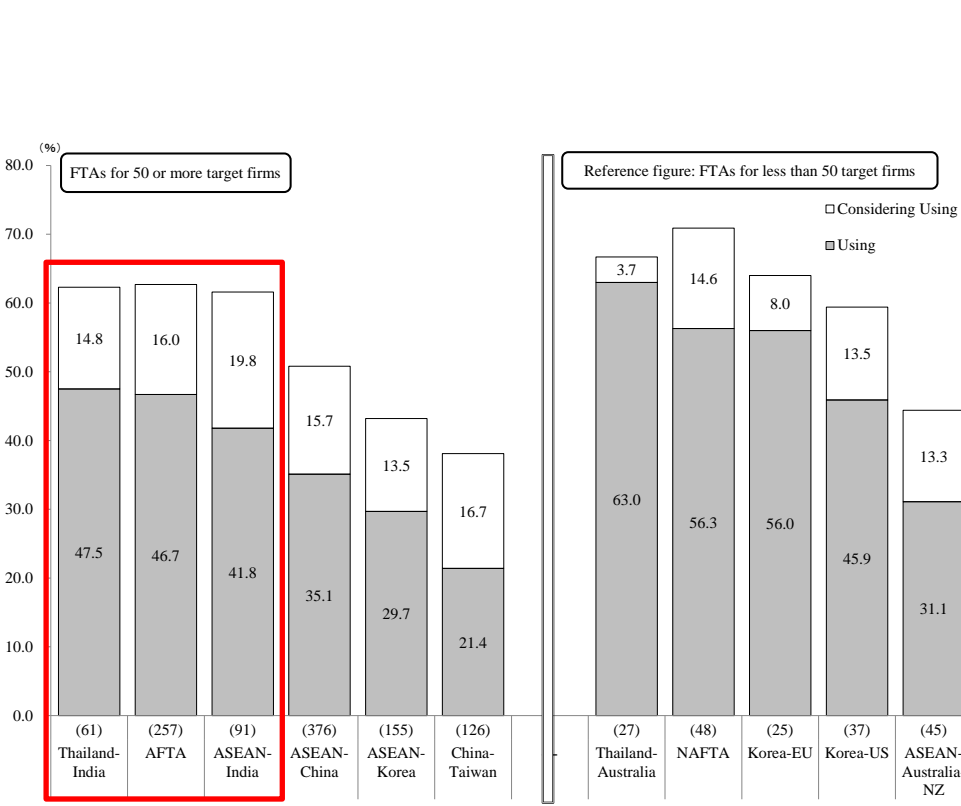
○ The FTA utilization rate (including exports and imports) in Japan showed a continuation of the annual rise. This survey marked 42.9%.

○ As for the utilization rate of FTAs between third countries, the FTA between Thailand and India posted the highest utilization rate, followed by AFTA and the ASEAN-India FTA. In particular, FTAs in collaboration with India as a signatory country were highly utilized.

The FTA utilization rate in Japan



The FTA utilization rate between third countries (FY2013)



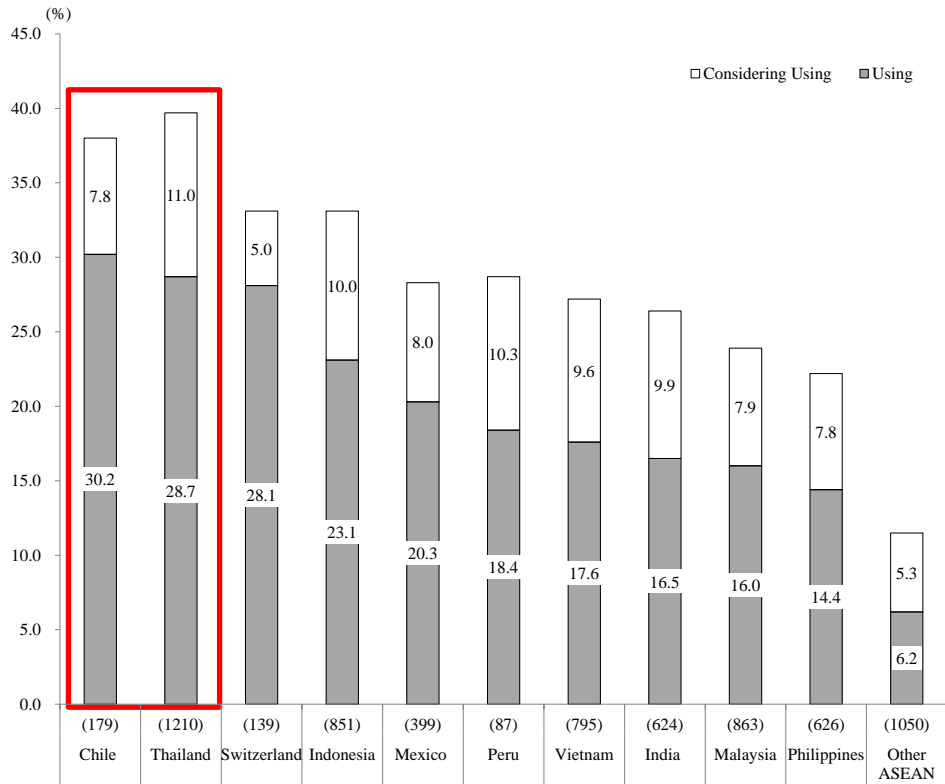
Notes: 1) The numbers in parentheses indicate the number of firms (target firms) engaged in trade within or between the respective countries/regions.
 2) FTAs with less than 50 target firms are shown on the right in the reference result.

[Note] The number in parentheses indicate the number of firms engaged in export or import with one or more of the target countries and regions (Mexico, Malaysia, Chile, Thailand, Indonesia, Philippines, Other ASEAN, Switzerland, Vietnam, India and Peru. However, India is covered only by surveys from FY 2011 and Peru from FY 2012). In order for a comparison with the past surveys to be made, only JETRO member firms operating in the manufacturing, trade and wholesale, and retail industries were the subjects of the survey. Although Japan has concluded bilateral FTAs with Singapore and Brunei, they are included under ASEAN.

(6) Free trade agreement (FTA) utilization - Utilization status and issues in export

○ Regarding exports from Japan, the utilization rate of the bilateral FTAs with Chile and Thailand were high.
 ○ The most common problem when exporting from Japan was of the “certificate issuance application required on every occasion of exporting.”

Japan’s FTAs utilization rate by exporters



Note: The numbers in parentheses indicate the number of firms exporting to that country.

Problems faced by exporters using FTAs

