

Overview

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

February 2010
Asia and Oceania Division
Overseas Research Department
Japan External Trade Organization (JETRO)

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Survey Summary

Purpose of Survey

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

Survey Methods

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

Survey Period

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

Response Rate

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

Remarks

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

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

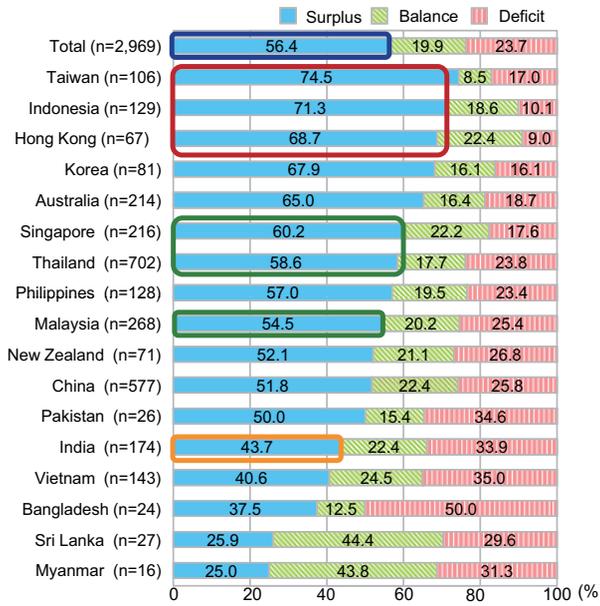
(Companies, %)

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

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1. Estimated Operating Profit (1)

Estimated operating profit for 2009 by country/region



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

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

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

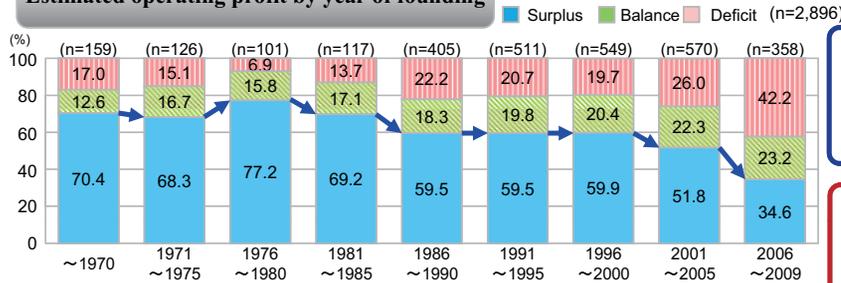
- The percentage of firms in India expecting a profit fell below 50% for the first time since the survey began.
- This was due mainly to sharp falls in sectors that account for a high percentage, such as motor vehicles and motorcycle parts & accessories, trading firms and sales companies.

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

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1. Estimated Operating Profit (2)

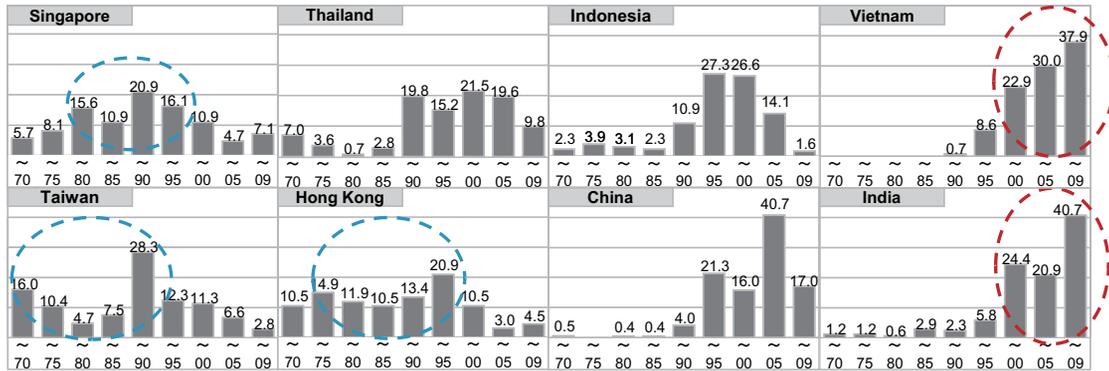
Estimated operating profit by year of founding



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

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

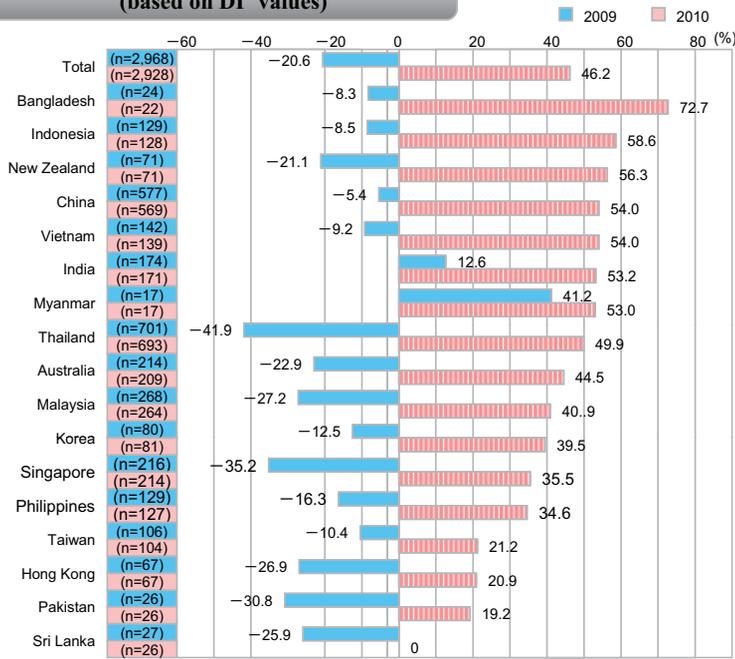
Distribution of No. of Years Since Establishment by Country/Region



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1. Estimated Operating Profit (3)

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



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

Industries with higher percentage of firms expecting profits to "worsen"

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

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

Industries with higher percentage of firms expecting profits to "improve"

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

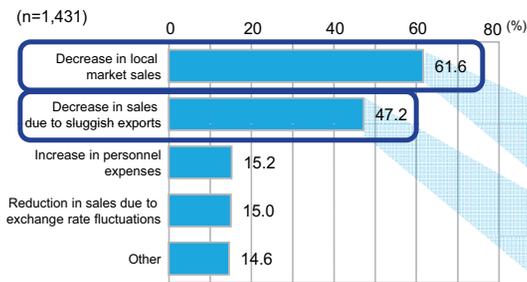
*Note: DI or "diffusion Index" refers to the difference obtained by subtracting the percentage of companies replying profits would "Worsen" from the percentage replying profits would "Improve."

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

1. Estimated Operating Profit (4)

Reasons for improvement or decline

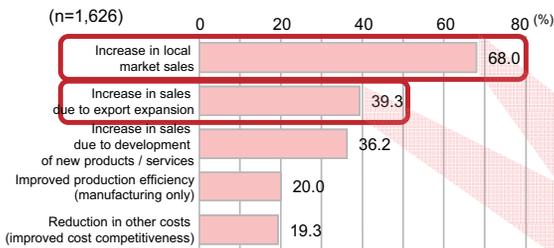
Reasons for decline in operating profit in 2009



Response percentage by country/region and industry

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

Reasons for improvement in operating profit in 2010

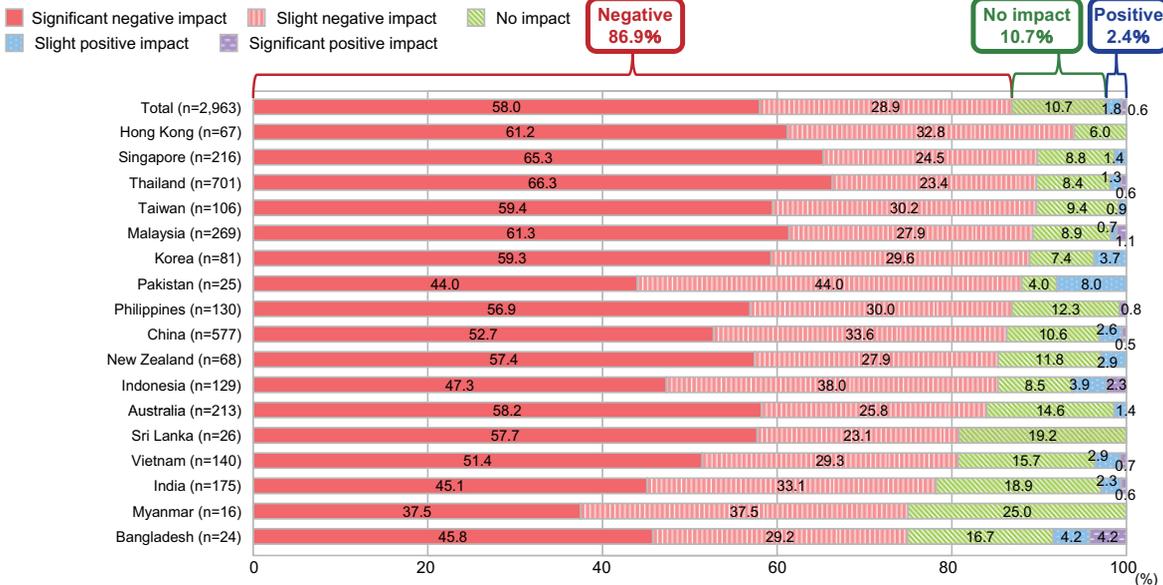


By country/region	Industry	
	Manufacturing	Non-manufacturing
India (84.1%) Korea (77.3%) Thailand (76.1%)	Chemical and petroleum products (82.1%) Iron and steel (79.0%) Motor vehicle and motorcycle parts and accessories (77.9%)	Sales companies (81.3%) Trading companies (75.1%)
Philippines (64.2%) Singapore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

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

2. Impact of Economic Recession (1)

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

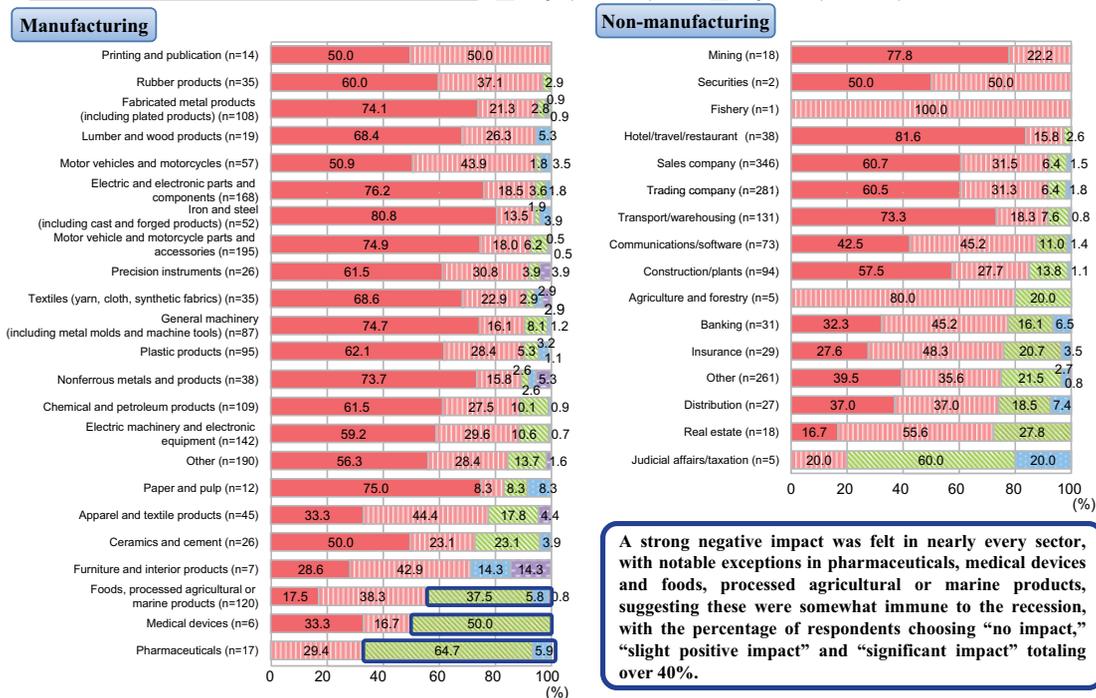


- A large majority of respondents (86.9%) report being negatively affected by the global economic recession, with 58.0% citing "significant negative impact" and 28.9% citing "slight negative impact."
- Firms in Hong Kong, Singapore and Thailand ranked highest in terms of the percentage of firms reporting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

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2. Impact of Economic Recession (2)

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

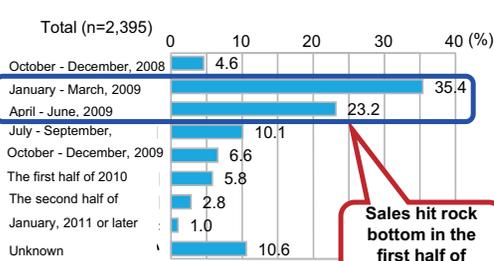


A strong negative impact was felt in nearly every sector, with notable exceptions in pharmaceuticals, medical devices and foods, processed agricultural or marine products, suggesting these were somewhat immune to the recession, with the percentage of respondents choosing "no impact," "slight positive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

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2. Impact of Economic Recession (3)

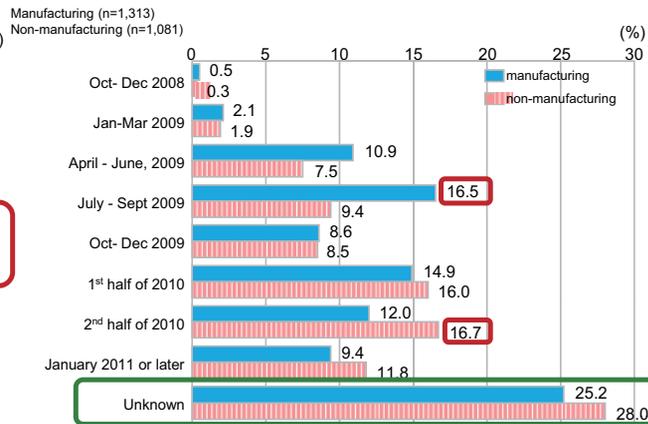
Period when sales bottomed out



Sales hit rock bottom in the first half of 2009

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

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



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

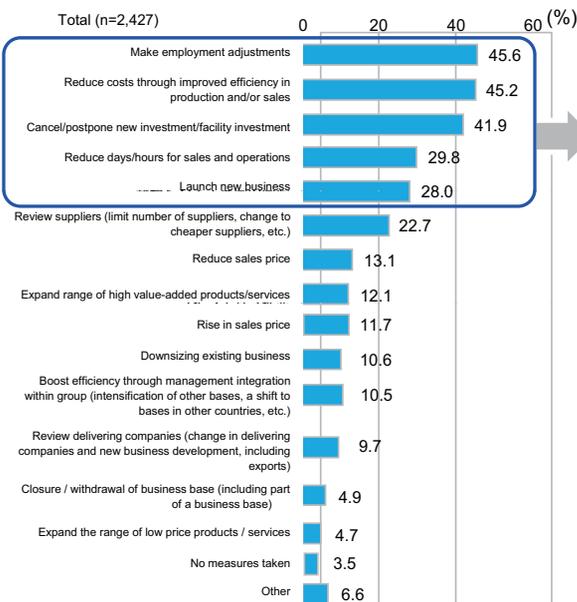
April - June 2009	July - Sept 2009	Oct- Dec 2009	1st half of 2010	2nd half of 2010
Korea (19.4)	Philippines (25.5) Indonesia (22.9) China (20.6) Taiwan (16.9) Vietnam (14.6)	Taiwan (16.9)	Myanmar (25.0) Malaysia (20.4) India (20.0) Hong Kong (18.8) Thailand (17.2) Australia (14.9) Vietnam (14.6)	Bangladesh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

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

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2. Impact of Economic Recession (4)

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



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

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

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

Other measures sampled from free answers

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

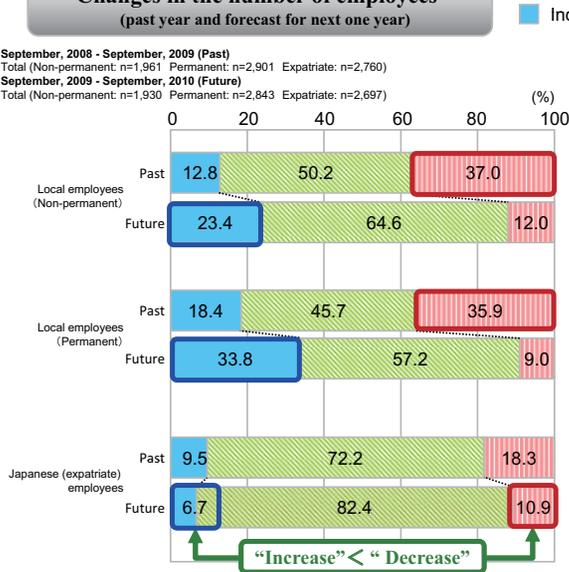
- Asked about measures companies took since the global recession (multiple answers allowed), top answers were "make employment adjustments" (45.6%), "reduce costs through improved efficiency in production and sales" (45.2%), "cancel or postpone new investment / facility investment" (41.9%), "reduce days/hours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

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2. Impact of Economic Recession (5)

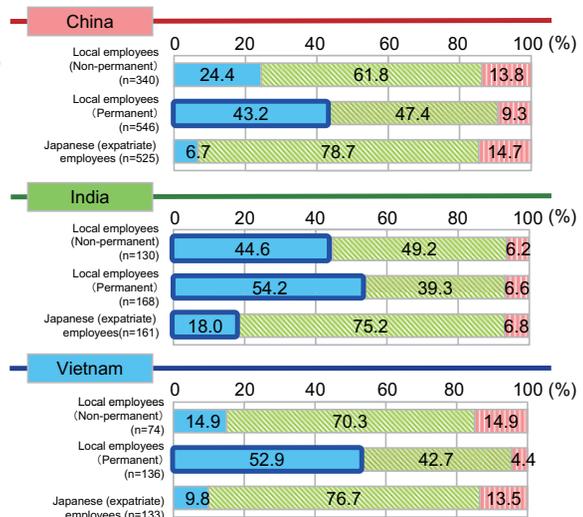
Changes in the number of employees (past year and forecast for next one year)

September, 2008 - September, 2009 (Past)
Total (Non-permanent: n=1,961 Permanent: n=2,901 Expatriate: n=2,760)
September, 2009 - September, 2010 (Future)
Total (Non-permanent: n=1,930 Permanent: n=2,843 Expatriate: n=2,697)



■ Increase ■ No change ■ Decrease

Forecast for changes in employee numbers in next one year

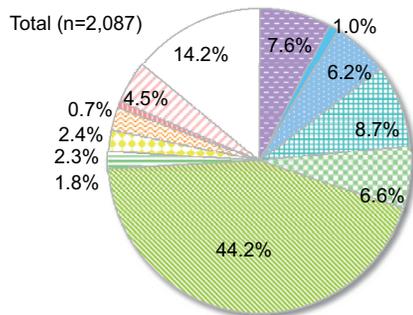


- Nearly 40% of respondents chose to reduce staff in response to the global recession (37.0% for non-permanent local employees and 35.9% for permanent local employees) in the year to September 2009. But looking ahead to the next one year, a good percentage of these reductions will be offset by planned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

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2. Impact of Economic Recession (6)

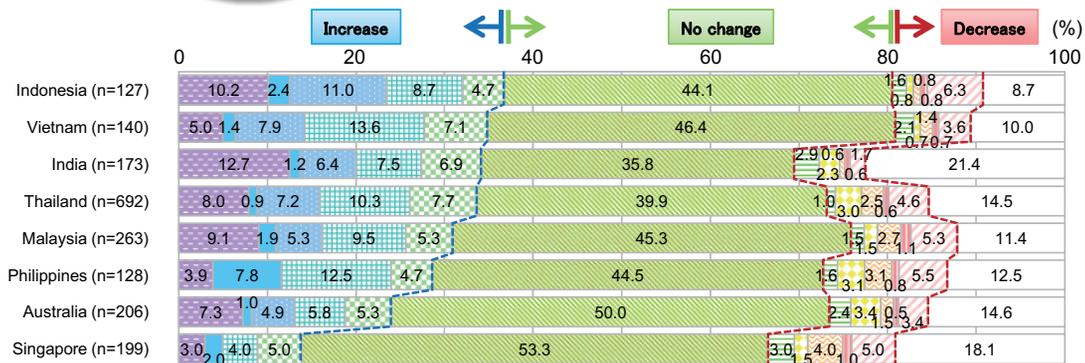
Prospects for capital investment over the next one year (October 2009 - September 2010) in comparison with the past year (October 2008 - September 2009)



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



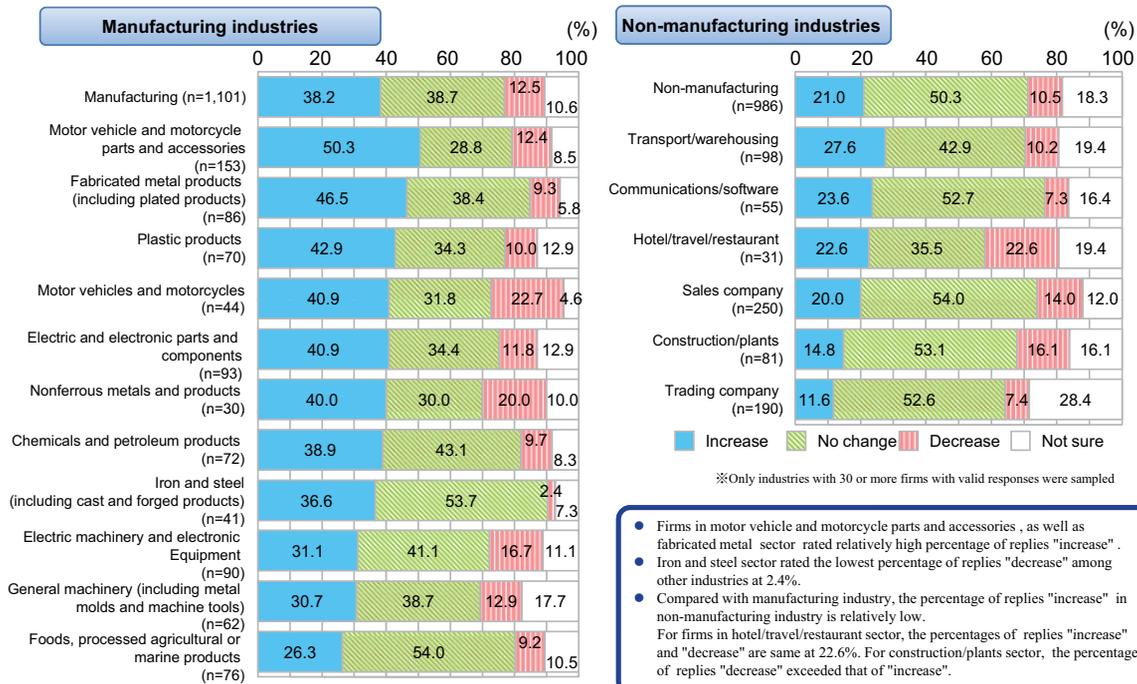
- Indonesia, Vietnam, India and several other countries had a high rate of firms, which answered that they are going to increase capital investment in the future. Among them, in Indonesia and India, more than 10% of the firms answered that they were going to make an increase of 50% or more.
- Notably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



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2. Impact of Economic Recession (7)

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



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3. Business Problems (1)

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



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3. Business Problems(2)

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

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

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3. Business Problems (3)

Problems with labor or employment (multiple answers allowed)

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

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3. Business Problems (4)

Problems in foreign trade system (multiple answers allowed)

China (n=466) 1st 58.6% Complicated customs clearance procedures 2nd 44.0% Time-consuming customs procedures 3rd 39.7% Lack of thorough publicizing of trade rules and regulations	Vietnam (n=126) 1st 76.2% Complicated customs clearance procedures 2nd 54.0% Time-consuming customs procedures Also 2nd 54.0% Lack of thorough publicizing of trade rules and regulations	Thailand (n=541) 1st 35.9% Method of assessment of customs duties is unclear 2nd 34.4% Lack of thorough publicizing of trade rules and regulations 3rd 30.9% Criteria for determining classification for customs duties are obscure	Singapore (n=86) 1st 19.8% Complicated customs clearance procedures 2nd 10.5% Time-consuming customs procedures Also 2nd 10.5% Lack of thorough publicizing of trade rules and regulations	Philippines (n=99) 1st 42.4% Time-consuming customs procedures 2nd 39.4% Complicated customs clearance procedures 3rd 37.4% Lack of thorough publicizing of trade rules and regulations
Myanmar (n=13) 1st 76.9% Complicated customs clearance procedures 2nd 69.2% Lack of thorough publicizing of trade rules and regulations 3rd 46.2% Time-consuming customs procedures Method of assessment of customs duties is unclear	Malaysia (n=171) 1st 36.3% Lack of thorough publicizing of trade rules and regulations 2nd 28.7% Complicated customs clearance procedures Also 2nd 28.7% Time-consuming customs procedures	Indonesia (n=111) 1st 58.6% Lack of thorough publicizing of trade rules and regulations 2nd 57.7% Complicated customs clearance procedures 3rd 46.0% Time-consuming customs procedures	Pakistan (n=17) 1st 35.3% Method of assessment of customs duties is unclear Also 1st 35.3% Criteria for determining classification for customs duties are obscure 3rd 29.4% Time-consuming customs procedures Lack of thorough publicizing of trade rules and regulations	Sri Lanka (n=21) 1st 68.0% Complicated customs clearance procedures 2nd 59.9% Time-consuming customs procedures 3rd 39.5% Lack of thorough publicizing of trade rules and regulations
India (n=147) 1st 68.0% Complicated customs clearance procedures 2nd 59.9% Time-consuming customs procedures 3rd 39.5% Lack of thorough publicizing of trade rules and regulations	Bangladesh (n=17) 1st 58.8% Complicated customs clearance procedures Also 1st 58.8% Time-consuming customs procedures 3rd 52.9% Lack of thorough publicizing of trade rules and regulations	Australia (n=97) 1st 24.7% Time-consuming customs procedures Also 1st 24.7% Strict quarantine system 3rd 13.4% Complicated customs clearance procedures Criteria for determining classification for customs duties are obscure	New Zealand (n=26) 1st 19.2% Strict quarantine system 2nd 11.5% Complicated customs clearance procedures Also 2nd 11.5% Unclear inspection system High non-tariff barriers	

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3. Business Problems (5)

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

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

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3. Business Problems (6)

Problems in the localization of management (multiple answers allowed)

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

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

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4. Investment Environment (1)

Advantages in the investment environment (multiple answers allowed)

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

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

Country	Upper manufacturing Lower non-manufacturing	1st	2nd	3rd	
Indonesia	n=83	Market scale / Growth potential (66.3)	An abundance of staff due to low costs(45.8) Stable political and social conditions(22.5)	Plenty of partner companies (delivering companies)(21.7)	In India, notably a developing market, and in Indonesia with its largest population in ASEAN, "Market scale / Growth potential" was pointed as number one merit in both manufacturing and non-manufacturing industries.
	n=40	Market scale / Growth potential (92.5)	Plenty of partner companies (delivering companies)(same as above) An abundance of staff due to low costs(same as above)	English is widely spoken (7.6)	
Malaysia	n=164	Stable political and social conditions(72.0)	English is widely spoken (68.9)	A good living environment for expatriate staff (36.6)	In Malaysia, Singapore, Vietnam, Australia and New Zealand, "Stable political and social conditions" was highly evaluated.
	n=95	English is widely spoken(76.8)	Stable political and social conditions(71.6)	A good living environment for expatriate staff (46.3)	
Philippines	n=88	English is widely spoken (86.2)	An abundance of staff due to low costs(40.9)	Tax incentives※1 (35.2)	More than 40% of respondents in Thailand pointed "Plenty of partner companies (delivering companies)", while the percentage of respondents in other countries who referred to the advantage remained around 10 - 20%. This shows that Thailand has an ample cluster of industry.
	n=39	English is widely spoken (76.9)	An abundance of staff due to low costs (48.7)	High quality staff(23.1)	
Singapore	n=58	Stable political and social conditions(86.2)	A good living environment for expatriate staff (63.8)	English is widely spoken (60.3)	
	n=155	Stable political and social conditions(88.4)	Possible to communicate in English (63.9)	A good living environment for expatriate staff (59.4)	
Thailand	n=409	Plenty of partner companies (delivering companies)(47.4)	A good environment for expatriate staff (44.3)	Market scale / Growth potential (40.6)	
	n=273	Market scale / Growth potential(64.5)	Plenty of partner companies (delivering companies)(43.6) A good living environment for expatriate staff (same as above)	Developed infrastructure※2 (20.5)	
Vietnam	n=90	Stable political and social conditions(61.1)	An abundance of staff due to low costs(38.9) Market scale / Growth potential(same as above)	Tax incentives※1 (24.4)	
	n=48	Stable political and social conditions(70.8)	Market scale / Growth potential(64.6)	An abundance of staff due to low costs(35.4)	
India	n=77	Market scale / Growth potential(75.3)	English is widely spoken (55.5)	Stable political and social conditions (24.7)	
	n=92	Market scale / Growth potential(91.3)	English is widely spoken (66.3)	Stable political and social conditions (22.8)	
Australia	n=46	Stable political and social conditions (89.1)	English is widely spoken (45.7)	Developed infrastructure※2 (41.3)	
	n=155	Stable political and social conditions(82.6)	English is widely spoken (41.3)	A good living environment for expatriate staff (33.6)	
New Zealand	n=16	Stable political and social conditions(75.0)	Developed infrastructure※2 (18.8) High quality staff(23.1)(same as above)	Market scale / Growth potential(12.5)	
	n=49	Stable political and social conditions(87.8)	English is widely spoken (same as above) English is widely spoken(42.9)	Developed infrastructure※2 (28.6)	

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

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