

# Survey of Japanese-Affiliated Firms in Asia and Oceania (FY 2010 Survey)

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Asia and Oceania Division  
China and North Asia Division  
Overseas Research Department

Japan External Trade Organization (JETRO)



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# Survey Summary (1)

## 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 those 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

- August 2nd - September 15th, 2010

## Response Rate

- A total of 7,319 Japanese-affiliated firms in 18 countries/regions in Asia and Oceania (listed to the right by region) were sent questionnaires, with 3,486 offering valid responses, a 47.6% response rate.

## Notes

- Since the figures in these tables have been rounded off, they may not add up to 100%.
- Data from Taiwan were collected with the help of the Interchange Association, Japan (IAJ).

(Firms, %)

	Firms Surveyed	Firms Responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
<b>Total</b>	7,319	3,486	100.0	1,951	1,535	47.6
<b>Northeast Asia</b>	1,867	1,105	31.7	644	461	59.2
China	1,359	806	23.1	514	292	59.3
Taiwan	265	129	3.7	68	61	48.7
Korea	94	85	2.4	47	38	90.4
Hong Kong	149	85	2.4	15	70	57.0
<b>ASEAN</b>	4,164	1,865	53.5	1,111	754	44.8
Thailand	1,437	831	23.8	533	298	57.8
Malaysia	927	336	9.6	200	136	36.2
Singapore	751	241	6.9	71	170	32.1
Philippines	267	149	4.3	97	52	55.8
Vietnam	317	145	4.2	104	41	45.7
Indonesia	418	130	3.7	95	35	31.1
Myanmar	21	21	0.6	7	14	100.0
Cambodia	26	12	0.3	4	8	46.2
<b>Southwest Asia</b>	825	254	7.3	126	128	30.8
India	678	203	5.8	94	109	29.9
Sri Lanka	66	23	0.7	12	11	34.8
Bangladesh	52	16	0.5	11	5	30.8
Pakistan	29	12	0.3	9	3	41.4
<b>Oceania</b>	463	262	7.5	70	192	56.6
Australia	342	170	4.9	49	121	49.7
New Zealand	121	92	2.6	21	71	76.0

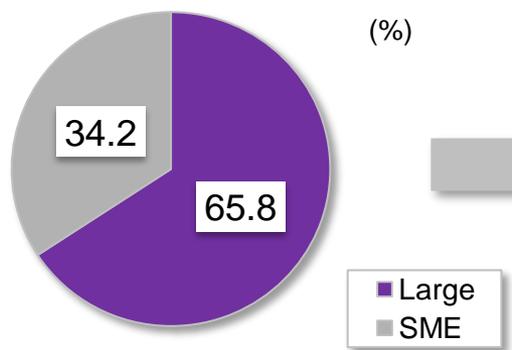


# Survey Summary (2)

## By Industry Category (Firms, %)

	Valid	(%)
<b>Manufacturing</b>	<b>1,951</b>	<b>56.0</b>
Electric machinery	396	11.4
Motor vehicles/Motorcycles	305	8.7
Chemical/Pharmaceutical	261	7.5
Iron/Nonferrous metals/Metals	210	6.0
Food	128	3.7
General machinery	110	3.2
Textiles	101	2.9
Rubber/Leather	48	1.4
Precision machinery	47	1.3
Wood/Pulp	29	0.8
Other manufacturing	316	9.1
<b>Non-manufacturing</b>	<b>1,535</b>	<b>44.0</b>
Wholesale/Retail	716	20.5
Transport	160	4.6
Construction	103	3.0
Communications/Software	79	2.3
Finance/Insurance	70	2.0
Other non-manufacturing	407	11.7

## Large vs. Small and Medium sized Enterprise (SME) (%)



Note: Industry category details are as follows:

- 1. Food:** Food and processed food and fisheries products
- 2. Textiles:** Fibers (yarn, fabrics, chemical fibers), clothing and other textile products
- 3. Wood/pulp:** Lumber, wood products, paper, pulp
- 4. Chemical/Pharmaceutical:** Chemical, petrochemical, pharmaceutical and plastics products
- 5. Iron/Non-ferrous metals/Metals:** Ferrous metals (including castings), non-ferrous metals, metal products (including plated products)
- 6. General machinery:** Including machine tools, molds, and general machinery
- 7. Electric machinery:** Electrical machinery, electronic devices, electrical and electronic components
- 8. Motor vehicles/Motorcycles:** Transport equipment (cars, trucks, motorcycles) and parts
- 9. Precision machinery:** Precision machinery and medical devices
- 10. Wholesale/Retail:** Trading companies, logistics, sales companies
- 11. Finance/Insurance:** Banks, insurance companies, securities brokers

## Firms by Country/Region (Firms)

	Large	SME
<b>Total</b>	<b>2,293</b>	<b>1,193</b>
<b>Northeast Asia</b>	<b>758</b>	<b>347</b>
China	501	305
Taiwan	109	20
Hong Kong	75	10
Korea	73	12
<b>ASEAN</b>	<b>1,136</b>	<b>729</b>
Thailand	469	362
Malaysia	194	142
Singapore	197	44
Philippines	92	57
Vietnam	78	67
Indonesia	92	38
Myanmar	8	13
Cambodia	6	6
<b>Southwest Asia</b>	<b>203</b>	<b>51</b>
India	174	29
Sri Lanka	12	11
Bangladesh	5	11
Pakistan	12	0
<b>Oceania</b>	<b>196</b>	<b>66</b>
Australia	131	39
New Zealand	65	27

# Key Points

## **(1) Nearly 60% of firms report rising profits. 2010 first turn to the better in three years.**

Nearly 60% of firms responding to our survey report expectations of rising profits in 2010 (versus 28.6% in FY09 survey). Materials costs, inflation and financial crisis weakened profits in 2008 and 2009, making this a sign of strong recovery. The most important reason is growing sales in local markets, with projections of even better sales in 2011.

## **(2) More than 60% of firms report plans to expand their business in the next 1-2 years.**

We see clear signs of business expansion driven by rising profits, primarily in emerging markets. The proportion of firms intending to expand their businesses has risen more than 10% since our FY09 survey. In the largest number of cases, expansion is expected to take the form of developing new markets, i.e., by strengthening sales/retail networks.

## **(3) More effort is going into developing sales channels to reach local markets and local firms, as opposed to exports.**

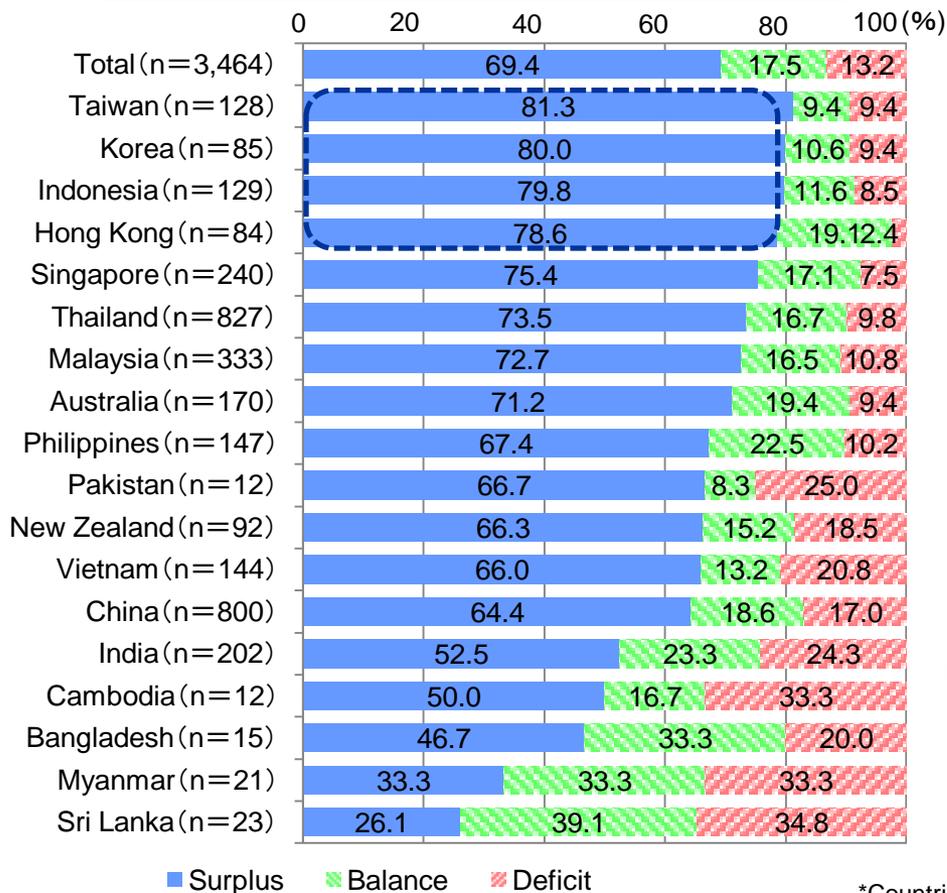
Firms are giving priority to developing local markets over increasing exports. Targets are shifting from Japan-based firms to local firms or firms from other countries operating locally. There is also a trend to targeting low-income, low-price consumer segments.

## **(4) The biggest issue is cutting costs to offset rising average salaries.**

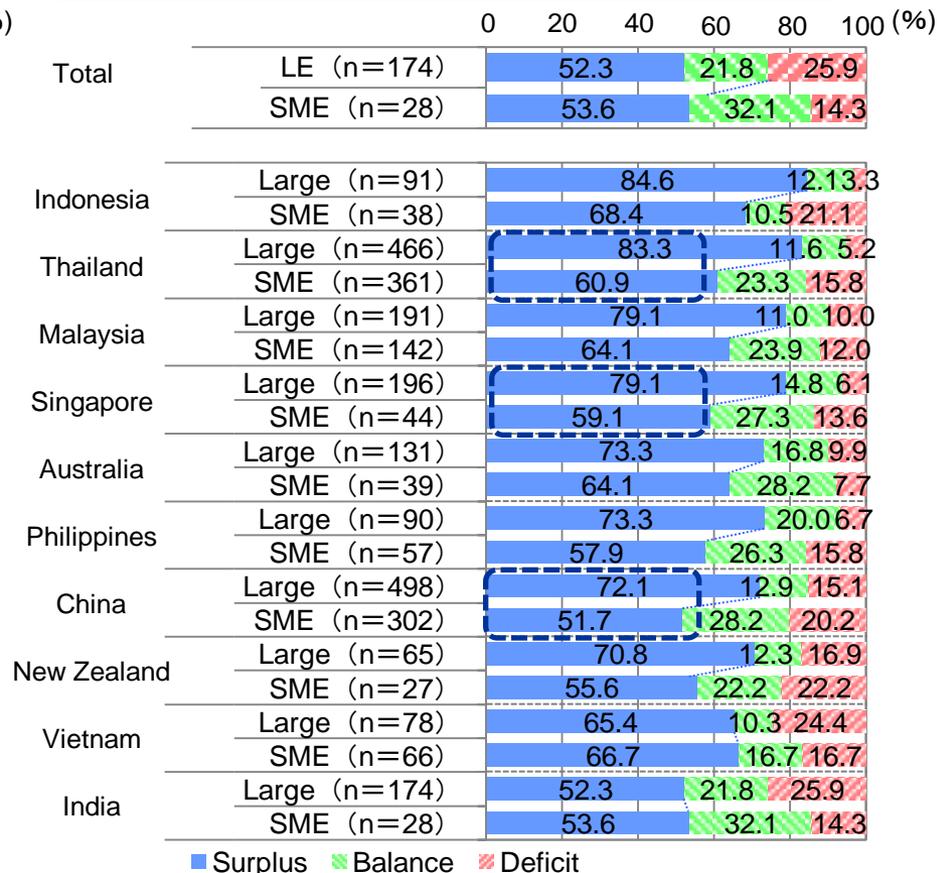
Firms in six of our 18 countries and regions report double-digit increases in average salaries compared to previous year. Increase in employee wage are the greatest problem facing management in most countries and regions. Competitor's market share growing (cost-wise competition) and rising procurement costs are also becoming more severe. Firms entering the market are increasing local content in an effort to reduce costs.

# 1. Business Outlook (1)

Estimated operating profit in 2010 (by country/region)



Estimated operating profit in 2010 (by country/industry scale)



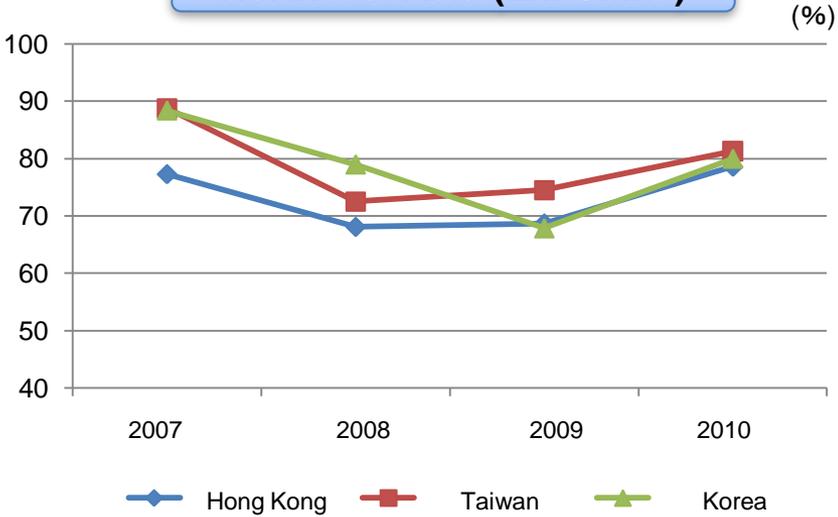
\*Countries in which the total of small and medium-sized firms was under 20 were excluded.

- 69.4% of firms expect their operating profit to be in the black in 2010. This figure is 13% higher than the 56.4% reported in 2009 (FY09 survey, n=2,969).
- Compared with 2009, firms in 17 countries and regions expected to be in the black (Cambodia was not surveyed in FY09 survey). As in 2009, the highest expectations of being in the black are in Taiwan, Korea, Indonesia, and Hong Kong. In Indonesia, Thailand, and Malaysia, a higher proportion of the major industrial sectors including wholesale/retail, motor vehicles/motorcycles, and electric machinery foresee profits rising, a 15%-18% increase year-on-year. In Vietnam, the relatively strong performance by motor vehicles/motorcycles and chemicals/pharmaceuticals affected the results for the whole (from 40.6% in 2009 to 66% in 2010 expecting to see higher profits).
- 75.2% of large firms expect to be in the black, as compared to 58.3% of small and medium size firms. In Thailand, Singapore and China, the proportion of large firms expecting to be in the black is 20% higher than than of smaller firms. In contrast, the proportions are roughly equal in Vietnam and India.

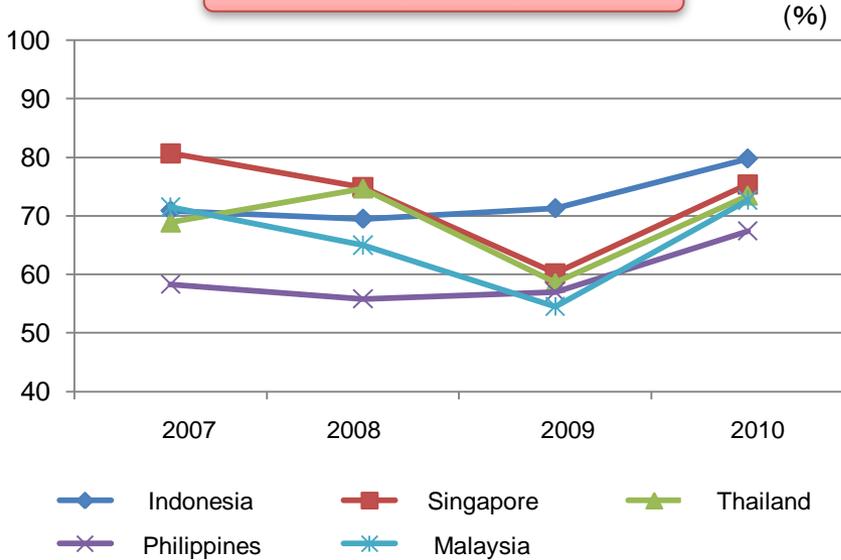
# 1. Business Outlook (2)

Proportion of Profitable Enterprises—2007 to 2010 (by country/region)

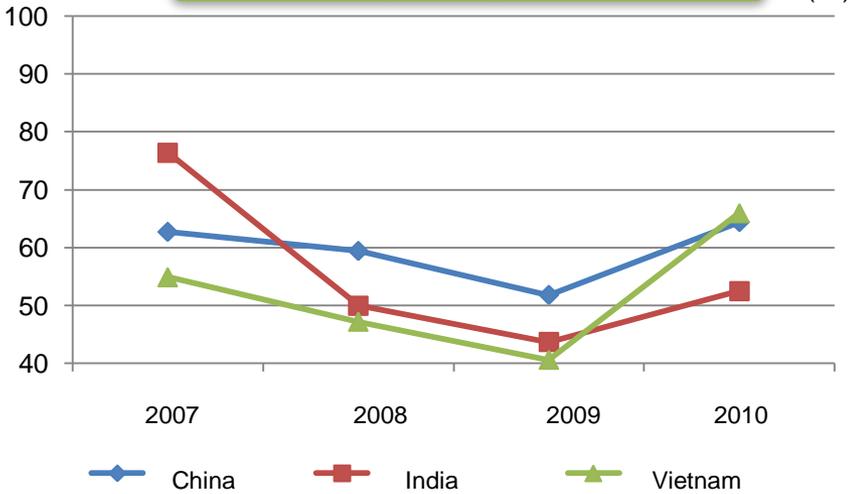
Northeast Asia (Ex. China)



ASEAN 5



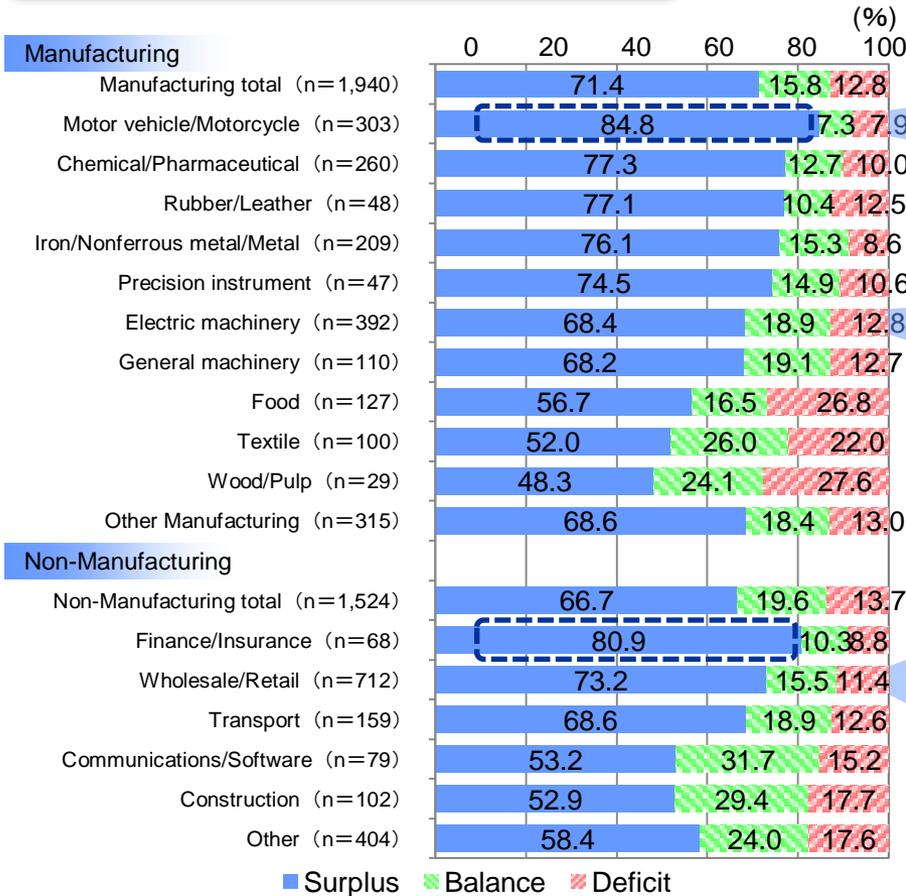
China, India, Vietnam



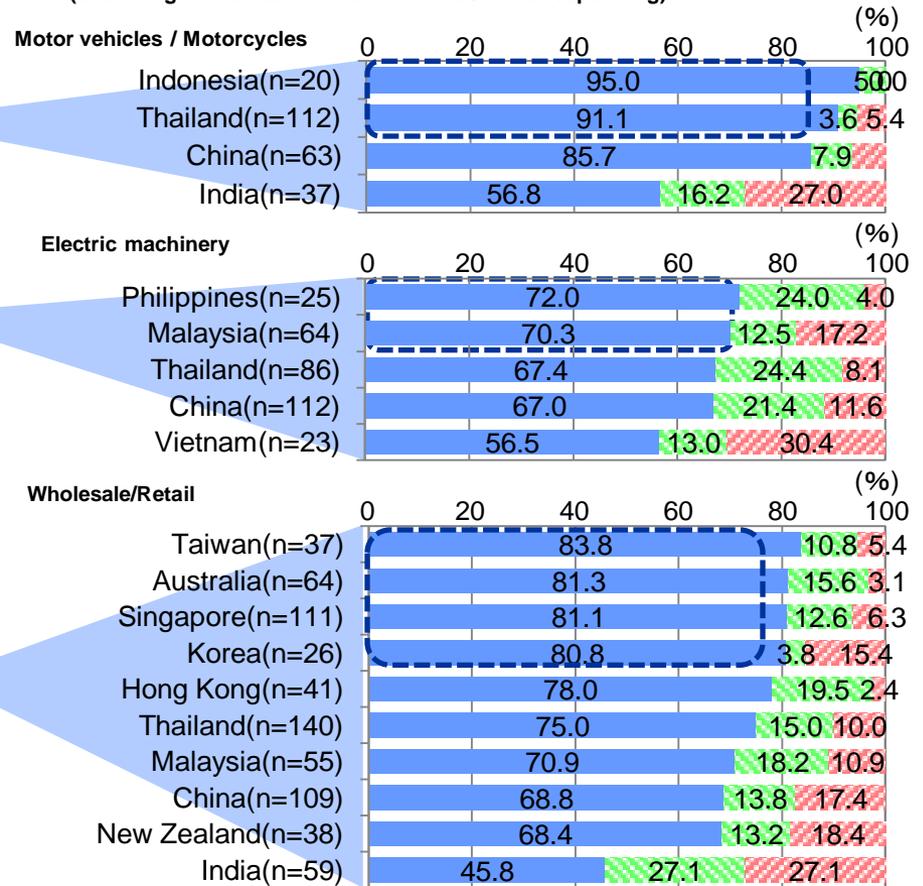
- In 2010, the proportion of firms in the black increased in all countries and regions compared to 2009. We see clear improvement from the 2008-2009 period in which performance was affected by inflation, materials costs, and the financial crisis.
- In the period from 2007 to 2010, the markets with the greatest fluctuations in proportion of firms in the black were Singapore, India, and Vietnam.
- In Northeast Asia (Hong Kong, Taiwan, Korea, excluding China) the amplitude of fluctuations was relatively small.

# 1. Business Outlook (3)

Estimated operating profit in 2010 (by industry category)



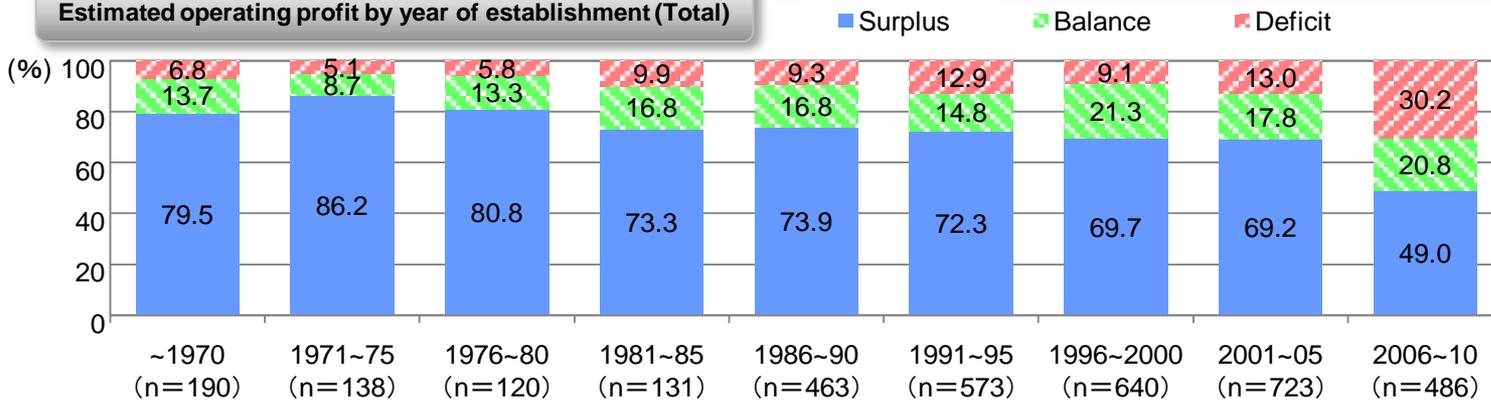
Major industries by country and region  
(Excluding industries with fewer than 20 firms responding)



- In FY10 survey, more firms are in the black compared to FY09 survey (manufacturing: n=1,606, non-manufacturing: n=1,363). The proportion of manufacturing is up from 57.0% to 71.4%. The proportion of non-manufacturing is up from 55.7% to 66.7%.
- The proportion of firms in the black exceeds 80% for motor vehicles/motorcycles in the manufacturing sector and finance/insurance in the non-manufacturing sector.
- Breaking down major industries by country/region reveals that more than 90% of firms in the motor vehicles/motorcycles industry are in the black in Indonesia and Thailand; more than 85% in China. More than 70% of firms in the electric machinery industry are in the black in the Philippines (72.0%) and Malaysia (70.3%), with improved performance reflecting recovery in exports.
- More than 80% of firms in the wholesale/retail industry are in the black in Taiwan (83.3%), Australia (81.3%), Singapore (81.1%), and Korea (80.8%). Because wholesale/retail accounts for a high proportion of all firms, where that sector is doing well, the total proportion in the black rises.

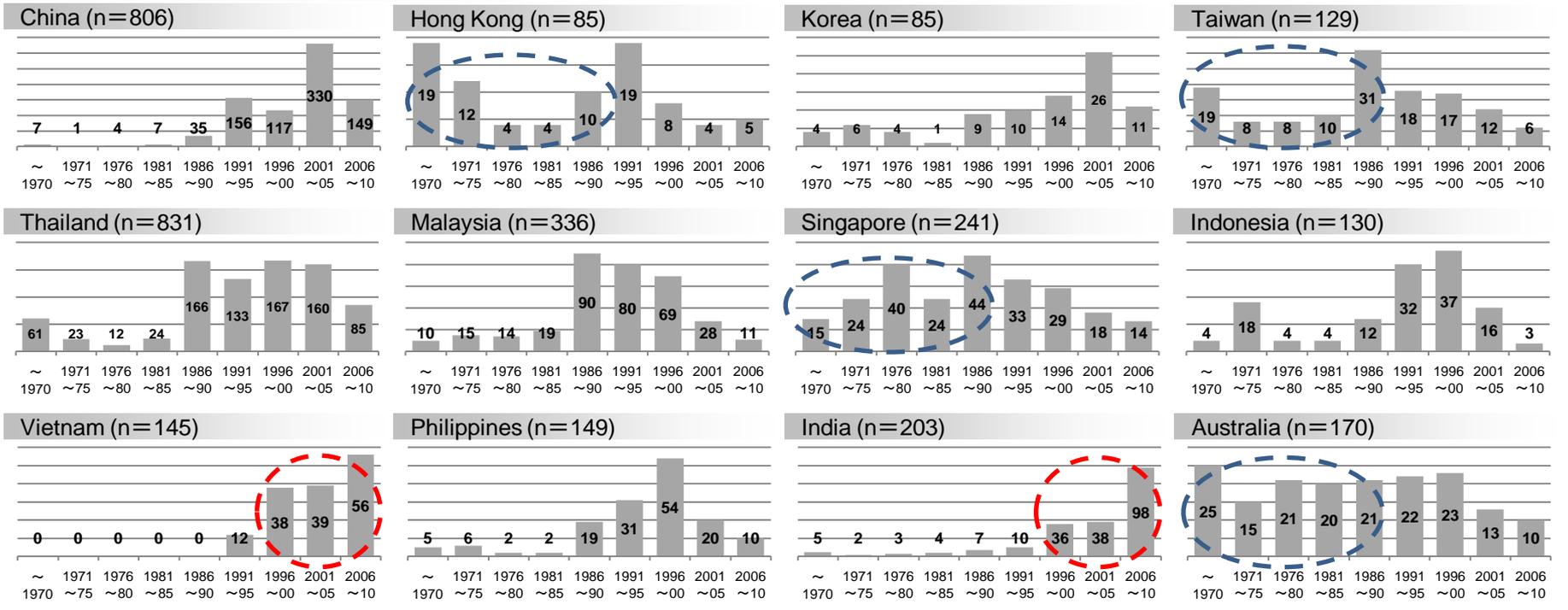
# 1. Business Outlook (4)

Estimated operating profit by year of establishment (Total)



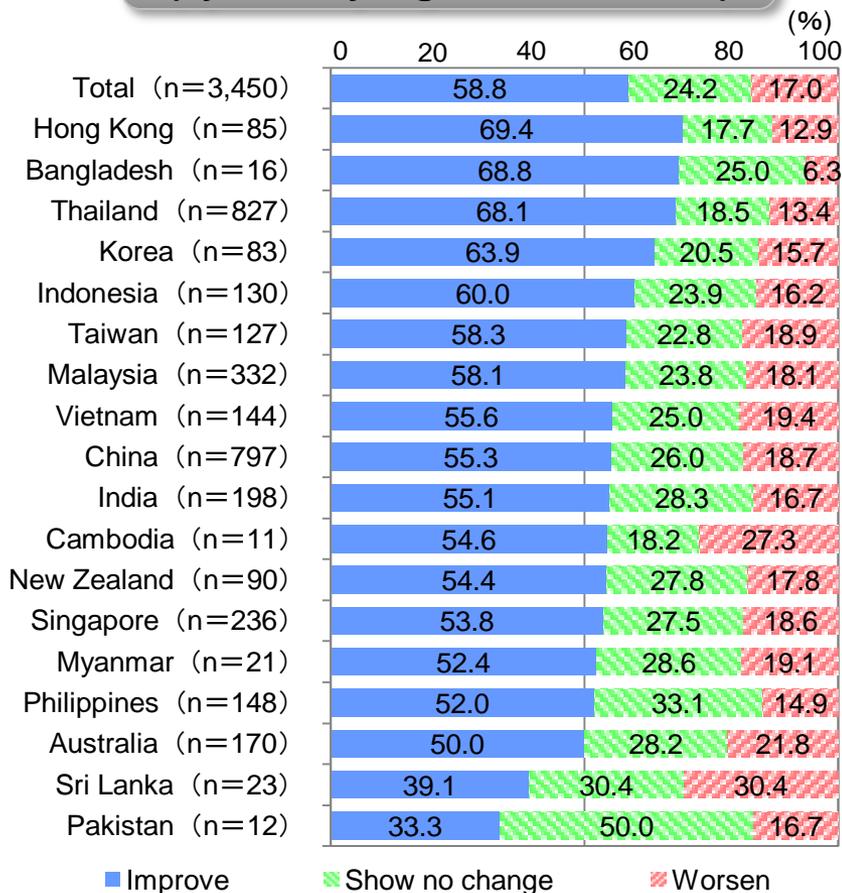
- The earlier the year of establishment the more likely firms are to be profitable. The proportion of firms in the black is 70% or more in Hong Kong, Taiwan, Singapore, and Australia.
- In Vietnam and India, where the proportion of firms established for fewer than five years is high, less than 60% are profitable. Many firms are not yet firmly established.

Year established by country/region

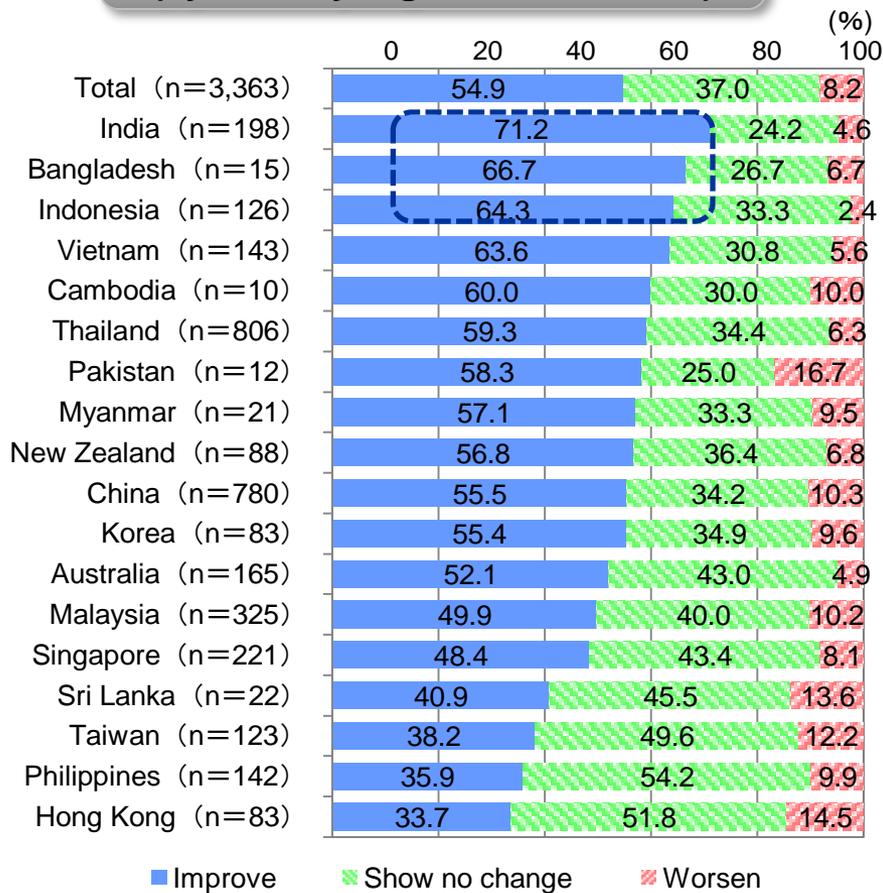


# 1. Business Outlook (5)

**Estimated operating profit in 2010  
(by country/region versus 2009)**



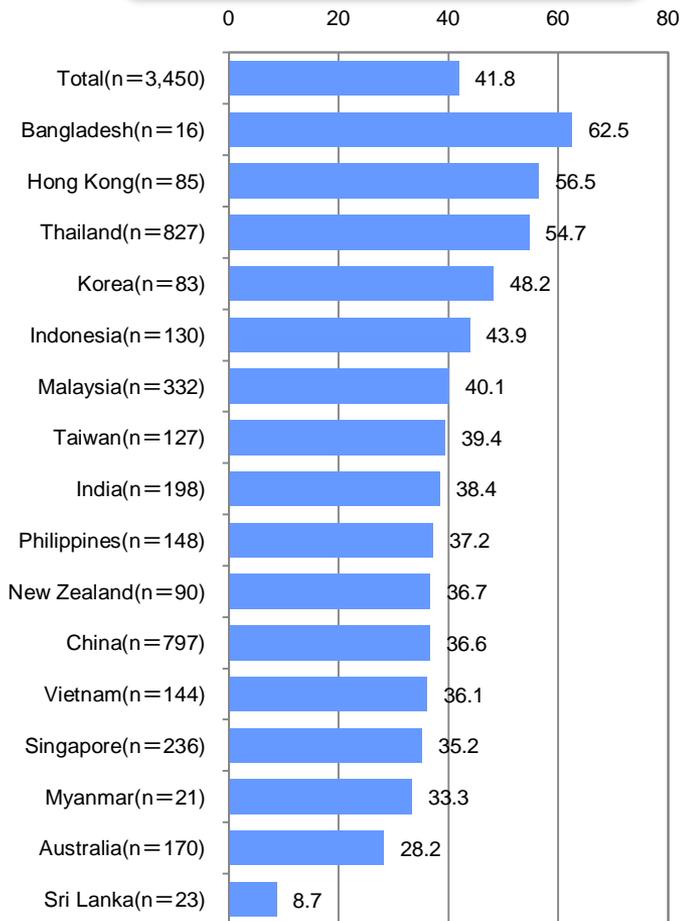
**Estimated operating profit in 2011  
(by country/region versus 2010)**



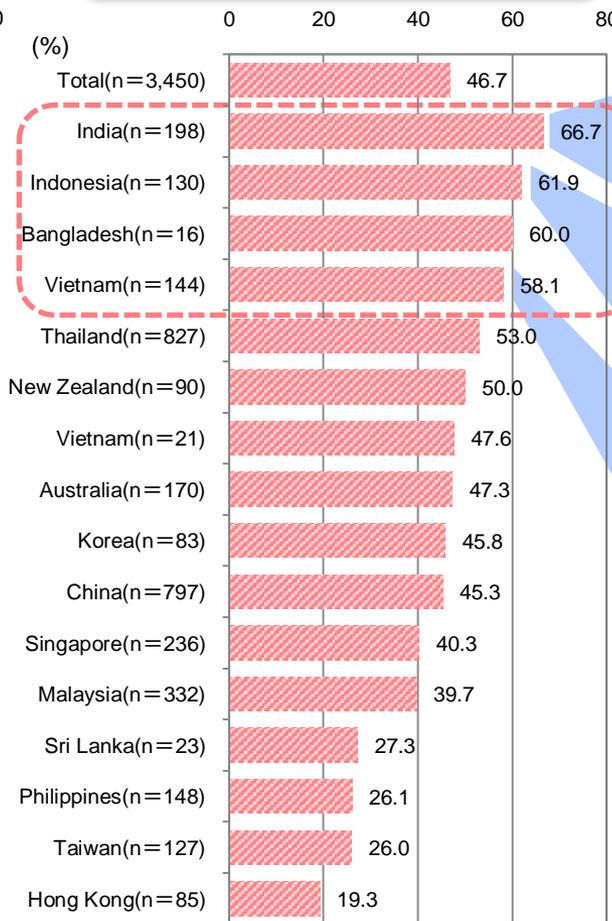
- In 2010, 58.8% of firms are expecting improvement in operating profits, a 30.2% increase over 2009 (28.6%, n= 2,968). The proportion of firms expecting improvement is higher than the proportion expecting worsening performance (DI is positive) in all 18 countries/regions surveyed.
- 54.9% of firms expect improvement in 2011, a figure slightly lower than the forecast for 2010, when performance was rebounding from the hard times in 2009. Only 8.2% expect worsening, less than half the 17.0% in 2010.
- Proportions expecting improvement in 2011 are higher in countries with large populations, e.g., India, Bangladesh, and Indonesia.

# 1. Business Outlook (6)

### 2010 DI (by country/region)



### 2011 DI (by country/region)



### High DI industries

\*For industries in which at least 10 valid replies were received.

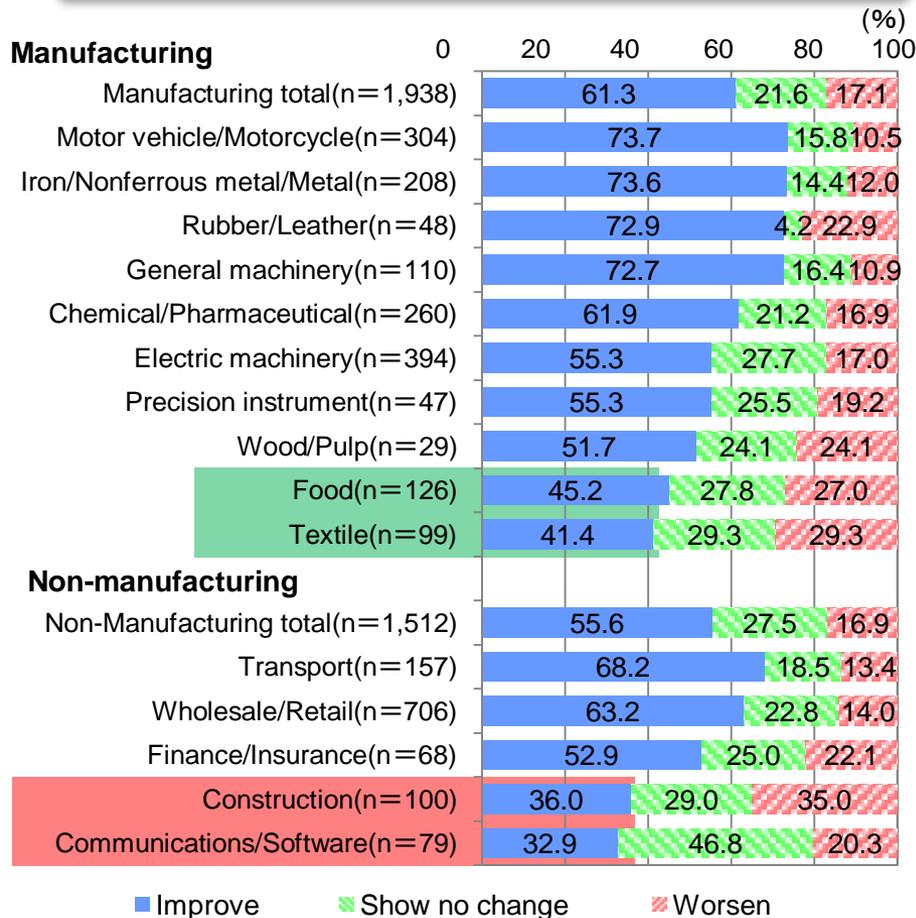
- ① Wholesale/Retail (DI: 75.4%)
- ② Electric machinery (DI: 71.4%)
- ① Iron/Non-ferrous metals/Metals (DI: 83.3%)
- ② Motor vehicles/Motorcycles (DI: 70.0%)
- ① Motor vehicles/Motorcycles (DI: 81.8%)
- ② Iron/Non-ferrous metals/Metals (DI: 69.2%)

Note: DI is an abbreviation for Diffusion Index, the percentage of firms expecting improvement minus the percentage of firms expecting worsening. This figure reflects changes in business sentiment.

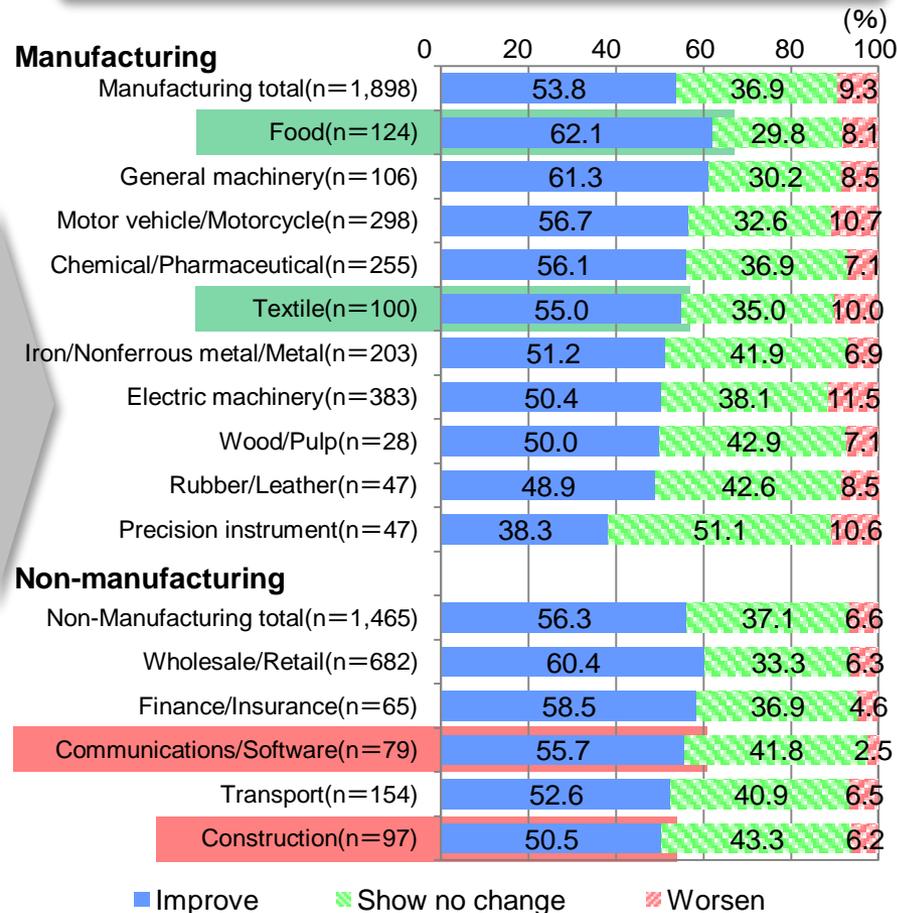
- At 41.8%, 2010 DI has improved dramatically from the minus 20.6% reported in FY09 survey (n=2,968), indicating growing confidence in higher operating profits in all 18 countries/regions surveyed.
- 2011 DI projections indicate further improvement, exceeding 60% in India, Indonesia, and Bangladesh, and 58.1% in Vietnam. In India 2011 DI is highest in the wholesale/retail (75.4%) and electric machinery (71.4%) industries. Top scorers in Indonesia are the iron and non-ferrous metals (83.3%) and motor vehicles/motorcycles (70.0%) industries, with motor vehicles/motorcycles (81.8%) and ferrous/non-ferrous metals (69.2%) the highest in Vietnam.

# 1. Business Outlook (7)

Estimated operating profit in 2010 (by industry type, versus 2009)



Estimated operating profit in 2011 (by industry type, versus 2010)

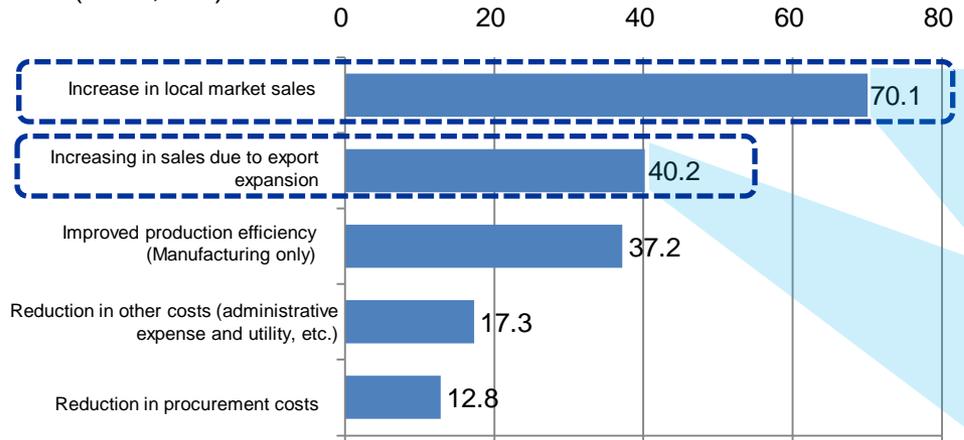


- Broken down by industry type, 61.3% of manufacturers expect improvement in 2010 (versus 30.1% in 2009, n=1,604), while 55.6% of non-manufacturers expect improvement (versus 26.8% in 2009, n=1,364). The DI ratio of improvement to worsening is positive in all 15 industry categories.
- 53.8% of manufacturers expect further improvement in 2011, down slightly from 2010 when firms were rebounding from 2009. Non-manufacturers expecting improvement are up from 55.6% to 56.3%. At the same time, the proportions of firms expecting worsening conditions are down from 17.1% to 9.3% in the manufacturing sector and down from 16.9% to 6.6% in the non-manufacturing sector. In the food, textile, construction, and communications/software industries, the proportions of firms expecting improvement in 2011 is higher than in 2010.

# 1. Business Outlook (8)

## Reasons for expected improvement in operating profit in 2010 (top 5, multiple answer)

Total (n=2,026)



## Proportion of answers by country/region and industry type (rank order)

Country/region	Industry Type	
	Manufacturing	Non-manufacturing
Korea (84.9%) India (80.7%) Thailand (79.5%)	Motor vehicles/Motorcycles (79.8%) Chemical/Pharmaceutical (79.5%) General machinery (73.8%)	Construction (91.4%) Wholesale/Retail (80.9%) Finance/Insurance (77.8%)
Vietnam (63.8%) Singapore (57.1%) Philippines (50.7%)	Rubber/Leather (65.7%) Electric machinery (63.3%) Textiles (56.1%)	Transport (52.8%) Wholesale/Retail (31.6%) Finance/Insurance (11.1%)

※Only countries/regions and industry types with 30 or more responses

## Reasons for expected worsening in operating profit (top 5, multiple answer)

Total (n=582)

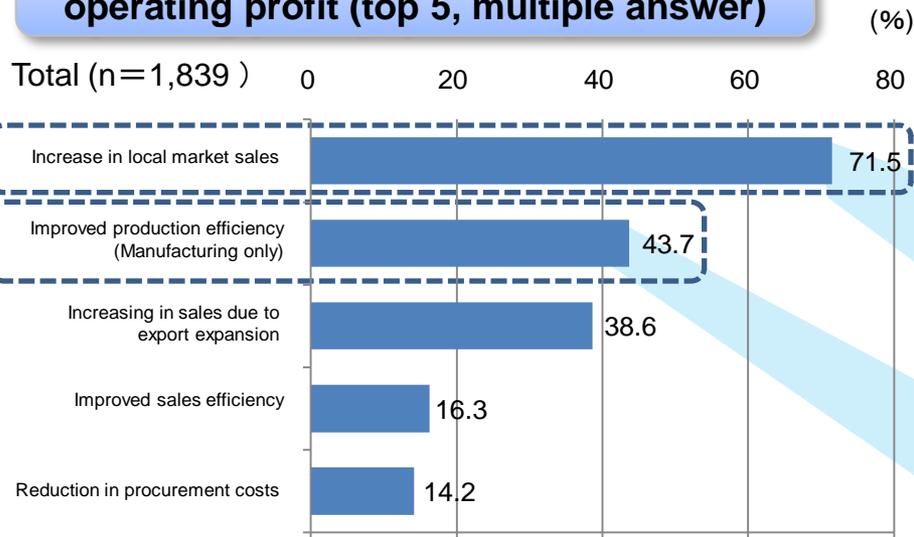


Country/region	Industry Type	
	Manufacturing	Non-manufacturing
China(60.8%) Vietnam(50.0%) Indonesia(42.9%)	Textile (58.6%) Electric machinery (47.8%) Motor vehicles/Motorcycles(43.8%)	Communications/Software (60.0%) Transport (57.1%) Finance/Insurance (26.7%)
Korea (61.5%) Australia (54.1%) Singapore (50.0%)	General machinery (66.7%) Iron/Nonferrous metals/Metals (40.0%) Chemical/Pharmaceutical (31.8%)	Construction (71.4%) Wholesale/Retail (46.5%) Communications/Software (20.0%)

\*Only countries/regions and industry types with 10 or more responses

# 1. Business Outlook (9)

## Reasons for expected 2011 improvement in operating profit (top 5, multiple answer)



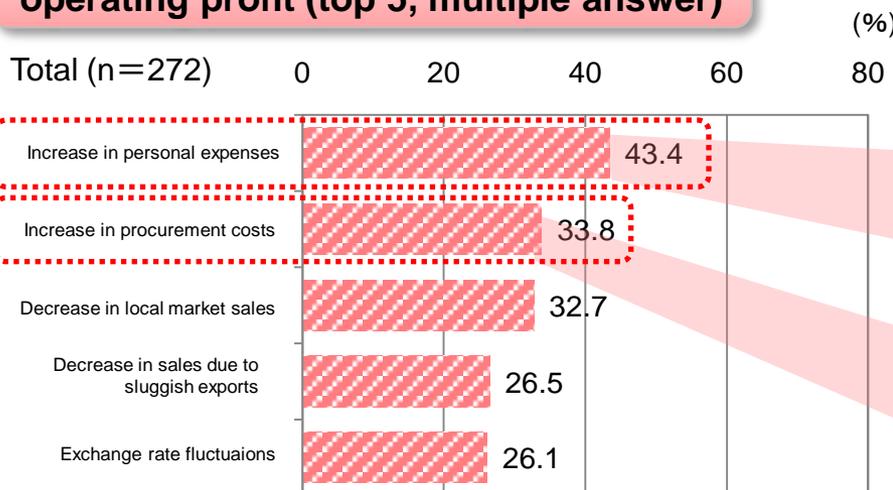
## Proportion of answers by country/region and industry type (rank order)

Country/region	Industry Type	
	Manufacturing	Non-manufacturing
India (85.8%) Korea (84.8%) Indonesia (81.5%)	General machinery (83.1%) Motor vehicles/Motorcycles (79.8%) Chemical/Pharmaceutical (75.5%)	Wholesale/Retail (82.7%) Construction (79.2%) Finance/Insurance (79.0%)
Philippines (50.0%) China (47.3%) Thailand (45.6%)	Textile (49.1%) Electric machinery (46.1%) Motor vehicles/Motorcycles (44.4%)	

\*Manufacturing only

\*Only countries/regions and industry types with 30 or more responses

## Reasons for expected 2011 worsening in operating profit (top 5, multiple answer)



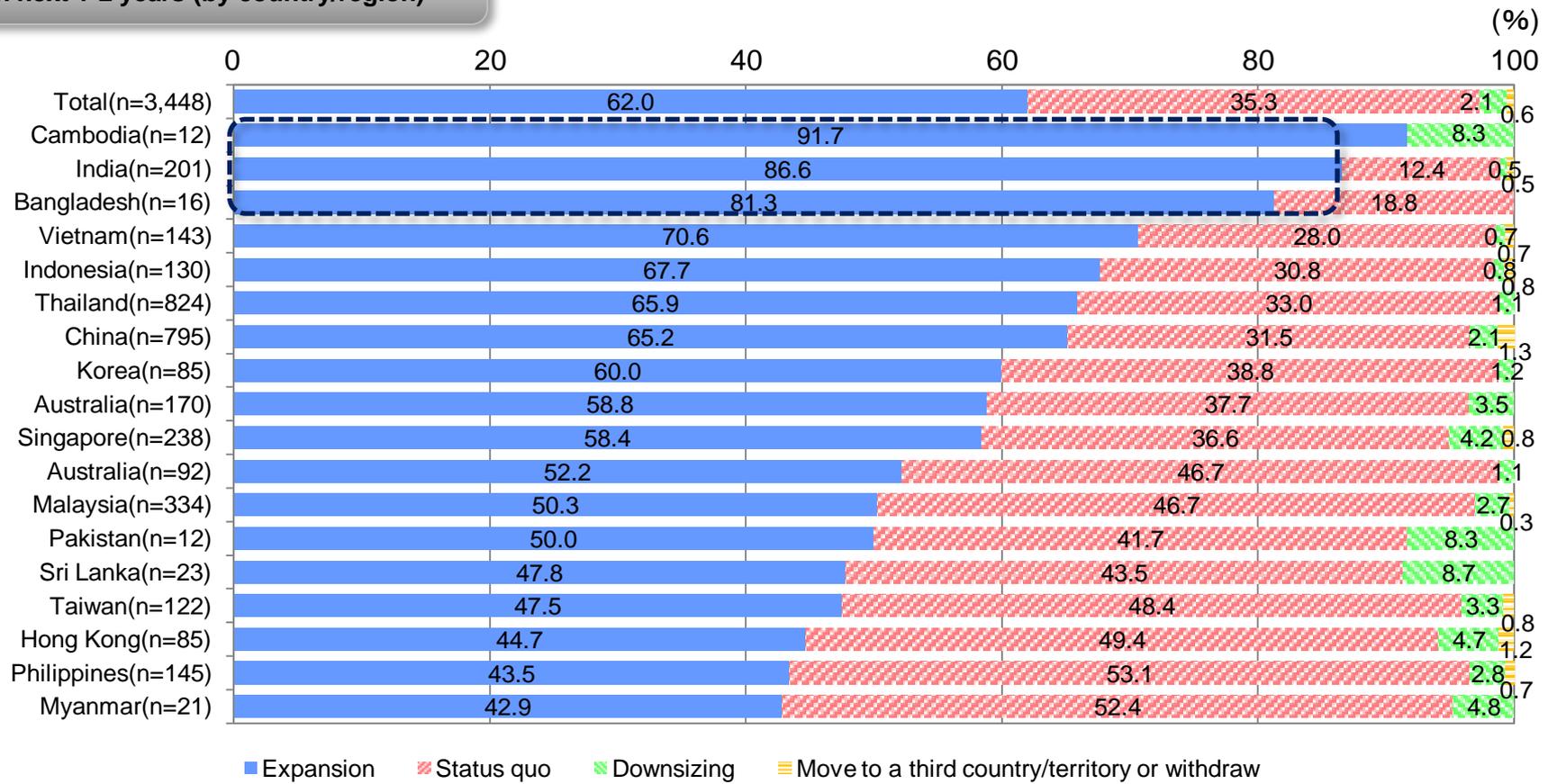
Country/region	Industry Type	
	Manufacturing	Non-manufacturing
China (73.4%) Philippines (50.0%) Malaysia (36.4%)	Textile (80.0%) Electric machinery (59.1%) Food (44.4%)	Transport (60.0%) Wholesale/Retail (25.6%)
China (38.0%) Thailand (35.3%) Hong Kong Taiwan (33.3%)	Ferrous·Non-ferrous·Metals (50.0%) Electric machinery (45.5%) Food (44.4%)	Transport (40.0%) Wholesale/Retail (16.3%)

※Only countries/regions and industry types with 10 or more responses



# 2. Future Business Development (1)

**Directions for business development in next 1-2 years (by country/region)**



- 62.0% of responding firms expect to see expansion within the next 1-2 years, a 10.7% increase over 2009 (51.3%, n= 2,945). In contrast, 35.3% expect to maintain their current scale, with only 2.7% anticipating shrinkage or withdrawal and moving to another country.
- More than 90% of firms operating in Cambodia and more than 80% in India and Bangladesh anticipate expansion. As in 2009, intention to expand is also strong in Vietnam, Indonesia, Thailand, China, and Korea.
- In Taiwan, Hong Kong, Philippines, and Myanmar more firms expect to maintain their current scale than expect their businesses to expand.

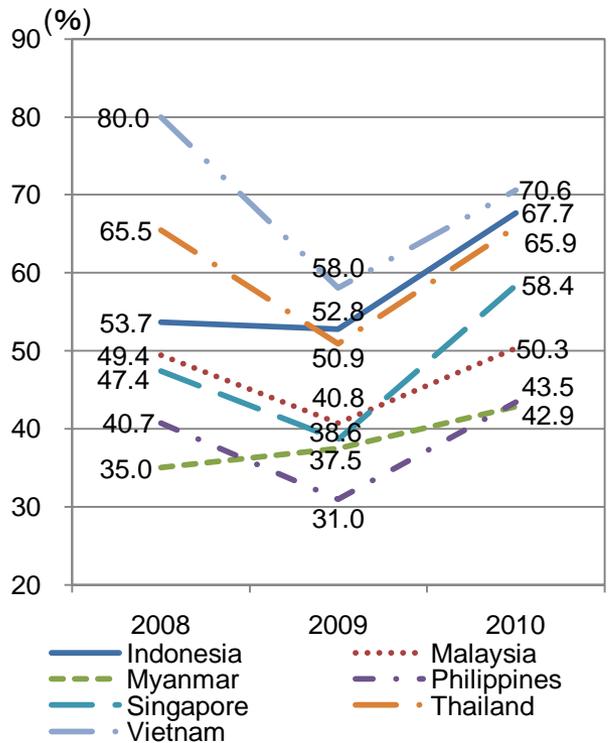


# 2. Future Business Development (2)

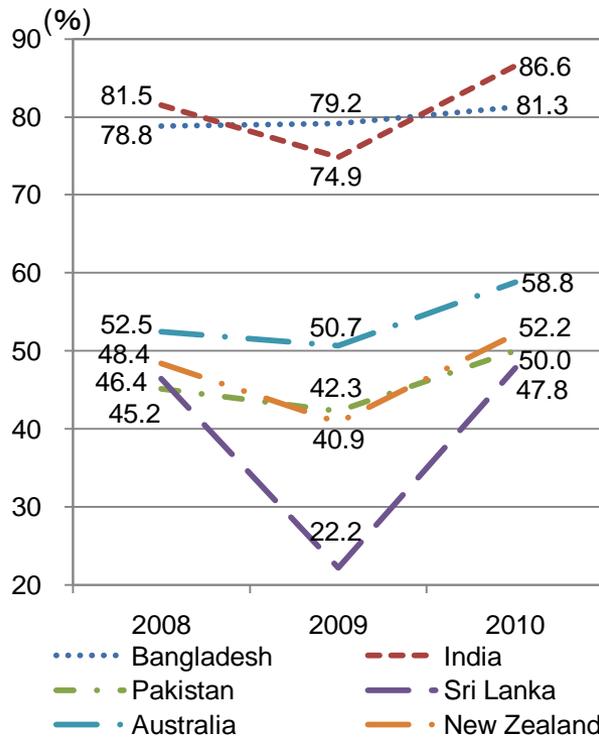
**Proportions expecting businesses to grow in next 1-2 years (2008-2010 surveys)**

FY08 survey: ASEAN (n=1,302), Southwest Asia/Oceania (n=489), Northeast Asia (n=681)  
 FY09 survey: ASEAN (n=1,593), Southwest Asia/Oceania (n=532), Northeast Asia (n=820)  
 FY10 survey: ASEAN (n=1,847), Southwest Asia/Oceania (n=514), Northeast Asia (n=1,087)

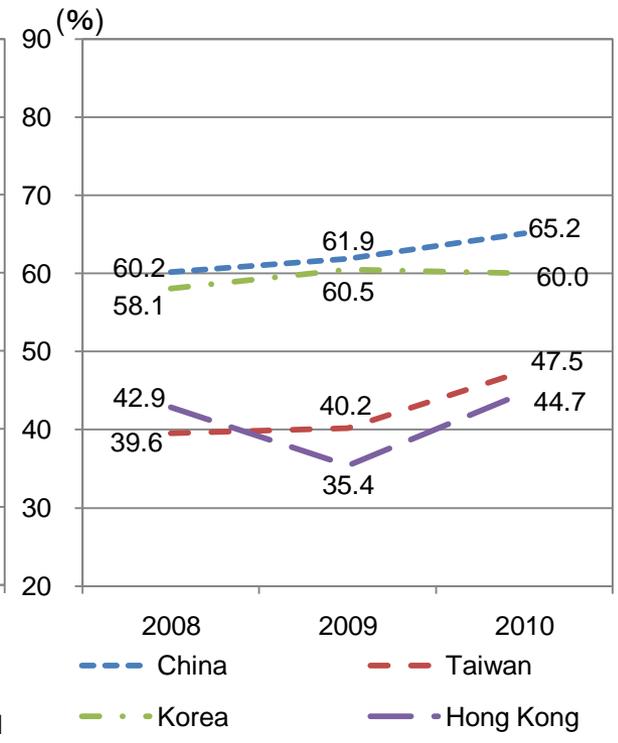
## ASEAN



## Southwest Asia-Oceania



## Northeast Asia

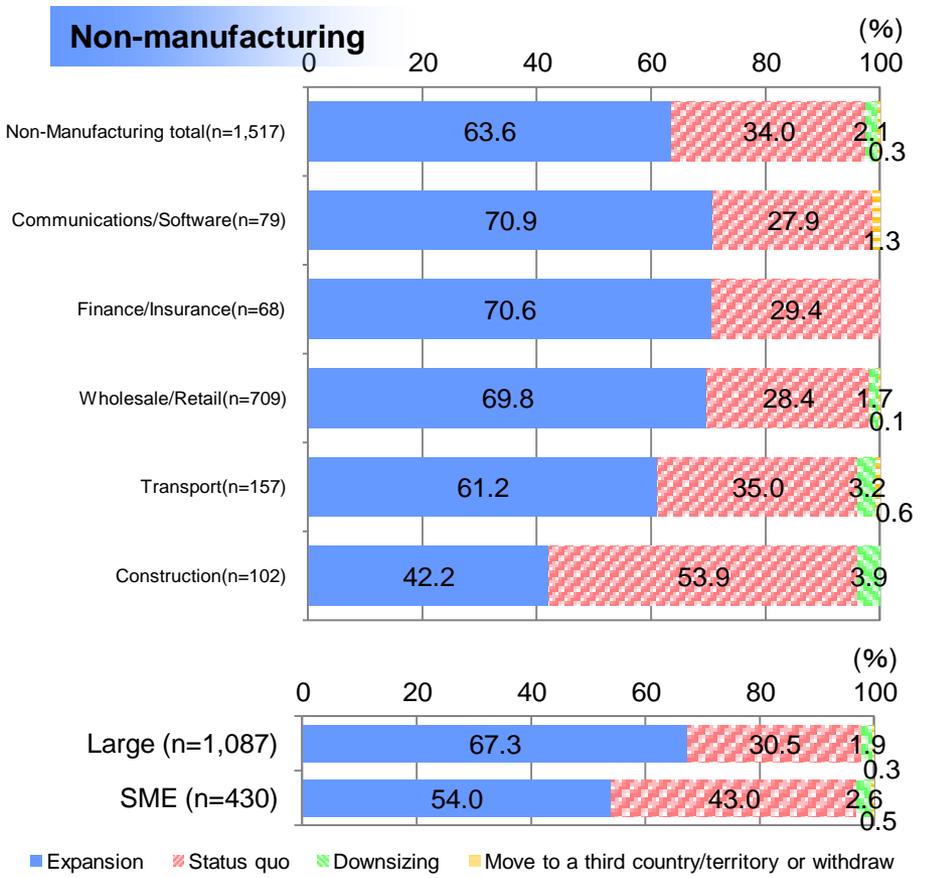
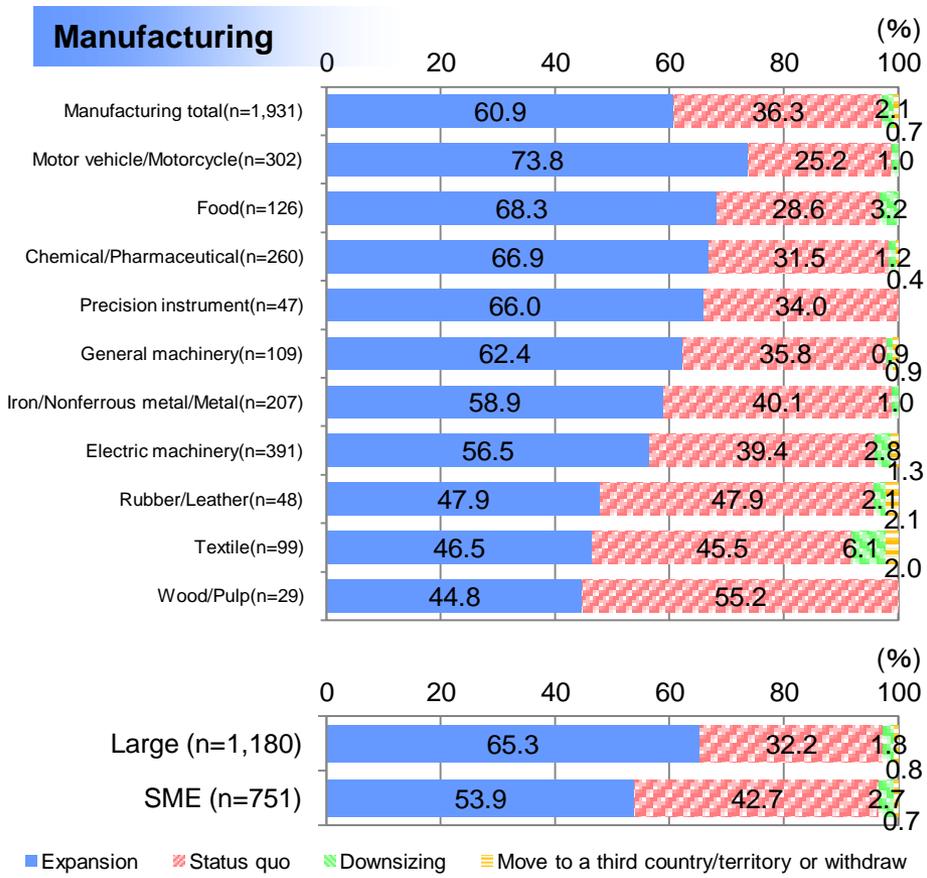


- With the exception of Korea, the proportion of firms expecting expansion is higher than it was in the FY09 survey, just after the financial crisis.
- Reviewing trends in the last three years, the proportion of firms expecting expansion in FY09 fell below that in most countries/regions in FY08. The decline was most pronounced in ASEAN. The FY10 survey not only showed a rise over FY09. In Indonesia and Singapore the proportion of firms expecting growth was 10% or more higher than in FY08.
- The four countries/regions (Bangladesh, China, Korea, Taiwan, Myanmar) that experienced no decline in FY09 continue to expect healthy growth in FY10.



# 2. Future Business Development (3)

**Directions for business development in next 1-2 years  
(by industry category and scale)**



- The proportion of firms expecting to expand their businesses is even higher in the non-manufacturing (63.6%) than in the manufacturing (60.9%) sector.
- Industry categories in which expectation of expansion is especially strong include motor vehicles/motorcycles (73.8%) and food (68.3%) in the manufacturing sector and communications/software (70.9%) and finance/insurance (70.6%) in the non-manufacturing sector.
- Turning to industry scale, large firms are more likely to foresee expansion, with the proportion of large firms 10% or more greater than that of small and medium firms in both the manufacturing and non-manufacturing sectors.

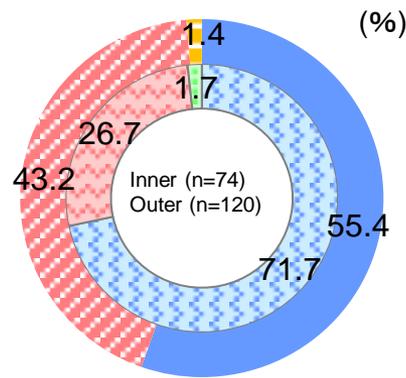


# 2. Future Business Development (4)

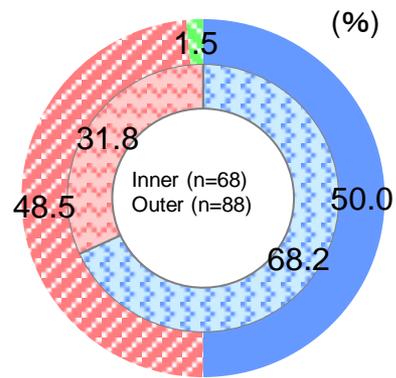
**Current export ratio and future business development (by industry category)**

**Current export ratio and future business development (by industry scale)**

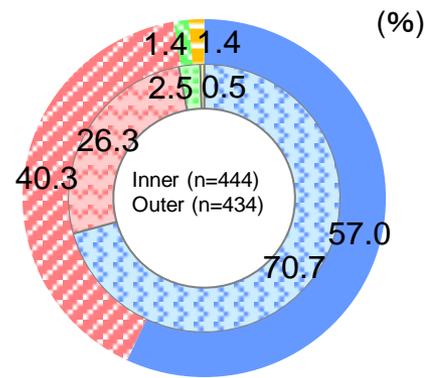
**Chemical/Pharmaceutical**



**Iron/Nonferrous metals/Metals**



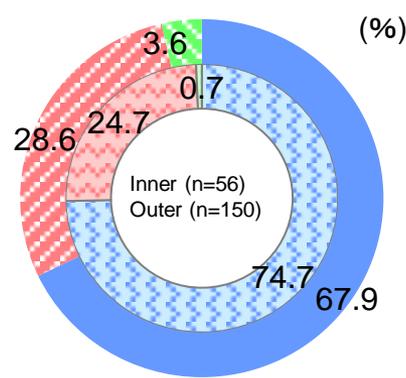
**Manufacturing (Large)**



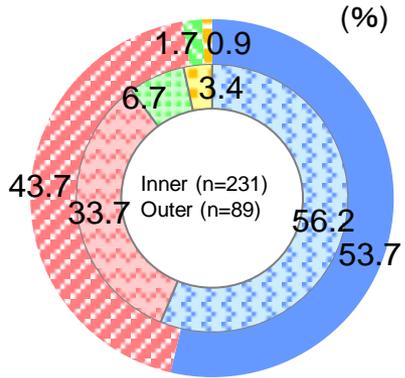
Inner circle  
Export ratio  
50% plus

- Expansion
- Status quo
- Downsizing
- Withdraw

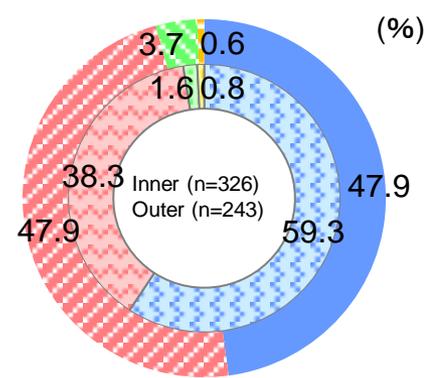
**Motor vehicles/Motorcycles**



**Electric machinery**



**Manufacturing (SME)**



Outer circle  
Export ratio  
<50%

- Expansion
- Status quo
- Downsizing
- Withdraw

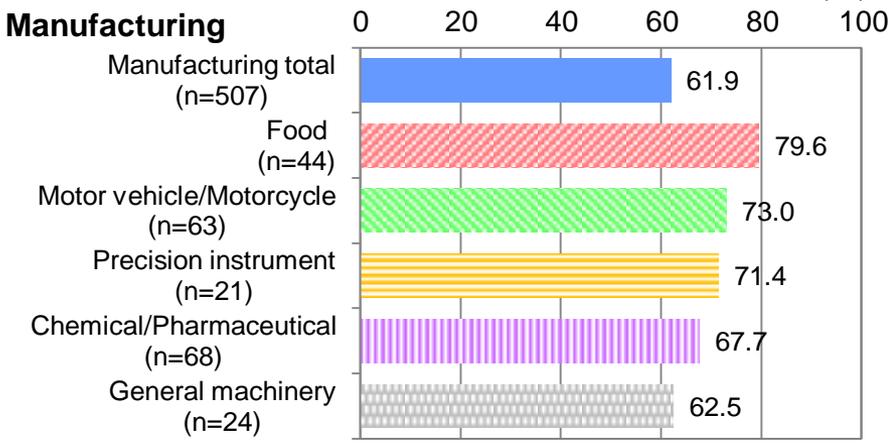
●Correlations between export ratios and expectations of growth indicate that locally oriented firms with a high proportion of local sales (export ratio<50%) are more likely to anticipate “expansion” than export oriented firms with a lower proportion of local sales (export ratio > 50%). This trend is especially striking in the chemical/pharmaceutical and iron/nonferrous metals industries.



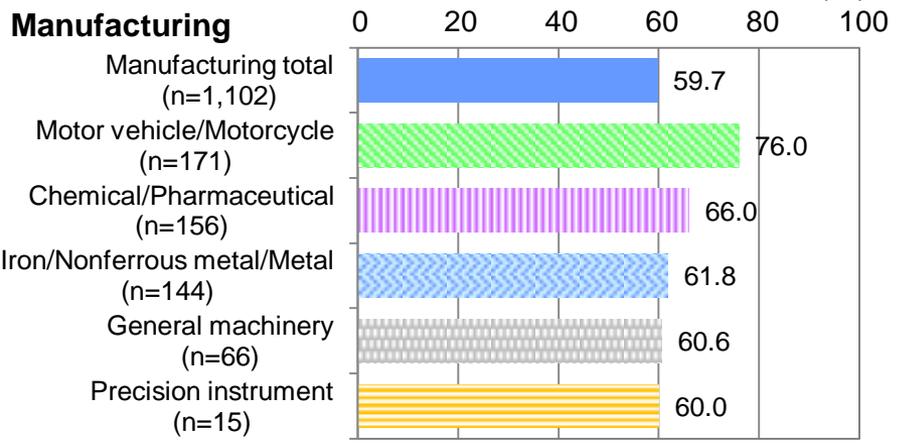
# 2. Future Business Development (5)

## Industries with high expectations for growth in China, ASEAN

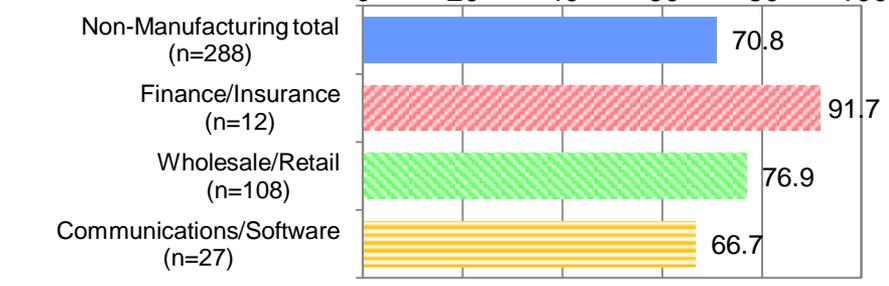
### China



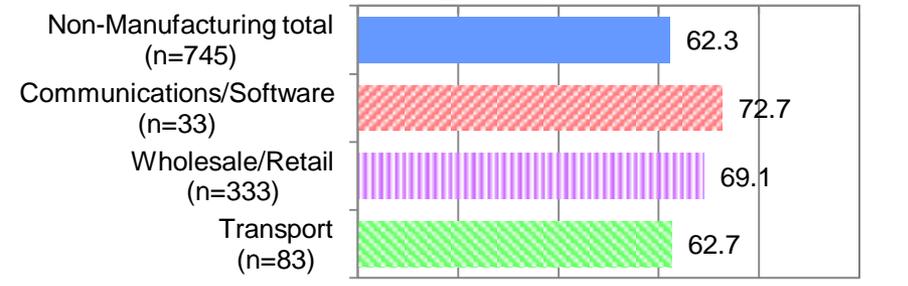
### ASEAN



### Non-manufacturing



### Non-manufacturing



- Growth trends broken down by industry for China and ASEAN indicate that in the manufacturing sector food is in industry with the strongest expectation of growth in China, while Motor vehicles/Motorcycles is the industry most strongly expecting growth in ASEAN. In the non-manufacturing sector, finance/insurance expects the strongest growth in China, while communications/software expects the strongest growth in ASEAN.
- In China the proportion of firms expecting growth in the food, precision machinery and finance/insurance industries is 10% higher than it is in ASEAN.

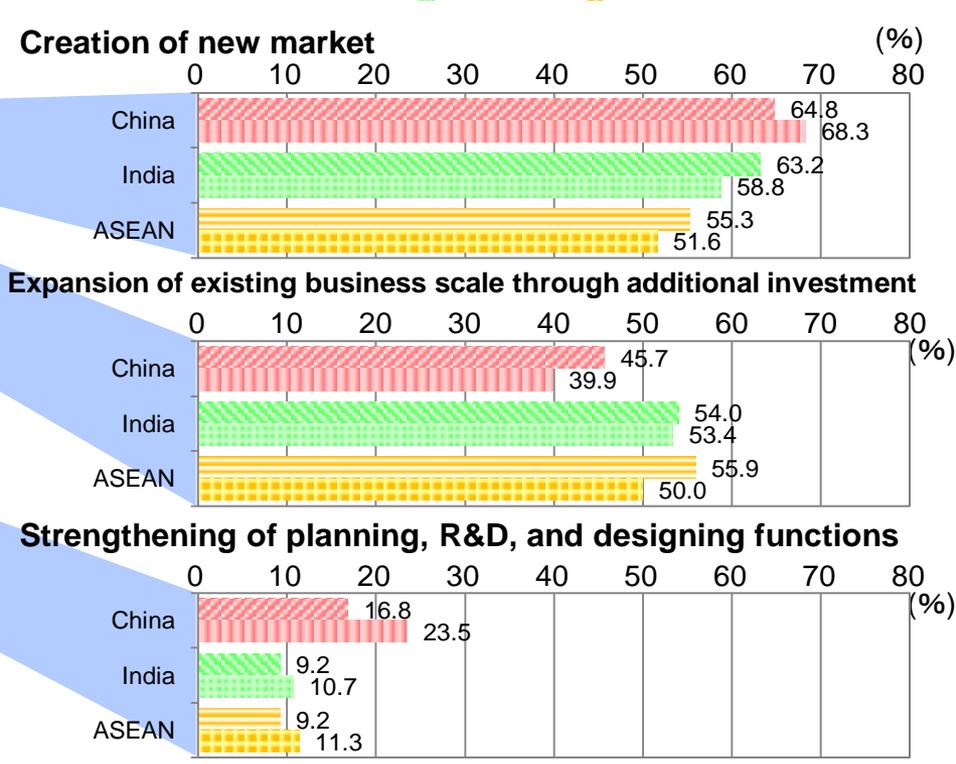
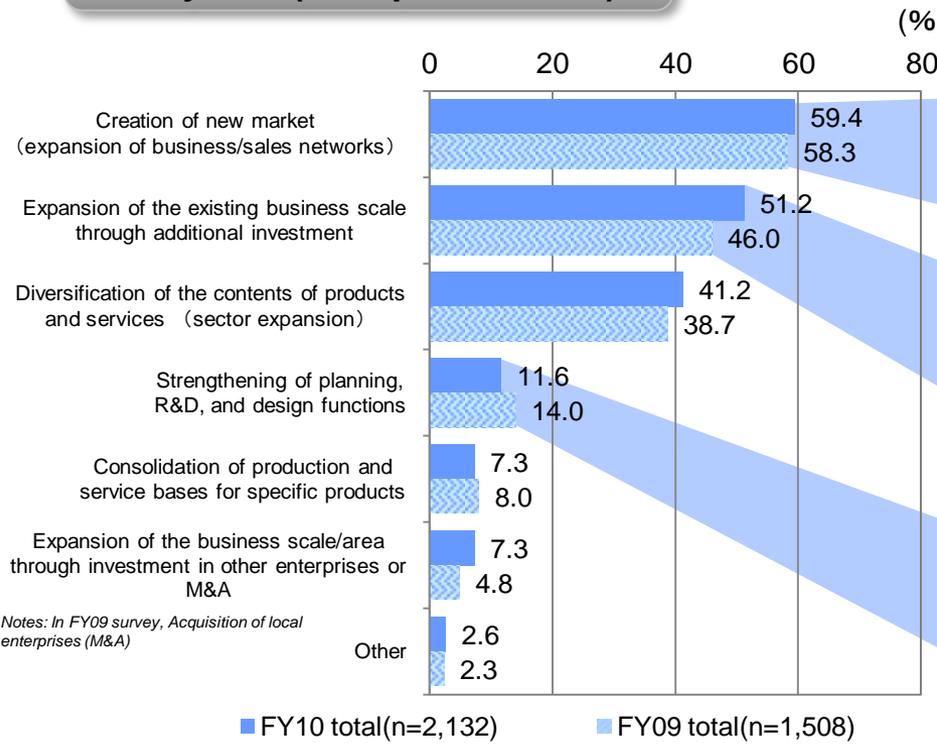


# 2. Future Business Development (6)

**Directions for growth in next 1-2 years (multiple answers)**

Answers revealing differences among China, India, ASEAN

FY10 survey China: n=517 India: n=174 ASEAN: n=1,117  
 FY09 survey China: n=353 India: n=131 ASEAN: n=742

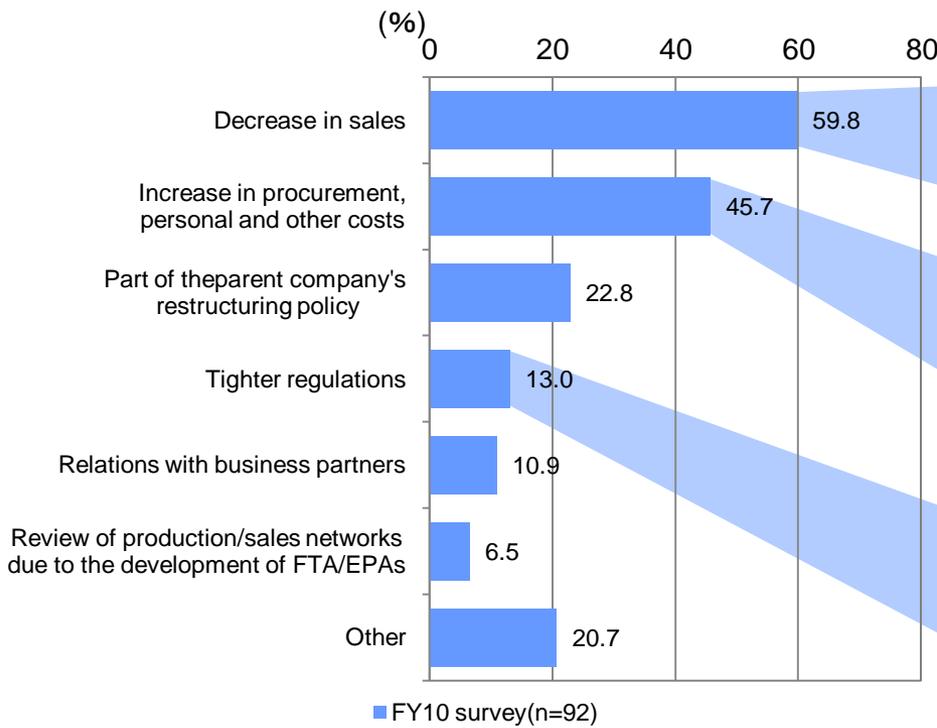


- Among concrete steps to grow businesses, the most common are (1) creation of new market, (2) expansion of existing business scale and services, and (3) diversification of the contents of products and services.
- FY10 survey results are similar to those from FY09 overall, with additional investment to grow current business up 5.2%.
- Comparing China, India, and ASEAN in terms of concrete steps to grow businesses reveals an emphasis on “creation of new market” and “strengthening of planning, R&D, and designing functions” in China, “creation of new market” and “expansion of existing business scale through additional investment” in India, and “expansion of existing business scale through additional investment” in ASEAN.

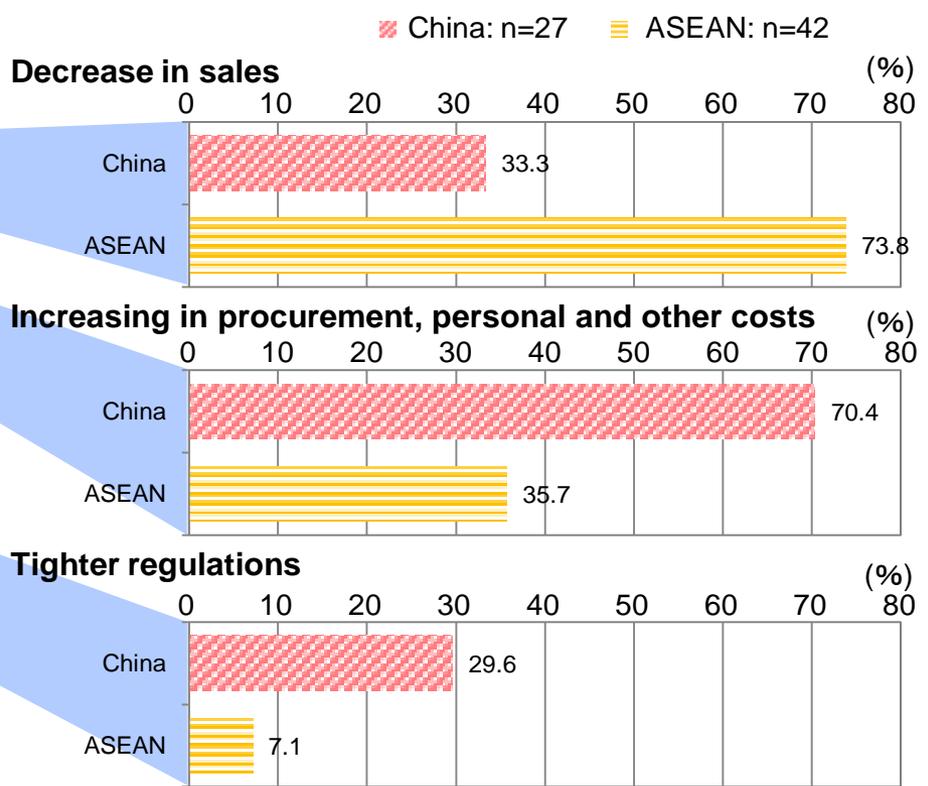


# 2. Future Business Development (7)

**Reasons for scaling back, changing or withdrawing from businesses (multiple answers)**



**Answers revealing differences between China and ASEAN**



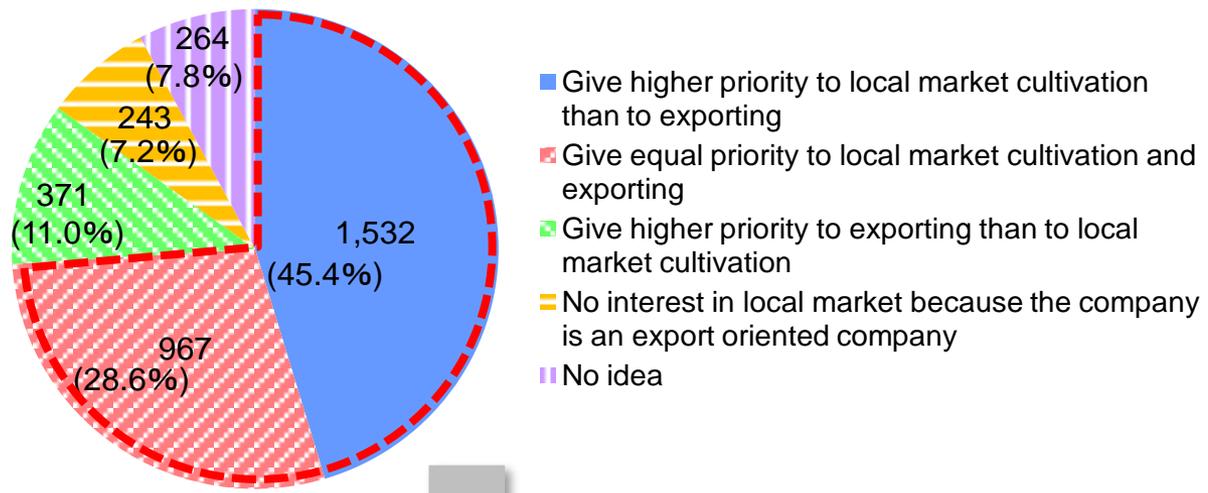
- The proportions of firms expecting to shrink (2.1%) or move to another country or region or withdraw (0.6%) within the next 1-2 years total a miniscule 2.7%. Reasons (multiple answers) include declining sales (59.8%) and increased procurement and labor costs (45.7%).
- In contrast to China, where the strongest reason for shrinking or moving to another country or region or withdrawal (70.4%) is rising procurement and labor costs, declining sales (73.8%) is the strongest reason in ASEAN. In China, a relatively high 29.6% also cite stronger regulation.



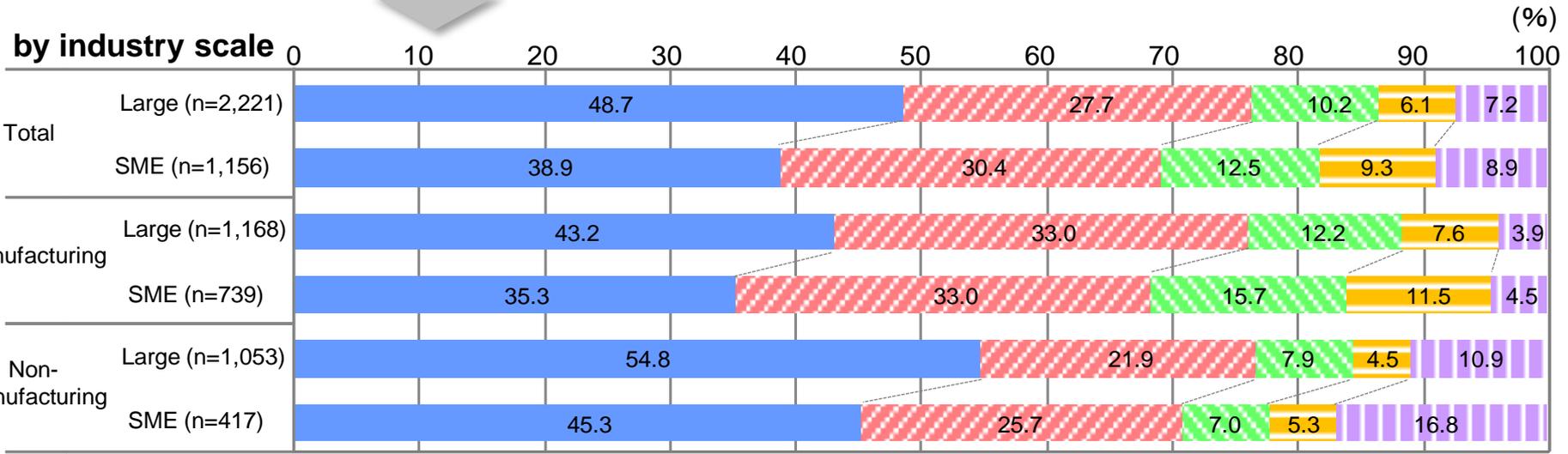
# 3. Developing Local Markets (1)

**Local market development in emerging countries/regions  
(Total, by industry scale)**

**Total (n=3,377)**



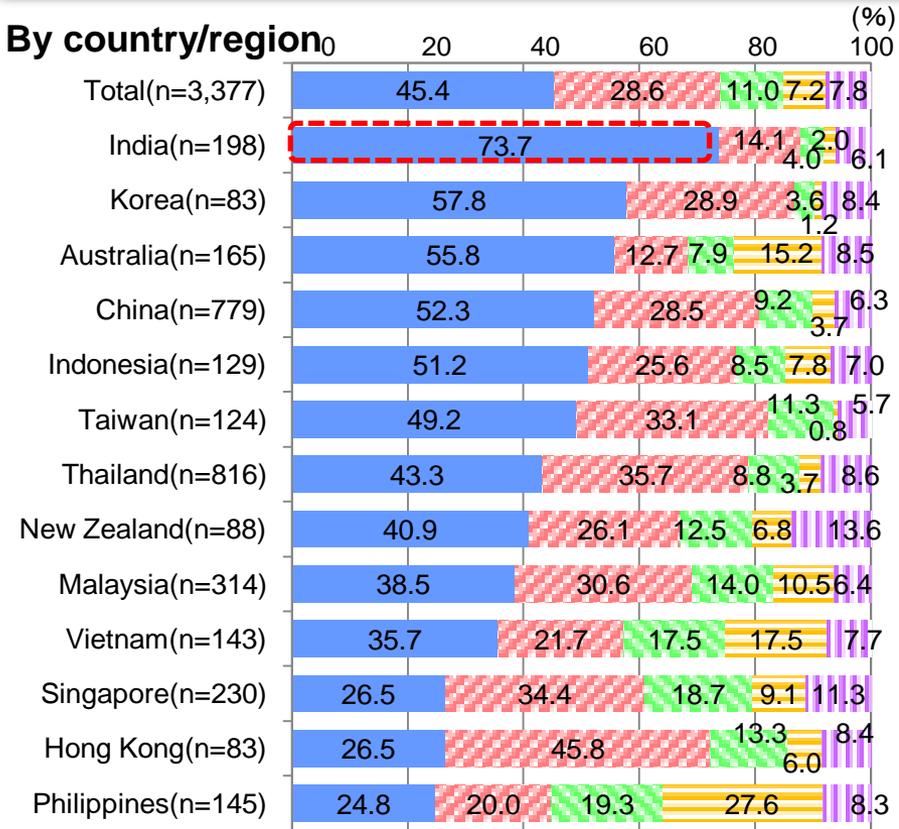
- 45.4% of firms give higher priority to local market development than to exports, 28.6% the same priority, for a total of 74.0% actively developing local markets. Only 18.2% either give priority to exports (11.0%) or focus exclusively on exports (7.2%).
- Compared with large companies small and medium size companies in both the manufacturing and non-manufacturing sectors are less interested in local markets. In the manufacturing sector, however, small and medium size company export orientation is stronger than than of large companies.





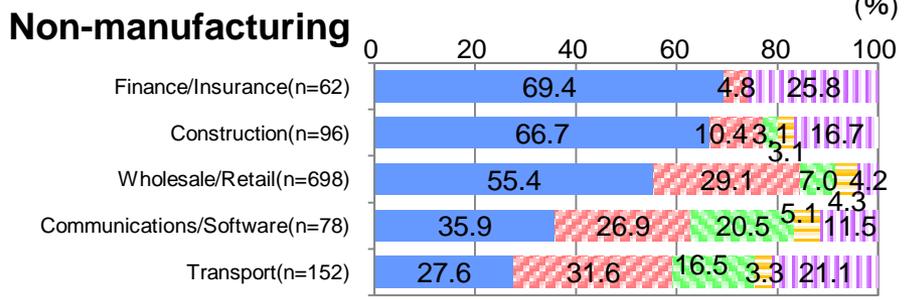
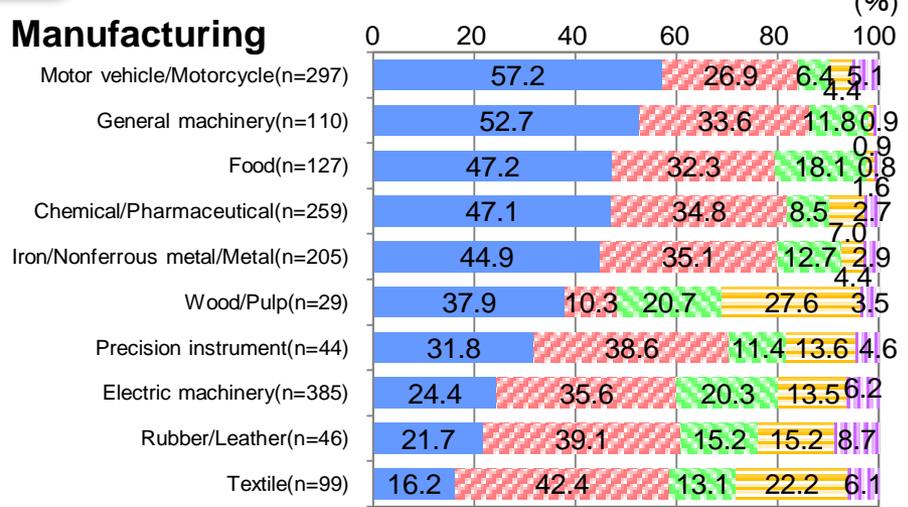
# 3. Developing Local Markets (2)

**Local market development in emerging countries and regions (by country/region, industry category)**



Note: Countries/regions with 15 or more valid responses

- Give higher priority to local market cultivation than to exporting
- ▨ Give equal priority to local market cultivation and exporting
- ▨ Give higher priority to exporting than to local market cultivation
- ▨ No interest in local market because the company is an export oriented company
- ▨ No idea



- In the by country/region breakdown, India has the highest proportion of firms prioritizing local market development over exports. In both the manufacturing and non-manufacturing sectors, this ratio is over 70%, far above the 30% average for the total sample.
- In the manufacturing sector, the Motor vehicles/Motorcycles industry (297 valid responses) has the highest proportion (57.2%) prioritizing local markets, followed by general machinery (110 valid responses) at 52.7%.
- In the non-manufacturing sector, the finance/insurance, construction and wholesale/retail industries, which do much business in emerging countries/regions, are most strongly local market oriented.

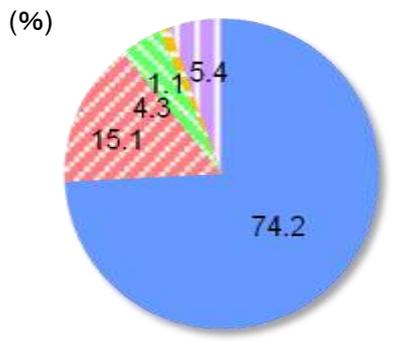


# 3. Developing Local Markets (3)

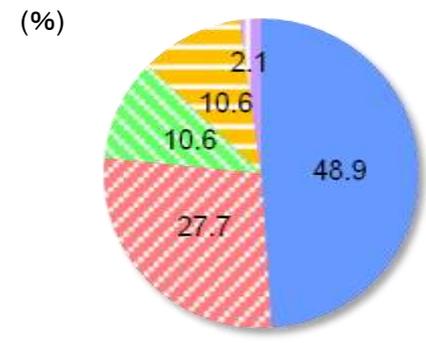
## Local market development in India, Indonesia, China (manufacturing, by industry category)

Note: In the following three countries, 50 or more firms in the manufacturing sector say that they are developing the local market

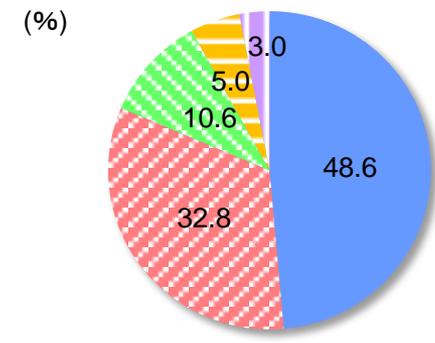
### India (Manufacturing: n=93)



### Indonesia (Manufacturing: n=94)



### China (Manufacturing: n=500)

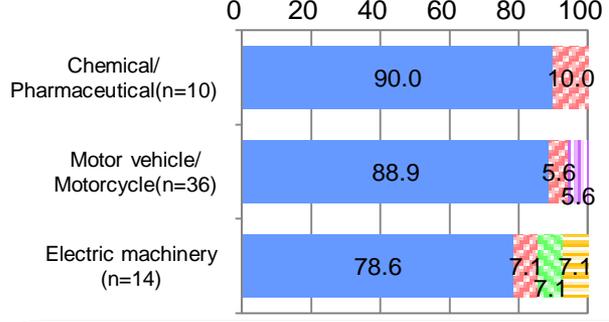


- Give higher priority to local market cultivation than to exporting
- Give equal priority to local market cultivation and exporting
- Give higher priority to exporting than to local market cultivation
- No interest in local market because the company is an export oriented company
- No idea

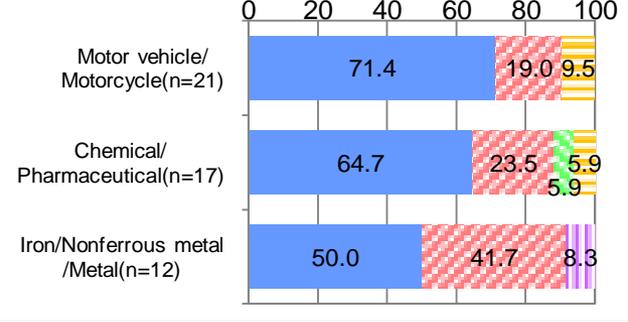
### Top 3 manufacturing industries prioritizing local market over exports

Note: 10 or more valid responses

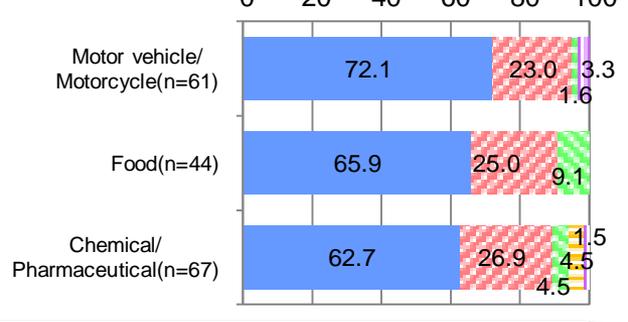
#### India



#### Indonesia



#### China

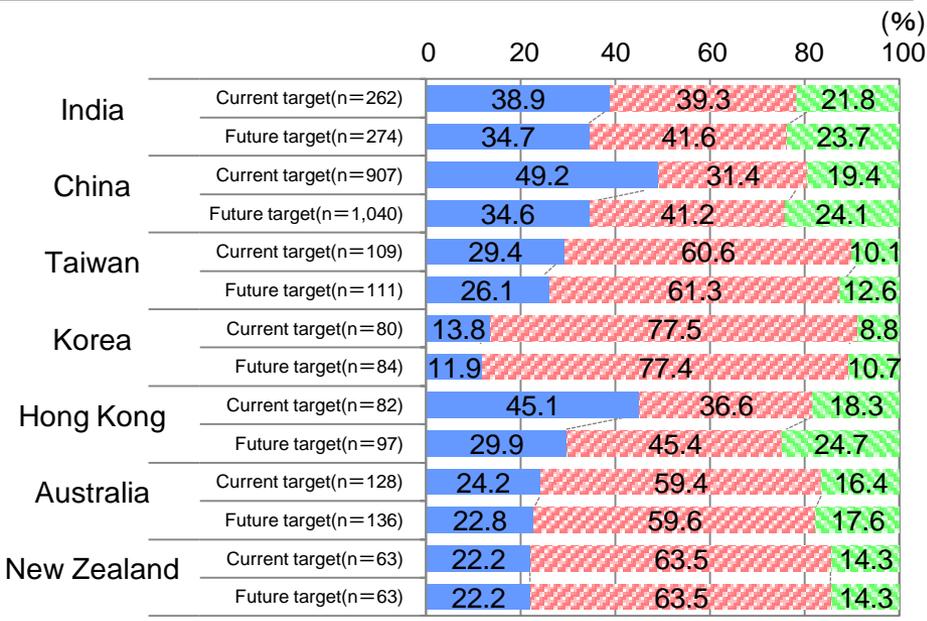
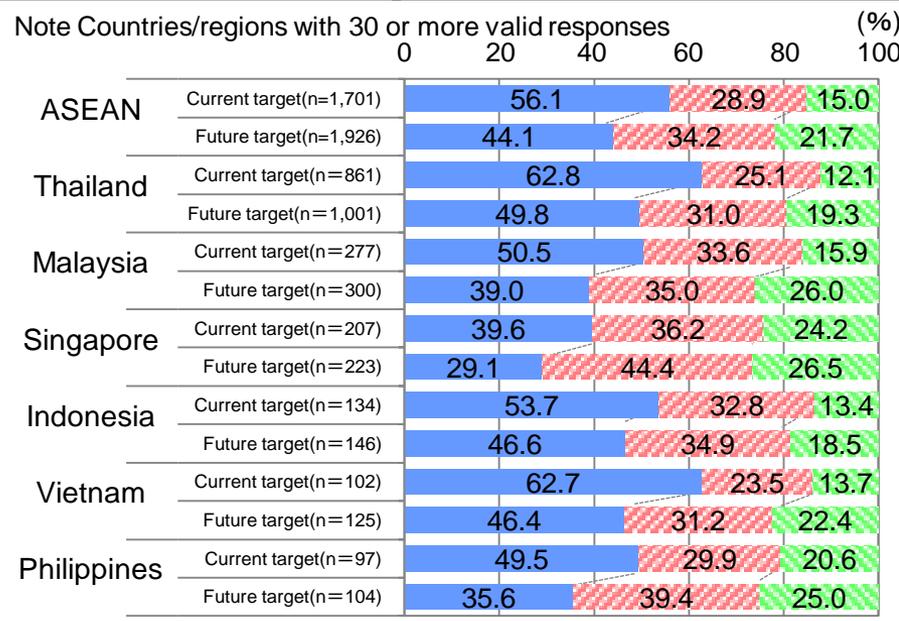
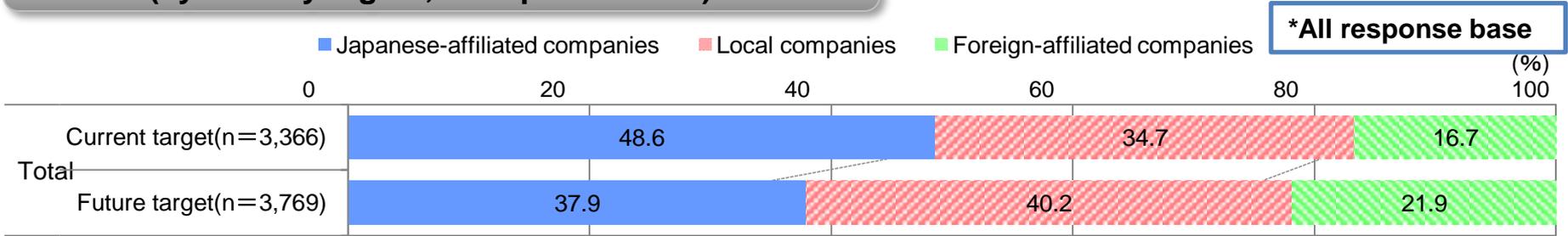


- Looking at which manufacturing industries in India, Indonesia and China prioritize the local market reveals that, in every case, it is the motor vehicles/motorcycles and chemical/pharmaceutical industries that score far above average.
- In India, 78.6% of firms in the electric machinery industry, which has a relatively strong export in other countries and regions, make the local market their highest priority.
- In China, 65.9% of food industry firms prioritize the local market. Only 9.1% give higher priority to exports.



# 3. Developing Local Markets (4)

**Local market development targets: B-to-B (by country/region, multiple answers)**



- In local markets, Japan-based firms account for the largest share (48.6%) of B-to-B targets. In Thailand and Vietnam, they account for more than 60%. The share of local firms is higher in Korea, New Zealand, and Taiwan.
- There is, however, a strong trend to shift sales targets to local firms and local branches of non-Japanese firms. Even in ASEAN, where the share of Japan-based firms is high, we expect to see the share of non-Japanese firms (local firms or local branches of non-Japanese firms) to rise.
- There are, however, no significant changes in Korea, Taiwan, and Oceania, where sales channels to local firms have already been opened.

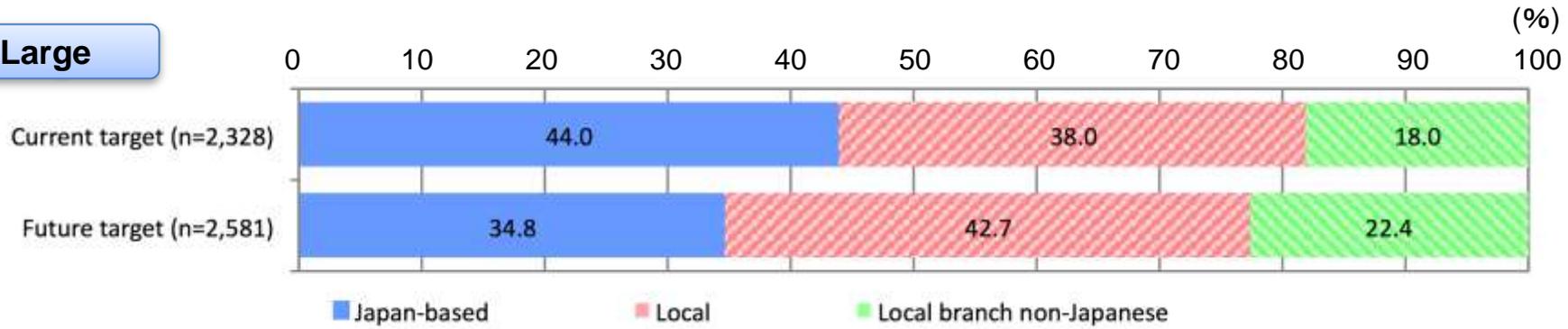


# 3. Developing Local Markets (5)

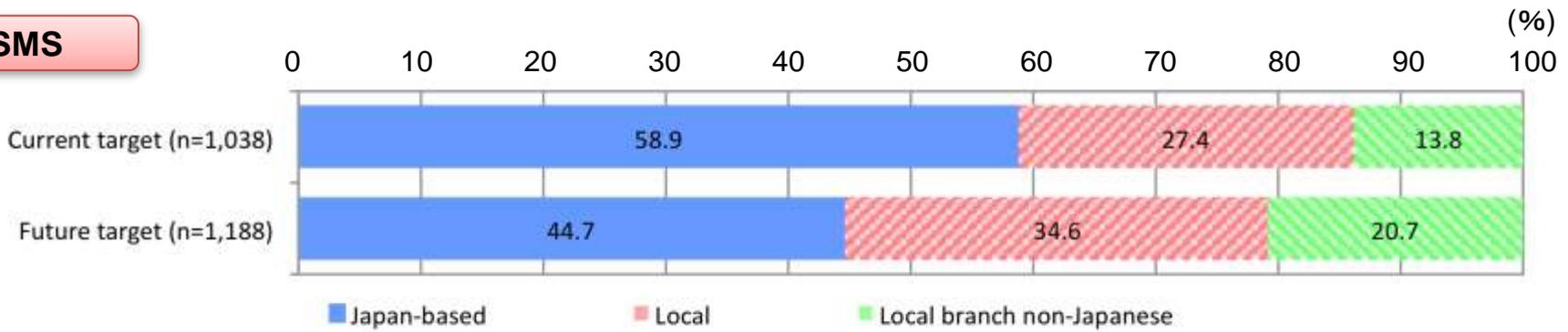
Local market development targets: B-to-B (by industry scale, multiple answers)

\*All responses base

Large



SMS

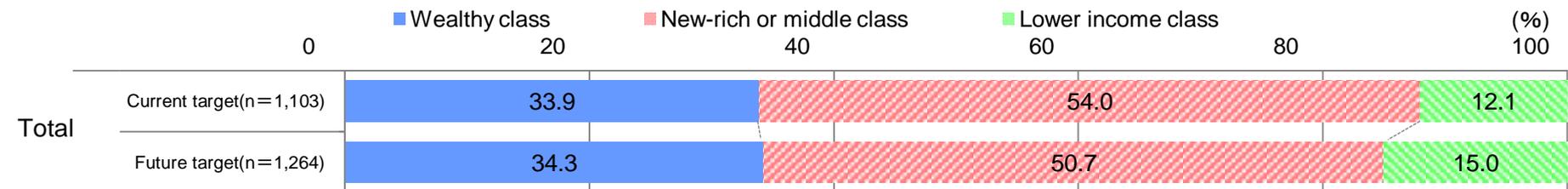


- In contrast to large companies, for whom Japan-based firms account for 44.0% of B-to-B targets, Japan-based firms account for 58.9% of B-to-B targets for small and medium size firms.
- Looking to the future, however, even small and medium size firms show a strong tendency to shift their emphasis to local firms and local branches of non-Japanese firms. The share of Japan-based firms decreases to 44.7%.

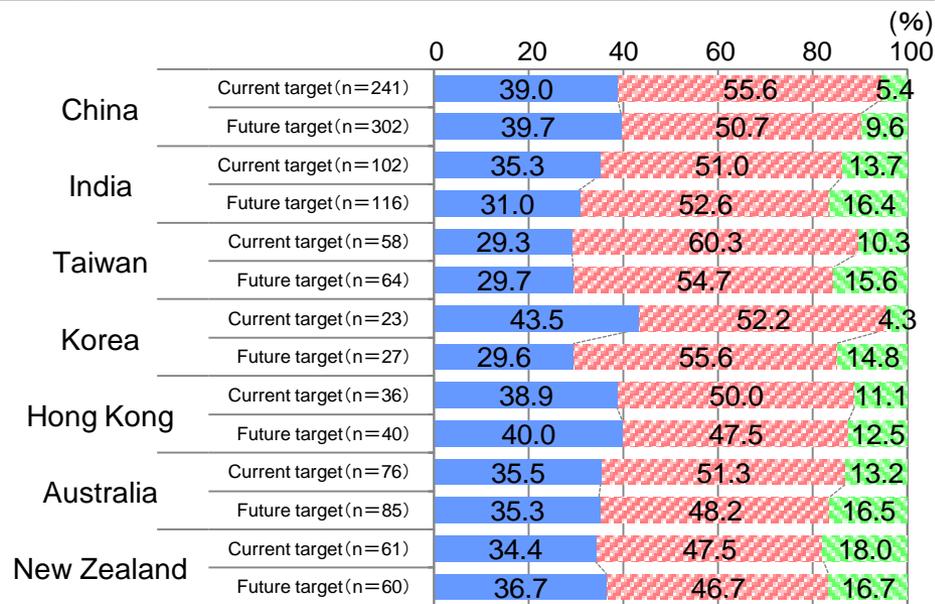
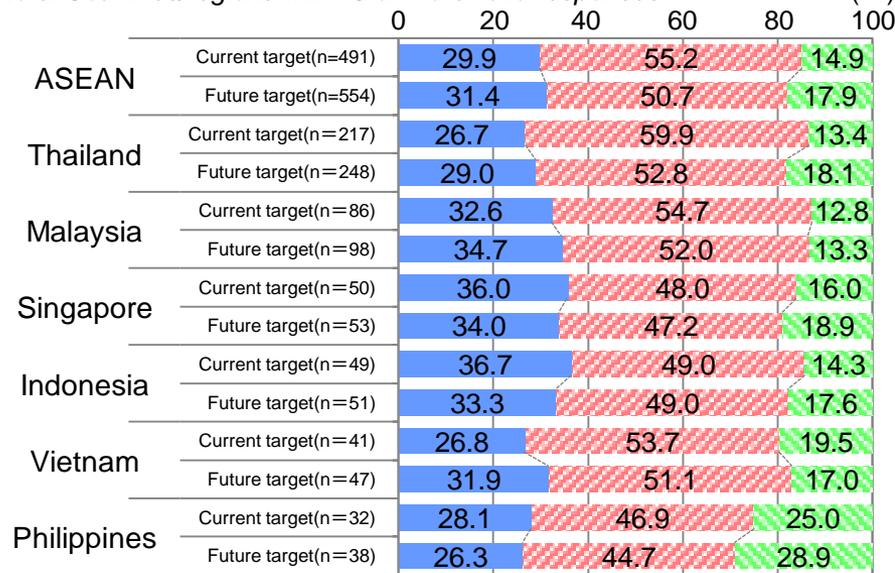
# 3. Developing Local Markets (6)

## Local market development targets: B-to-C (by country/region, multiple answers)

\*All responses base



Note: Countries/regions with 15 or more valid responses (%)



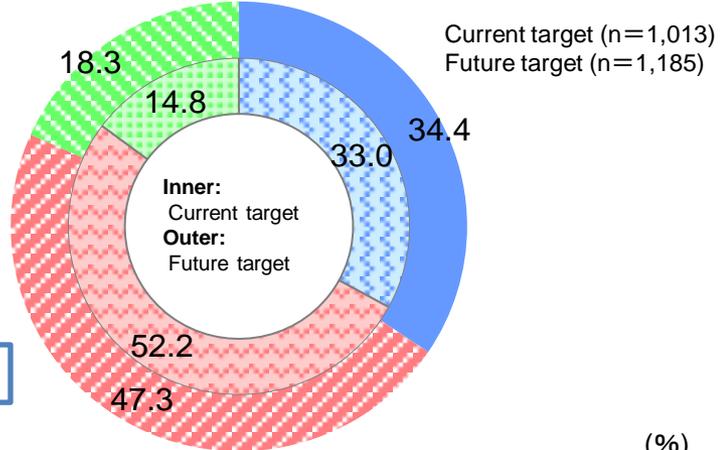
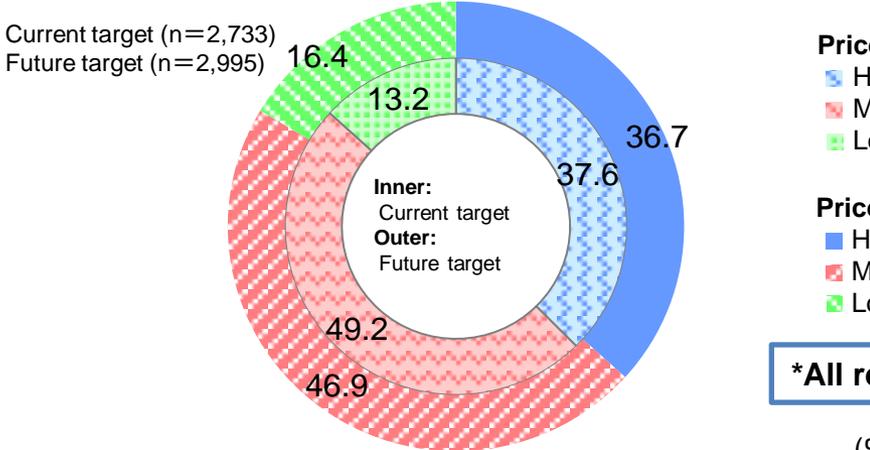
- At present the largest B-to-C target segments are the new rich and middle class (54.0%). The affluent segment is relatively large in Korea (43.5%) and China (39.0%) but relatively low in Thailand (26.7%) and Vietnam (26.8%).
- In contrast to B-to-B, the differences between current and future B-to-C targets are small, with only a small decrease in the total for new rich and middle class to indicate a growing share in the low income segment.
- Broken down by country/region, the greatest increase in lower income segments is in Korea (from 4.3% to 14.8%), Taiwan (from 10.3% to 15.6%), and Thailand (from 13.4% to 18.1%).



# 3. Developing Local Markets (7)

**Primary price range for goods/services in local market (B-to-B, by country/region, multiple answer)**

**Primary price range for goods/services in local market (B-to-C, by country/region, multiple answer)**



**\*All responses base**

		0	20	40	60	80	100
ASEAN	Current target (n=1,354)		35.4		51.1		13.5
	Future target (n=1,492)		35.4		47.4		17.2
China	Current target (n=730)		40.3		47.7		12.1
	Future target (n=802)		37.0		46.4		16.6
India	Current target (n=207)		40.1		44.0		15.9
	Future target (n=229)		38.4		43.2		18.3

		0	20	40	60	80	100
ASEAN	Current target (n=446)		27.4		56.3		16.4
	Future target (n=524)		29.6		49.0		21.4
China	Current target (n=214)		39.7		51.9		8.4
	Future target (n=278)		43.2		44.2		12.6
India	Current target (n=101)		31.7		47.5		20.8
	Future target (n=118)		29.7		48.3		22.0

- Asked about their main price range for products and services directed at local markets, the largest numbers of firms involved in both B-to-B and B-to-C businesses describe their prices as in the medium price range. Looking to the future, a growing number see themselves focusing on products in a low price range.
- In China's B-to-C markets the role of medium price range products is declining, with weight shifting toward both the high and low ends of the scale.



# 3. Developing Local Markets (8)

**Current and future issues facing the sale of medium to low priced products/services in local markets (by country/region, multiple answer)**

Note: Countries/regions with 45 or more valid responses

	Manufacturing			Non-manufacturing		
	Valid Responses	No.1	No. 2	Valid responses	No. 1	No. 2
Total	1,045	Severe price competition with other companies (81.7%)	Difficulty in changing specs/ quality criteria for cost reduction (35.4%)	768	Severe price competition with other companies (80.1%)	Lack of/Difficulty in recruiting staff who are familiar with local market (25.8%)
China	303	Severe price competition with other companies (82.2%)	Difficulty in changing specs/ quality criteria for cost reduction (40.6%)	158	Severe price competition with other companies (77.6%)	Lack of/Difficulty in recruiting staff who are familiar with local market (34.8%)
India	68	Severe price competition with other companies (82.4%)	Difficulty in establishing a production/supply system for cost reduction (44.1%)	60	Severe price competition with other companies (85.0%)	Difficulty in changing specs/ quality criteria for cost reduction (36.7%)
Thailand	315	Severe price competition with other companies (82.2%)	Difficulty in changing specs/ quality criteria for cost reduction (36.2%)	171	Severe price competition with other companies (79.5%)	Lack of/Difficulty in recruiting staff who are familiar with local market (31.0%)
Indonesia	51	Severe price competition with other companies (76.5%)	Difficulty in changing specs/ quality criteria for cost reduction (25.5%)	15	Severe price competition with other companies (80.0%)	Difficulty in changing specs/ quality criteria for cost reduction (33.3%)
Singapore	25	Severe price competition with other companies (92.0%)	Difficulty in changing specs/ quality criteria for cost reduction (44.0%)	77	Severe price competition with other companies (84.4%)	Lack of/Difficulty in recruiting staff who are familiar with local market (28.6%)
Malaysia	86	Severe price competition with other companies (84.9%)	Difficulty in establishing a production/supply system for cost reduction (31.4%)	63	Severe price competition with other companies (82.5%)	Difficulty in changing specs/ quality criteria for cost reduction (27.0%)
Philippines	31	Severe price competition with other companies (61.3%)	Difficulty in establishing a production/supply system for cost reduction (38.7%)	20	Severe price competition with other companies (80.0%)	High risk in collecting accounts receivable (25.0%)
Vietnam	42	Severe price competition with other companies (71.4%)	Inadequate logistics infrastructure (31.0%)	22	Severe price competition with other companies (63.6%)	Lack of/Difficulty in recruiting staff who are familiar with local market (36.4%)
Taiwan	38	Severe price competition with other companies (92.1%)	Difficulty in establishing a production/supply system for cost reduction (31.6%)	30	Severe price competition with other companies (93.3%)	Difficulty in establishing a production/supply system for cost reduction (23.3%)
Korea	30	Severe price competition with other companies (93.3%)	Difficulty in changing specs/ quality criteria for cost reduction (33.3%)	18	Severe price competition with other companies (83.3%)	Difficulty in changing specs/ quality criteria for cost reduction (38.9%)
Australia	23	Severe price competition with other companies (69.6%)	Difficulty in changing specs/ quality criteria for cost reduction (26.1%)	54	Severe price competition with other companies (83.3%)	Difficulty in establishing a production/supply system for cost reduction (24.1%)



# 3. Developing Local Markets (9)

## Biggest competitor in low to mid price range in local market (by country/region)

Note: Countries/regions with 10 or more valid responses

Total (1,818)		Firms	%
No.1	Chinese	692	38.1
No.2	Korean	190	10.5
No.3	Thai	188	10.3

China (461)		Firms	%
No.1	Chinese	317	68.8
No.2	Taiwanese	27	5.9
No.3	Korean	24	5.2

India (131)		Firms	%
No.1	Indian	53	40.5
No.2	Chinese	26	19.9
No.3	Korean European	16	12.2

Thailand (502)		Firms	%
No.1	Thai	151	30.1
No.2	Chinese	147	29.3
No.3	Korean	40	8.0

Malaysia (155)		Firms	%
No.1	Chinese	46	29.7
No.2	Malaysian	38	24.5
No.3	Korean	18	11.6

Indonesia (67)		Firms	%
No.1	Chinese	26	38.8
No.2	Indonesian	15	22.4
No.3	Korean	7	10.5

Singapore (75)		Firms	%
No.1	Chinese	22	29.3
No.1	Singaporean	22	29.3
No.3	Korean	13	17.3

Vietnam (65)		Firms	%
No.1	Vietnamese	21	32.3
No.2	Chinese	16	24.6
No.3	Taiwanese Korean	7	10.8

Philippines (52)		Firms	%
No.1	Chinese	18	34.6
No.2	Filipino	10	19.2
No.3	Thai Korean	5	9.6

Korea (49)		Firms	%
No.1	Korean	26	53.1
No.2	Chinese	10	20.4
No.3	American	6	12.2

Hong Kong (43)		Firms	%
No.1	Chinese	19	44.2
No.2	Taiwanese	5	11.6
No.2	Korean	5	11.6

Taiwan (70)		Firms	%
No.1	Taiwanese	31	44.3
No.2	Chinese	15	21.4
No.3	Korean	11	15.7

Australia (78)		Firms	%
No.1	Australian	23	29.5
No.2	Chinese	16	20.5
No.3	Korean	11	14.1

New Zealand (41)		Firms	%
No.1	New Zealand	10	24.4
No.2	Chinese	7	17.1
No.3	Korean	6	14.6

- At 38.1%, Chinese firms are the biggest competitors in the mid to low price range overall.
- Broken down by country/region, Chinese firms are the biggest competitors in 6 countries/regions, of which China (68.8%) is the largest, followed by Hong Kong (44.2%), Indonesia (38.8%), Philippines (34.6%), Malaysia (29.7%), and Singapore (29.3%).



# 4. Business Problems (1)

**Overall (Top 10 problems, multiple answers)**

Answers		Category of problem	%
No.1	Increase in employee wage	(Employment/labor)	60.5%
No.2	Competitor's market share growing (cost-wise competition)	(Sales)	54.4%
No.3	Increase in procurement costs	(Production)	52.7%
No.4	Workers' capability	(Employment/labor)	43.4%
No.5	Difficulty in local procurement of materials/parts	(Production)	43.3%
No.6	Major clients requesting lower prices	(Sales)	42.8%
No.7	Difficulty in quality control	(Production)	40.8%
No.8	Difficulty in recruiting executive staff	(Management localization)	40.2%
No.9	Limited cost-cutting measures available	(Production)	39.8%
No.10	No progress in the development of local staff	(Management localization)	39.1%

Note 1: Sample size varies by field, since firms are included in the total only if they have selected at least one possible answer. Sample sizes are shown on the slide (P.33 to 38)

Note 2: The top 10 items, excluding "no particular problems"

- Rising labor costs, price competition, and rising procurement costs are mentioned as management issues by more than half of responding firms.
- The major issues affecting Japanese firms is pressure to reduce costs (average salaries and procurement costs are rising and customers are demanding lower prices) and the emergence of competitors (price competition). In new markets they also confront problems with employee quality, difficulty in finding management talent, and lack of progress in training local talent.



# 4. Business Problems (2)

## Overall (by country/region, top 3, multiple answer )

 <b>China</b> (%)		
No.1	Increase in employee wage	79.6
No.2	Competitor's market share growing (cost-wise competition)	57.5
No.3	Increase in procurement costs	55.9

 <b>Korea</b> (%)		
No.1	Volatility of the local currency's exchange rate against the JPY	66.7
No.2	Competitor's market share growing (cost-wise competition)	59.5
No.3	Limited cost-cutting measures available	57.1

 <b>India</b> (%)		
No.1	Increase in employee wage	64.5
No.2	Competitor's market share growing (cost-wise competition)	62.9
No.3	Electric power shortage	56.8

 <b>Singapore</b> (%)		
No.1	Limited cost-cutting measures available	67.2
No.2	Competitor's market share growing (cost-wise competition)	60.8
No.3	Increase in employee wage	59.1

 <b>Thailand</b> (%)		
No.1	Competitor's market share growing (cost-wise competition)	59.1
No.2	Increase in procurement costs	52.0
No.3	Increase in employee wage	50.4

 <b>Indonesia</b> (%)		
No.1	Increase in employee wage	72.7
No.2	Tax burden (corporate, transfer, etc.)	65.6
No.3	Volatility of the local currency's exchange rate against the USD	61.7

 <b>Vietnam</b> (%)		
No.1	Increase in employee wage	80.6
No.2	Electric power shortage	70.3
No.3	Difficulty in local procurement of materials/parts	67.3

●“Competitor’s market share growing” and “Increase in employee wage” are business problems in all countries/regions.  
 ●“Increase in employee wage” is cited as a problem by 80% of firms operating in Vietnam (80.6%, 116 firms) and China (79.6%, 627 firms), significantly more than the 60.5% (2,073 firms) average for our total sample.

Note: Sample size varies by field, since firms are included in the total only if they have selected at least one possible answer. Sample sizes are shown on the slide (P.33 to 38)



# 4. Business Problems (3)

## Problems in sales (by country/region, top 3, multiple answer)

China (n=783)	Hong Kong (n=83)	Korea (n=84)	Singapore (n=232)	Thailand (n=818)
No. 1 57.5% Competitor's market share growing (cost-wise competition)	No. 1 49.4% Competitor's market share growing (cost-wise competition)	No. 1 59.5% Competitor's market share growing (cost-wise competition)	No. 1 60.8% Competitor's market share growing (cost-wise competition)	No. 1 59.1% Competitor's market share growing (cost-wise competition)
No. 2 44.1% Major clients requesting lower prices	No. 2 43.4% Major clients requesting lower prices	No. 2 47.6% Major clients requesting lower prices	No. 2 37.1% Major clients requesting lower prices	No. 2 46.8% Major clients requesting lower prices
No. 3 36.9% Difficulty in developing in New clients on market	No. 3 34.9% Difficulty in developing in New clients on market	No. 3 36.9% Difficulty in developing in New clients on market	No. 3 33.2% Difficulty in developing in New clients on market	No. 3 32.8% Difficulty in developing in New clients on market
Malaysia (n=332)	Indonesia (n=126)	Philippines (n=145)	Vietnam (n=139)	Myanmar (n=21)
No. 1 49.7% Competitor's market share growing (cost-wise competition)	No. 1 57.1% Competitor's market share growing (cost-wise competition)	No. 1 39.3% Major clients requesting lower prices	No. 1 50.4% Competitor's market share growing (cost-wise competition)	No. 1 42.9% Competitor's market share growing (cost-wise competition)
No. 2 42.8% Major clients requesting lower prices	No. 2 39.7% Major clients requesting lower prices	No. 2 37.2% Competitor's market share growing (cost-wise competition)	No. 2 38.9% Major clients requesting lower prices	No. 2 28.6% Sluggishness in major sales market (Consumption down)
No. 3 32.8% Difficulty in developing in New clients on market	No. 3 29.4% Difficulty in developing in New clients on market	No. 3 33.1% Difficulty in developing in New clients on market	No. 3 34.5% Difficulty in developing in New clients on market	No. 3 23.8% Lack of progress in local deregulation
India (n=197)	Taiwan (n=127)	Sri Lanka (n=23)	Australia (n=167)	New Zealand (n=92)
No. 1 62.9% Competitor's market share growing (cost-wise competition)	No. 1 57.5% Competitor's market share growing (cost-wise competition)	No. 1 34.8% Competitor's market share growing (cost-wise competition)	No. 1 41.9% Competitor's market share growing (cost-wise competition)	No. 1 46.7% Sluggishness in major sales market (Consumption down)
No. 2 49.2% Major clients requesting lower prices	No. 2 48.8% Major clients requesting lower prices	No. 1 34.8% Difficulty in developing in New clients on market	No. 2 39.5% Sluggishness in major sales market (Consumption down)	No. 2 35.9% Major clients requesting lower prices
No. 3 24.9% Difficulty in developing in New clients on market	No. 3 31.5% Sluggishness in major sales market (Consumption down)	No. 2 26.1% Customer pressure for lower prices	No. 3 28.7% Major clients requesting lower prices	No. 3 30.4% Competitor's market share growing (cost-wise competition)



# 4. Business Problems (4)

## Problems in financial affair, financing, and foreign exchange (by country/region, top 3, multiple answer)

China (n=770)	
No. 1	30.8%
Tax burden (corporate, transfer, etc.)	
No. 2	30.7%
Volatility of the local currency's exchange rate against the JPY	
No. 3	27.5%
Volatility of the local currency's exchange rate against the USD	

Hong Kong (n=83)	
No. 1	39.8%
Volatility of the JPY against the USD	
No. 2	36.1%
Volatility of the local currency's exchange rate against the JPY	
No. 3	18.1%
No particular problem	

Korea (n=84)	
No. 1	6.7%
Volatility of the local currency's exchange rate against the JPY	
No. 2	36.9%
Volatility of the local currency's exchange rate against the USD	
No. 3	19.1%
Tax burden (corporate, transfer, etc.)	

Singapore (n=235)	
No. 1	38.7%
Volatility of the JPY against the USD	
No. 2	32.8%
Volatility of the local currency's exchange rate against the USD	
No. 3	31.9%
Volatility of the local currency's exchange rate against the JPY	

Thailand (n=811)	
No. 1	40.0%
Volatility of the local currency's exchange rate against the JPY	
No. 2	30.6%
Volatility of the local currency's exchange rate against the USD	
No. 3	21.2%
No particular problem	

Malaysia (n=328)	
No. 1	42.4%
Volatility of the local currency's exchange rate against the USD	
No. 2	29.9%
Volatility of the local currency's exchange rate against the JPY	
No. 3	28.4%
Volatility of the JPY against the USD	

Indonesia (n=128)	
No. 1	65.6%
Tax burden (corporate, transfer, etc.)	
No. 2	61.7%
Volatility of the local currency's exchange rate against the USD	
No. 3	32.8%
Volatility of the local currency's exchange rate against the JPY	

Philippines (n=142)	
No. 1	45.1%
Volatility of the local currency's exchange rate against the USD	
No. 2	40.9%
Volatility of the JPY against the USD	
No. 3	27.5%
Tax burden (corporate, transfer, etc.)	

Vietnam (n=142)	
No. 1	35.9%
Volatility of the local currency's exchange rate against the JPY	
No. 2	32.4%
Volatility of the local currency's exchange rate against the USD	
No. 3	28.2%
Necessary lack of cash flow for expansion of business scale	

Myanmar (n=21)	
No. 1	52.4%
Volatility of the local currency's exchange rate against the USD	
No. 2	42.9%
Volatility of the JPY against the USD	
No. 3	33.3%
Restrictions on fund procurement and settlement s	

India (n=198)	
No. 1	42.9%
Tax burden (corporate, transfer, etc.)	
No. 2	36.4%
Volatility of the local currency's exchange rate against the JPY	
No. 3	25.8%
Volatility of the local currency's exchange rate against the USD	

Taiwan (n=127)	
No. 1	45.7%
Volatility of the local currency's exchange rate against the JPY	
No. 2	31.5%
Volatility of the local currency's exchange rate against the USD	
No. 2	31.5%
Volatility of the JPY against the USD	

Sri Lanka (n=23)	
No. 1	30.4%
Tax burden (corporate, transfer, etc.)	
No. 1	30.4%
Volatility of the JPY against the USD	
No. 3	26.1%
No particular problem	

Australia (n=162)	
No. 1	46.9%
Volatility of the local currency's exchange rate against the USD	
No. 2	35.2%
Volatility of the local currency's exchange rate against the JPY	
No. 3	20.4%
No particular problem	

New Zealand (n=92)	
No. 1	39.1%
Volatility of the local currency's exchange rate against the USD	
No. 2	35.9%
Volatility of the local currency's exchange rate against the JPY	
No. 3	34.8%
No particular problem	



# 4. Business Problems (5)

## Problems with employment or labor (by country/region, top 3, multiple answer)

China (n=788)	Hong Kong (n=84)	Korea (n=84)	Singapore (n=232)	Thailand (n=821)
No. 1 79.6% Increase in employee wage	No. 1 54.8% Increase in employee wage	No. 1 53.6% Increase in employee wage	No. 1 59.1% Increase in employee wage	No. 1 50.4% Increase in employee wage
No. 2 48.4% Workers' capability	No. 2 34.5% Workers' capability	No. 2 32.1% Workers' capability	No. 2 30.6% Workers' capability	No. 2 50.1% Workers' capability
No. 3 42.7% Difficulty in recruiting general workers (Manufacturing only)	No. 3 29.8% Personal cost of Japanese (expatriate) officers and staff. Difficulty in recruiting middle management staff.	No. 3 23.9% Difficulty in recruiting engineer staff (Manufacturing only)	No. 3 28.9% Difficulty in recruiting middle management staff	No. 3 39.0% Difficulty in recruiting general workers (Manufacturing only)
Malaysia (n=332)	Indonesia (n=128)	Philippines (n=146)	Vietnam (n=144)	Myanmar (n=21)
No. 1 53.3% Increase in employee wage	No. 1 72.7% Increase in employee wage	No. 1 44.5% Increase in employee wage	No. 1 80.6% Increase in employee wage	No. 1 57.1% Difficulty in recruiting general workers (Manufacturing only)
No. 2 49.8% Difficulty in recruiting general workers (Manufacturing only)	No. 2 50.0% Workers' capability	No. 2 41.8% Workers' capability	No. 2 52.8% Workers' capability	No. 2 52.4% Difficulty in recruiting middle management staff
No. 3 41.0% Workers' capability	No. 3 43.8% Restrictions on staff dismissal and reduction	No. 3 32.6% Difficulty in recruiting engineer staff (Manufacturing only)	No. 3 45.1% Low rate of worker retention	No. 3 42.9% Workers' capability; Low rate of worker retention
India (n=197)	Taiwan (n=127)	Sri Lanka (n=23)	Australia (n=168)	New Zealand (n=92)
No. 1 64.5% Increase in employee wage	No. 1 37.0% Workers' capability	No. 1 52.2% Increase in employee wage	No. 1 60.7% Increase in employee wage	No. 1 40.2% Increase in employee wage
No. 2 41.1% Workers' capability	No. 2 35.4% Increase in employee wage	No. 2 43.5% Restrictions on staff dismissal and reduction	No. 2 32.1% Workers' capability	No. 2 35.9% No particular problem
No. 3 40.1% Personal cost of Japanese (expatriate) officers and staff	No. 3 23.6% Difficulty in recruiting middle management staff	No. 3 41.7% Difficulty of finding engineers (Manufacturing only)	No. 3 25.6% Restrictions on staff dismissal and reduction	No. 3 18.5% Workers' capability



# 4. Business Problems (6)

## Problems in the foreign trade system (by country/region, top 3, multiple answer)

China (n=734)	Hong Kong (n=79)	Korea (n=83)	Singapore (n=204)	Thailand (n=779)
No. 1 41.0% Complicated customs clearance procedure	No. 1 69.6% No particular problem	No. 1 66.3% No particular problem	No. 1 80.4% No particular problem	No. 1 39.3% No particular problem
No. 2 33.5% Time-consuming customs procedure	No. 2 15.2% Lack of thorough information of trade rules and reduction	No. 2 8.4% Obscure criteria for determining classification of customs	No. 2 7.8% Complicated customs clearance procedure	No. 2 25.2% Lack of thorough information of trade rules and reduction
No. 3 28.5% Lack of thorough information of trade rules and reduction	No. 3 12.7% Complicated customs clearance procedure	No. 2 8.4% Complicated customs clearance procedure	No. 3 5.4% Time-consuming customs procedure	No. 3 24.8% Unclear methods for Assessing customs duties
Malaysia (n=308)	Indonesia (n=125)	Philippines (n=142)	Vietnam (n=139)	Myanmar (n=20)
No. 1 50.0% No particular problem	No. 1 50.4% Lack of thorough information of trade rules and reduction	No. 1 41.6% No particular problem	No. 1 60.4% Complicated customs clearance procedure	No. 1 50.0% Complicated customs clearance procedure
No. 2 21.8% Lack of thorough information of trade rules and reduction	No. 2 46.4% Complicated customs clearance procedure	No. 2 28.2% Time-consuming customs procedure	No. 2 43.9% Time-consuming customs procedure	No. 2 40.0% No particular problem
No. 3 16.9% Complicated customs clearance procedure	No. 3 42.4% Time-consuming customs procedure	No. 3 26.8% Lack of thorough information of trade rules and reduction	No. 3 42.5% Lack of thorough information of trade rules and reduction	No. 3 30.0% Time-consuming customs procedure Lack of thorough information of trade rules and reduction
India (n=192)	Taiwan (n=118)	Sri Lanka (n=23)	Australia (n=156)	New Zealand (n=86)
No. 1 52.6% Time-consuming customs procedure	No. 1 60.2% No particular problem	No. 1 30.4% Complicated customs clearance procedure	No. 1 79.5% No particular problem	No. 1 75.6% No particular problem
No. 2 50.5% Complicated customs clearance procedure	No. 2 11.0% Time-consuming customs procedure	No. 2 26.1% Time-consuming customs procedure	No. 2 9.0% Strict quarantine system	No. 2 8.1% Time-consuming customs
No. 3 30.7% Lack of thorough information of trade rules and reduction	No. 3 10.2% Unclear methods for Assessing customs duties	No. 3 Unclear methods for Assessing customs duties No particular problem	No. 3 6.4% Time-consuming customs	No. 3 7.0% Lack of thorough information of trade rules and reduction



# 4. Business Problems (7)

## Problems in production (Manufacturing only) (by country/region, top 3, multiple answer)

China (n=476)	Hong Kong (n=9)	Korea (n=42)	Singapore (n=58)	Thailand (n=512)
No. 1 55.9% Increase in procurement costs	No. 1 55.6% Limited cost-cutting measures available	No. 1 57.1% Limited cost-cutting measures available	No. 1 67.2% Limited cost-cutting measures available	No. 1 52.0% Increase in procurement costs
No. 2 43.3% Difficulty in quality control	No. 1 55.6% Increase in procurement cost	No. 2 35.7% Increase in procurement costs	No. 2 51.7% Increase in procurement costs	No. 2 44.3% Difficulty in quality control
No. 3 43.1% Difficulty in local procurement of materials/parts	No. 3 33.3% Insufficient production capacity due to lack of facilities	No. 3 33.3% Difficulty in quality control	No. 3 24.1% Difficulty in local procurement of materials/parts Difficulty in quality control	No. 3 40.0% Difficulty in local procurement of materials/parts
Malaysia (n=186)	Indonesia (n=91)	Philippines (n=94)	Vietnam (n=101)	Bangladesh (n=11)
No. 1 56.5% Increase in procurement costs	No. 1 53.9% Difficulty in local procurement of materials/parts	No. 1 56.4% Difficulty in local procurement of materials/parts	No. 1 70.3% Electric power shortage	No. 1 63.6% Electric power shortage
No. 2 44.1% Difficulty in local procurement of materials/parts	No. 2 52.8% Increase in procurement costs	No. 2 47.9% Increase in procurement costs	No. 2 67.3% Difficulty in local procurement of materials/parts	No. 1 63.6% Difficulty in local procurement of materials/parts
No. 3 43.0% Limited cost-cutting measures available	No. 3 40.7% Insufficient production capacity due to lack of facilities Electric power shortage	No. 3 46.8% Electric power shortage	No. 3 49.5% Difficulty in quality control	No. 3 54.6% Increase in procurement costs
India (n=81)	Taiwan (n=61)	Sri Lanka (n=11)	Australia (n=41)	New Zealand (n=18)
No. 1 56.8% Electric power shortage	No. 1 57.4% Increase in procurement costs	No. 1 54.6% Difficulty in quality control	No. 1 51.2% Increase in procurement costs	No. 1 66.7% Increase in procurement costs
No. 2 54.3% Inadequate logistics infrastructure	No. 2 45.9% Limited cost-cutting measures available	No. 2 45.5% Increase in procurement costs	No. 2 31.7% Limited cost-cutting measures available	No. 2 50.0% Limited cost-cutting measures available
No. 3 51.9% Difficulty in local procurement of materials/parts	No. 3 39.3% Difficulty in quality control	No. 2 45.5% Difficulty in local procurement of materials/parts	No. 3 26.8% Difficulty in local procurement of materials/parts Difficulty in quality control	No. 3 27.8% Stricter environmental regulations



# 4. Business Problems (8)

## Problems in promoting management localization (by country/region, top 3, multiple answer)

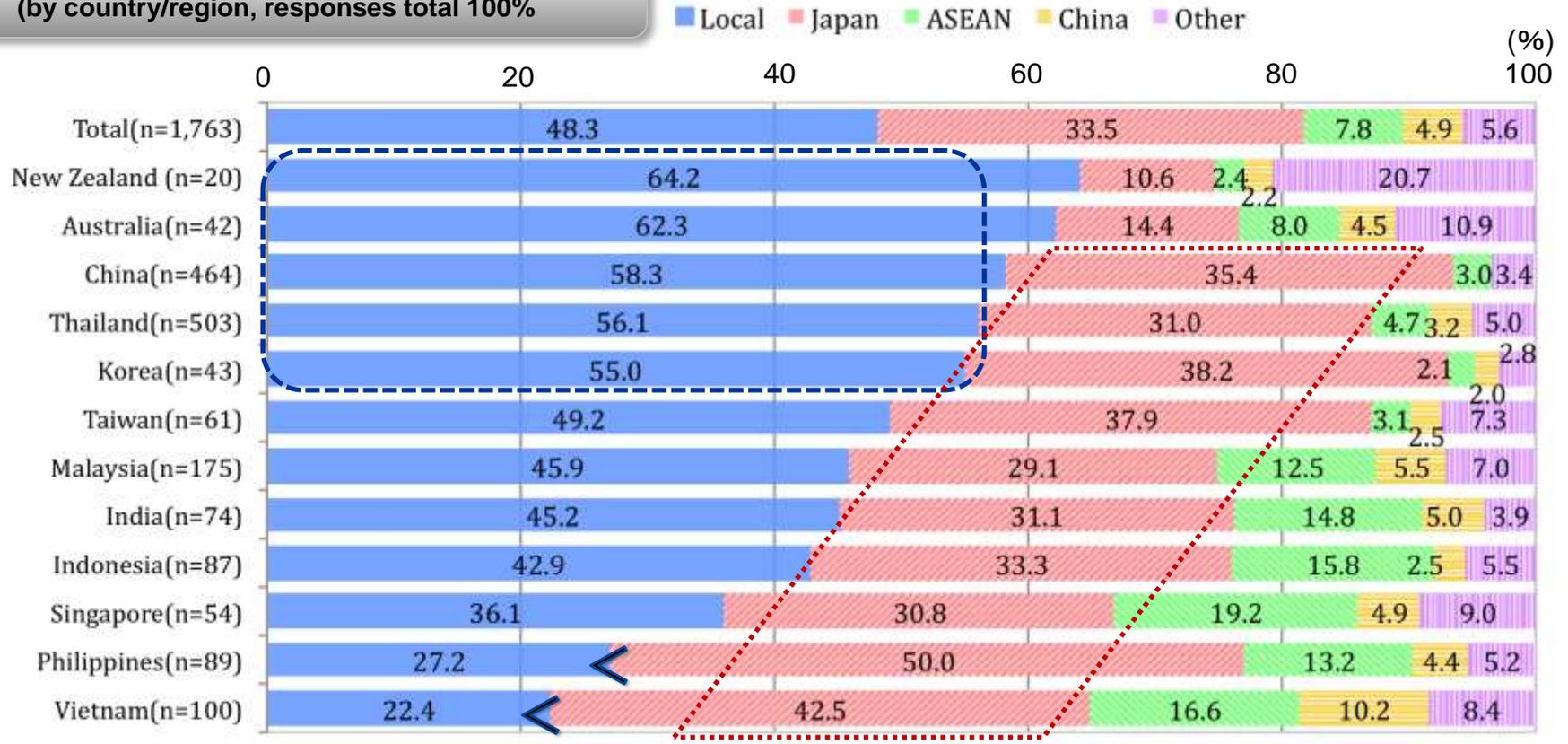
China (n=747)	Hong Kong (n=83)	Korea (n=82)	Singapore (n=216)	Thailand (n=782)
No. 1 44.0% No progress in the development of local staff	No. 1 47.0% Difficulty in recruiting executive staff	No. 1 31.7% No progress in the development of local staff	No. 1 35.2% Difficulty in recruiting executive staff	No. 1 45.9% No progress in the development of local staff
No. 2 42.0% Difficulty in recruiting executive staff	No. 2 39.8% No progress in the development of local staff	No. 2 25.6% Difficulty in recruiting executive staff	No. 2 33.8% No progress in the development of local staff	No. 2 44.3% Lack of ability and awareness of local staff
No. 3 39.6% Lack of ability and awareness of local staff	No. 3 31.3% No progress in the transfer of authority from head office to local level	No. 2 25.6% No particular problem	No. 3 26.9% Lack of ability and awareness of local staff	No. 3 42.8% Difficulty in recruiting executive staff
Malaysia (n=312)	Indonesia (n=121)	Philippines (n=142)	Vietnam (n=138)	Myanmar (n=21)
No. 1 34.9% No progress in the development of local staff	No. 1 52.1% Difficulty in finding management talent	No. 1 47.2% Lack of ability and awareness of local staff	No. 1 58.7% Lack of ability and awareness of local staff	No. 1 57.1% Lack of ability and awareness of local staff
No. 2 34.6% Difficulty in recruiting executive staff	No. 2 51.2% Difficulty in recruiting executive staff	No. 2 40.9% Difficulty in recruiting executive staff	No. 2 50.0% Difficulty in recruiting executive staff	No. 2 47.6% No progress in the development of local staff
No. 3 33.7% Lack of ability and awareness of local staff	No. 2 51.2% Lack of ability and awareness of local staff	No. 2 40.9% No progress in the development of local staff	No. 3 47.1% No progress in the development of local staff	No. 3 42.9% Difficulty in recruiting executive staff
India (n=187)	Taiwan (n=122)	Sri Lanka (n=21)	Australia (n=162)	New Zealand (n=84)
No. 1 44.4% Difficulty in recruiting executive staff	No. 1 43.4% No progress in the development of local staff	No. 1 52.4% Lack of ability and awareness of local staff	No. 1 31.5% Difficulty in recruiting executive staff	No. 1 48.8% No particular problem
No. 2 27.3% Lack of ability and awareness of local staff	No. 2 37.7% Difficulty in recruiting executive staff	No. 2 28.6% Difficulty in recruiting executive staff	No. 2 30.3% No particular problem	No. 2 21.4% Difficulty in recruiting executive staff
No. 3 26.2% No progress in the development of local staff	No. 3 29.5% Lack of ability and awareness of local staff	No. 3 23.8% No progress in the development of local staff	No. 3 23.5% No progress in the transfer of authority from head office to local level	No. 3 17.9% No progress in the development of local staff



# 5. Procurement of Raw Materials and Parts (1)

Raw materials and parts procurement (manufacturing only)  
(by country/region, responses total 100%)

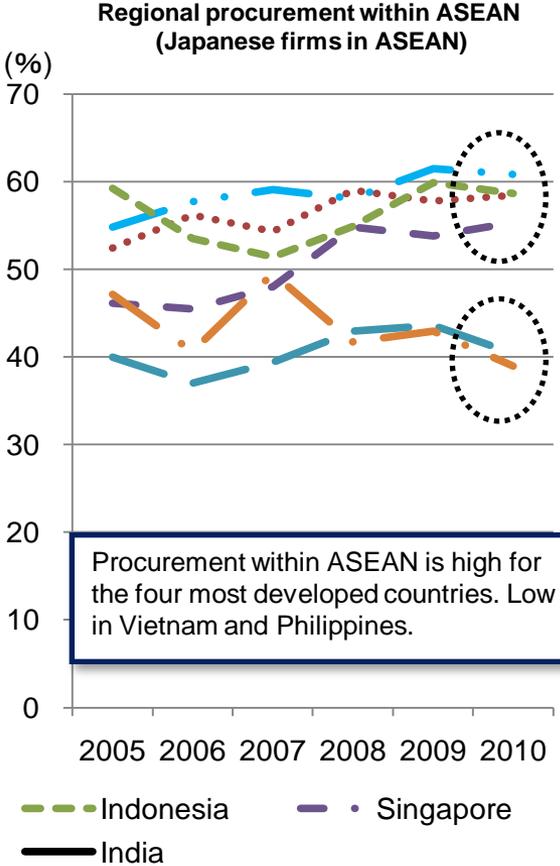
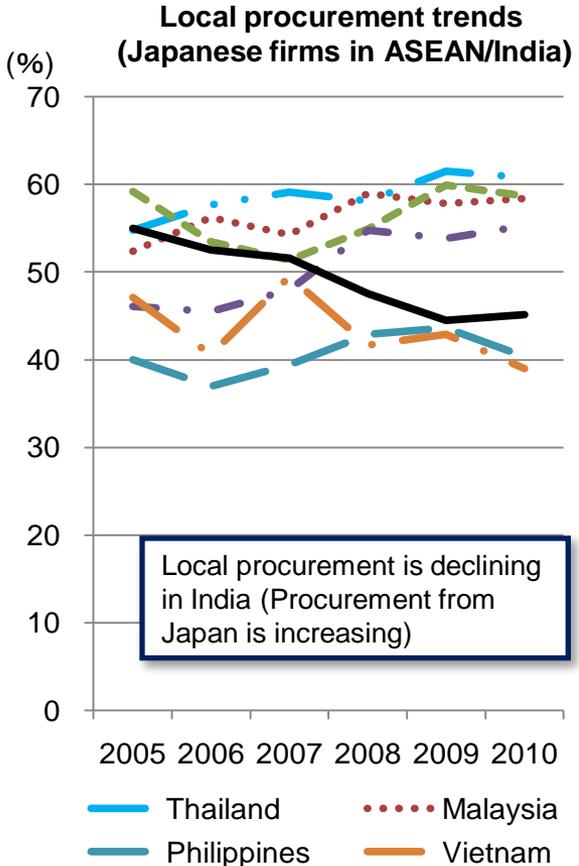
Note: Countries/regions with 20+ firms responding



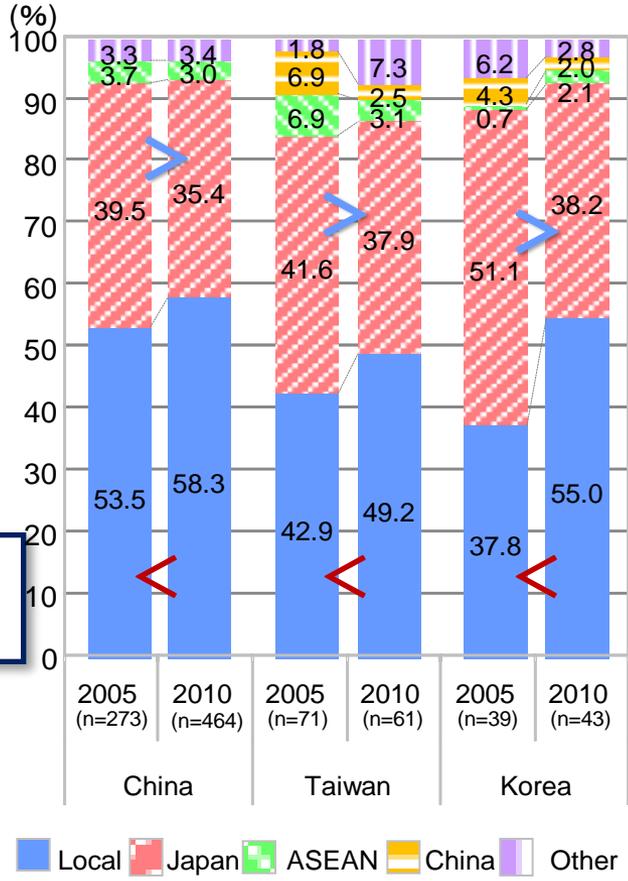
- The bulk of materials and parts are procured locally (48.3%), from Japan (33.5%), or from ASEAN (7.8%). Local procurement has risen from 43.4% in 2008 to 45.3% in 2009 and 48.3% in 2010.
- Local procurement exceeds 50% in New Zealand, Australia, China, Thailand, and Korea.
- In New Zealand and Australia, where local procurement exceeds 60%, local procurement by the food and wood/pulp industries contributes to this figure.
- The Philippines (50.0%) and Vietnam (42.5%) score high on procurement from Japan, which in both cases exceeds local procurement. Among firms related to electric machinery, the ratio of procurement from Japan tends to be high. The context is that dependence on electrical and electronic components imported from Japan is high among mainly firms in the assembly for export field.
- In five of the ASEAN6 (Singapore, Vietnam, Indonesia, Philippines, and Malaysia) procurement from other ASEAN countries accounts for between 10 and 20% of the total. Only Thailand is an exception, with procurement from other ASEAN countries only 4.7%.

# 5. Procurement of Raw Materials and Parts (2)

**Procurement trends (by country/region)**



**2005 vs. 2010 (Japanese firms in Northeast Asia)**

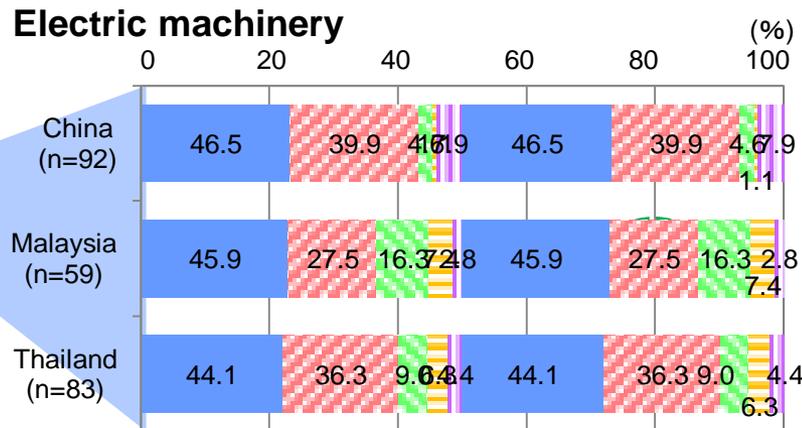
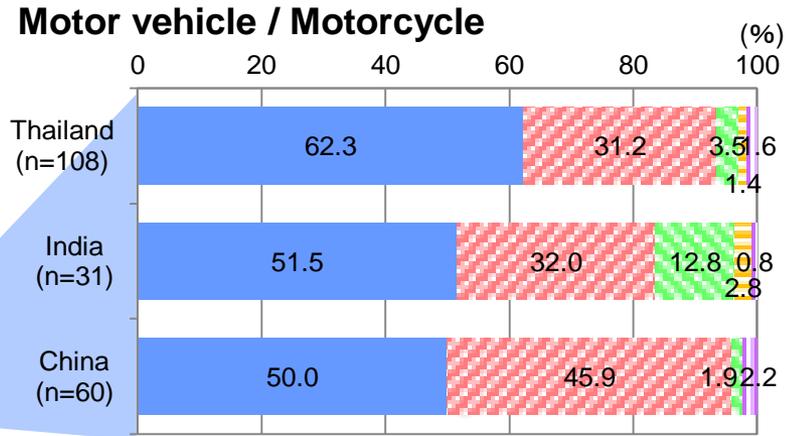
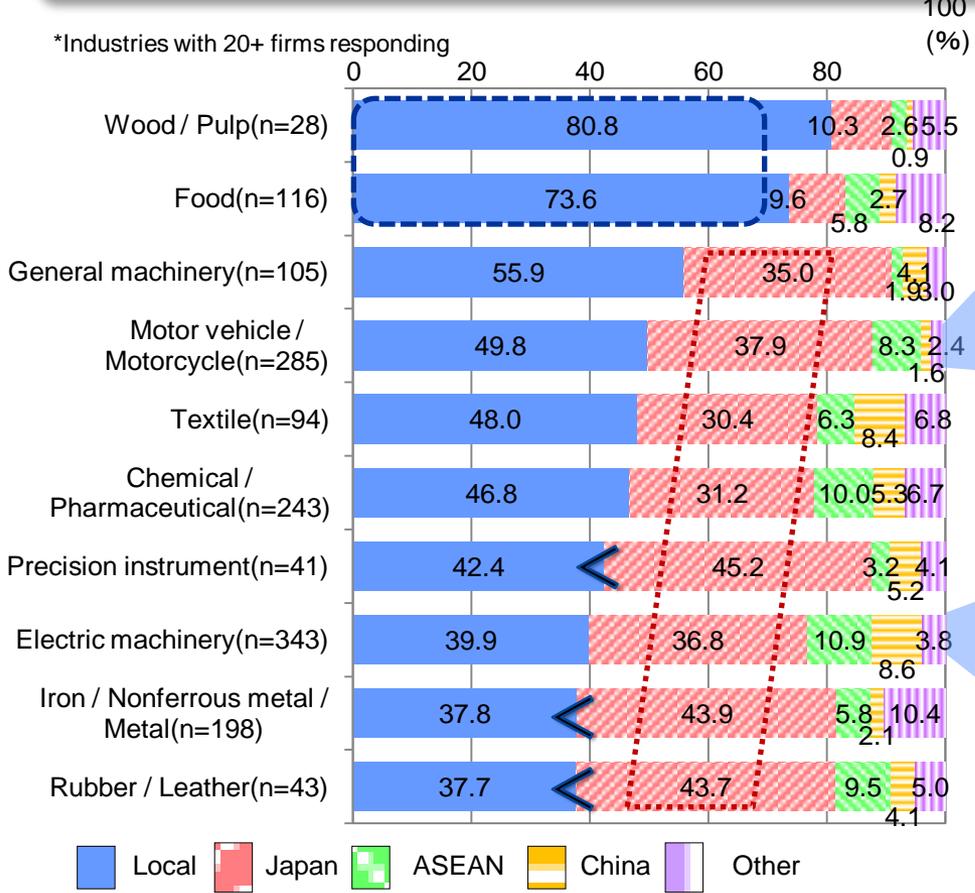


- Looking at local procurement trends since 2005 broken down by country/region reveals that while local procurement is up in Thailand, Malaysia, Singapore, and Indonesia, it is down in India. One reason may be accelerating growth in the number of new firms entering the market in south India, where the local procurement ratio is low.
- If we look at ASEAN as a whole, procurement within the region is rising in Thailand, Malaysia, Indonesia, and Singapore, but remains low in Vietnam and the Philippines whose dependence on parts procured from Japan remains high, compared to other countries in the region.
- China, Taiwan, and Korea have all seen local procurement increase from 2005 to 2010, with a corresponding decline in procurement from Japan.



# 5. Procurement of Raw Materials and Parts (3)

**Raw materials and parts procurement (manufacturing only)**  
**(by industry category, total is 100% of responses)**

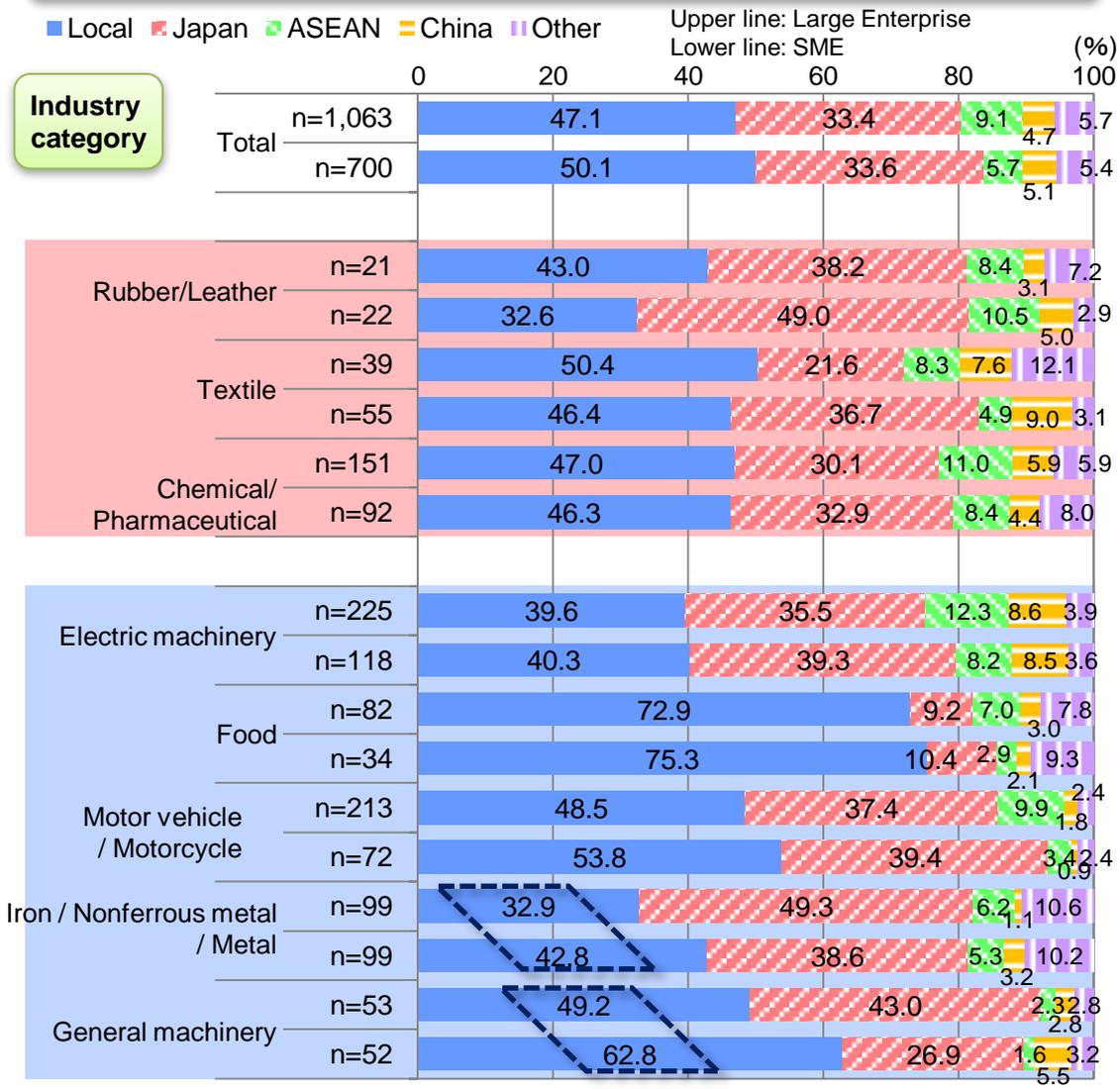


- Looking at raw materials and parts procurement broken down by industry reveals that local procurement is highest in the wood and pulp (80.8%) and food (73.6%) industries. In other industries, procurement from Japan exceeds 30%; in precision machinery, iron/nonferrous metals, and rubber/leather, procurement from Japan exceeds local procurement.
- Looking at the two industries with the highest numbers of firms responding (motor vehicles and electric machinery) reveals that local procurement by the motor vehicles industry is highest in Thailand (62.3%) and exceeds 50% in India and China. Local procurement in the electric machinery industry is highest in China and Malaysia (both higher than 45%). In Malaysia, that industry procures 16.3% of its parts and materials from other ASEAN countries.



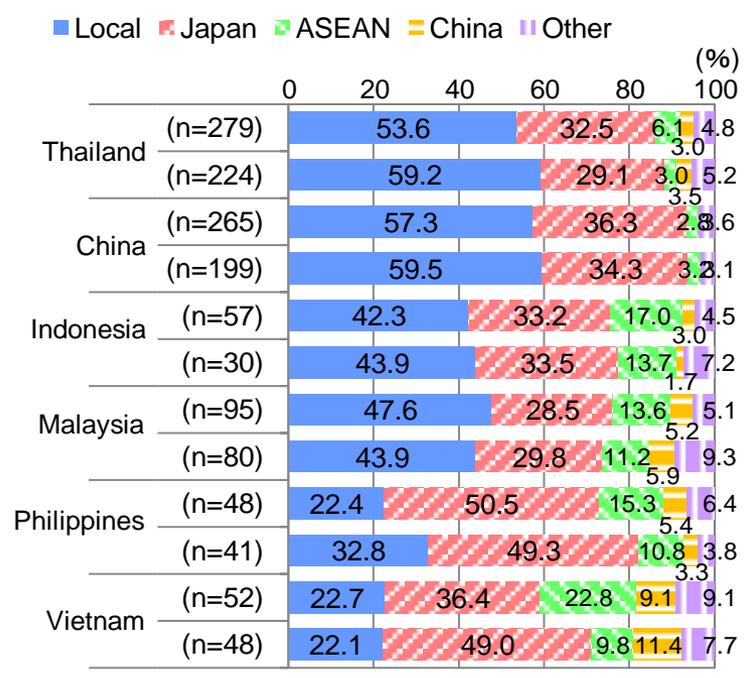
# 5. Procurement of Raw Materials and Parts (4)

**Procurement by industry scale (manufacturing only, by industry scale)**



**Country/region**

Upper line: Large Enterprise  
Lower line: SME



- Local content tends to be slightly higher among SME than large firms, especially in the general machinery and ferrous/non-ferrous metals industries, where local procurement by SME is nearly 10% higher.
- In Thailand SME local content is 59.2%, 5.6% higher than large firms.
- In Vietnam, SME procure 49.0% of parts and materials from Japan, 12.6% more than large firms. In terms of procurement from within ASEAN, however, the SMS score is 13.0% lower than that of large firms.

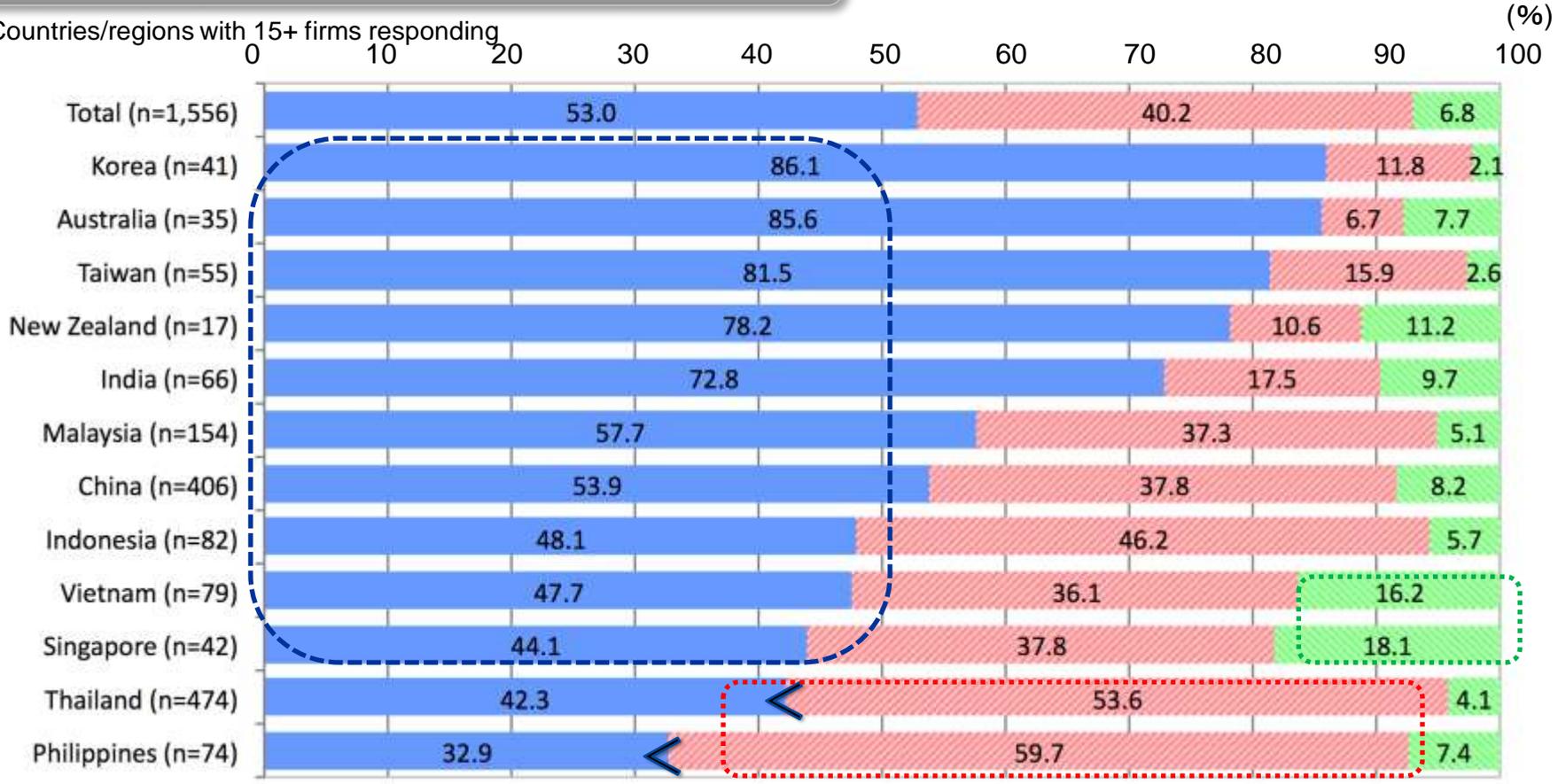


# 5. Procurement of Raw Materials and Parts (5)

**Local sources of materials and parts (Manufacturing only)**  
(by country/region, responses where totals equal 100%)

Local firms Japanese affiliates Other foreign affiliates

Note: Countries/regions with 15+ firms responding



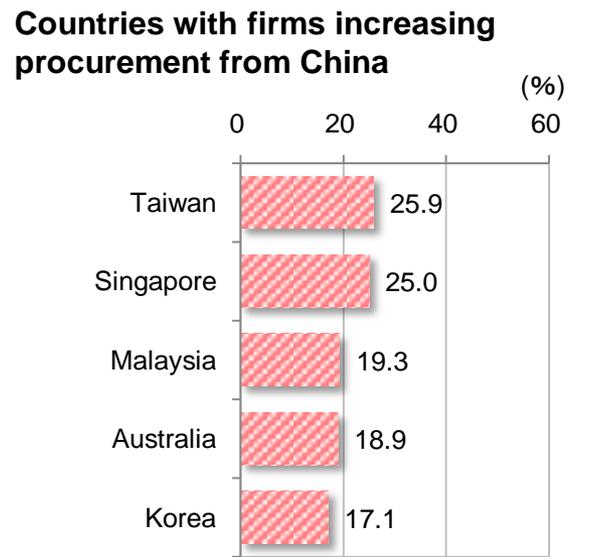
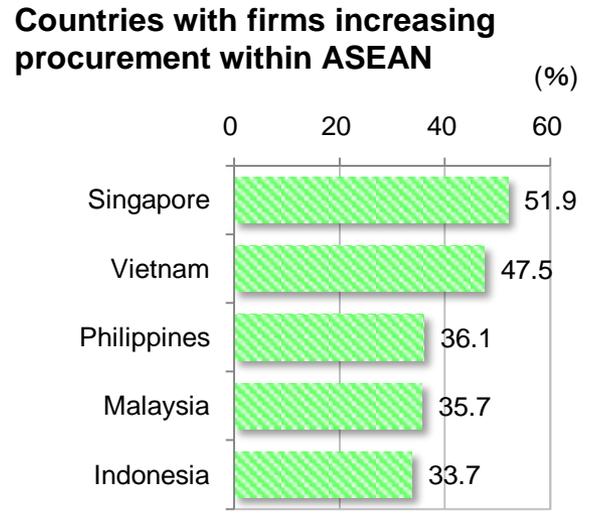
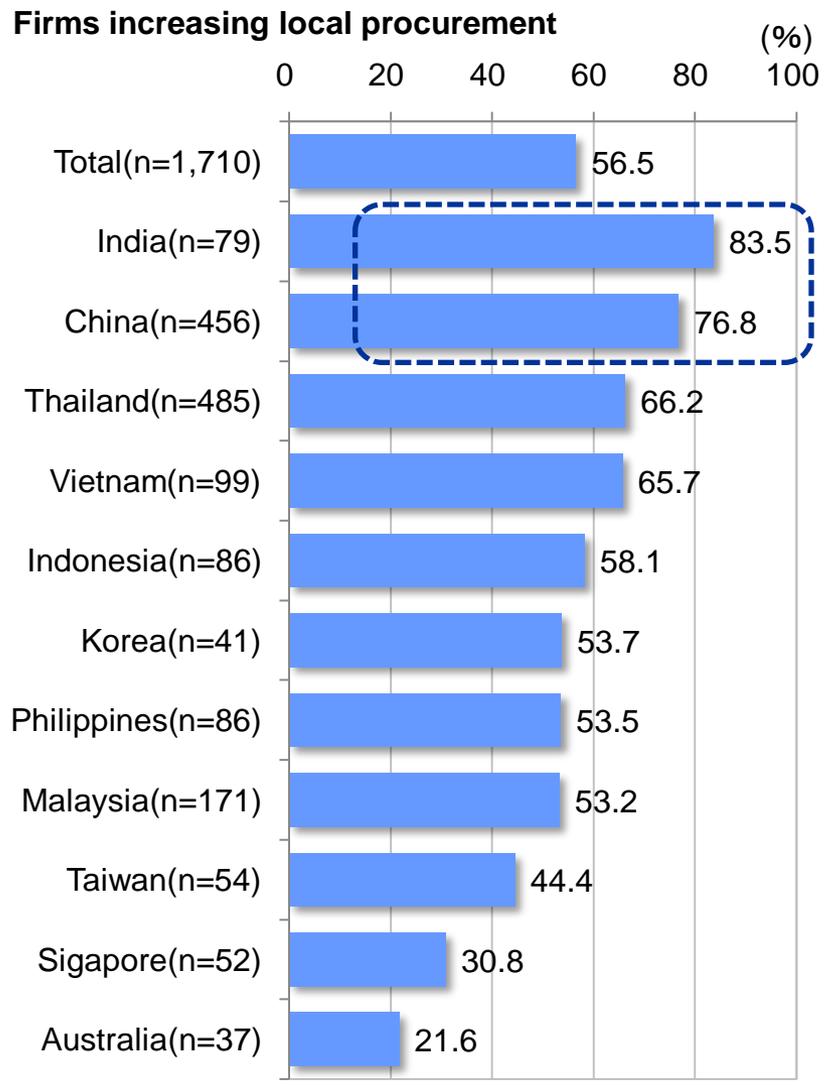
- For local sources for procurement, local firms score highest (53.0%), followed by Japanese firms (40.2%) and other foreign firms (6.8%). In Australia and New Zealand, not only is local procurement high but also around 80% of local content is supplied by local firms. These are examples in which the development of local suppliers is well advanced.
- In Thailand and the Philippines, the share of local branches of Japanese firms as a local procurement source is relatively high. The shares of other foreign affiliated firms are relatively high in Singapore and Vietnam (both above 15%).



# 5. Procurement of Raw Materials and Parts (6)

**Future materials and parts procurement directions (by country/region, multiple answer)**

Note: Countries/regions with 15+ firms



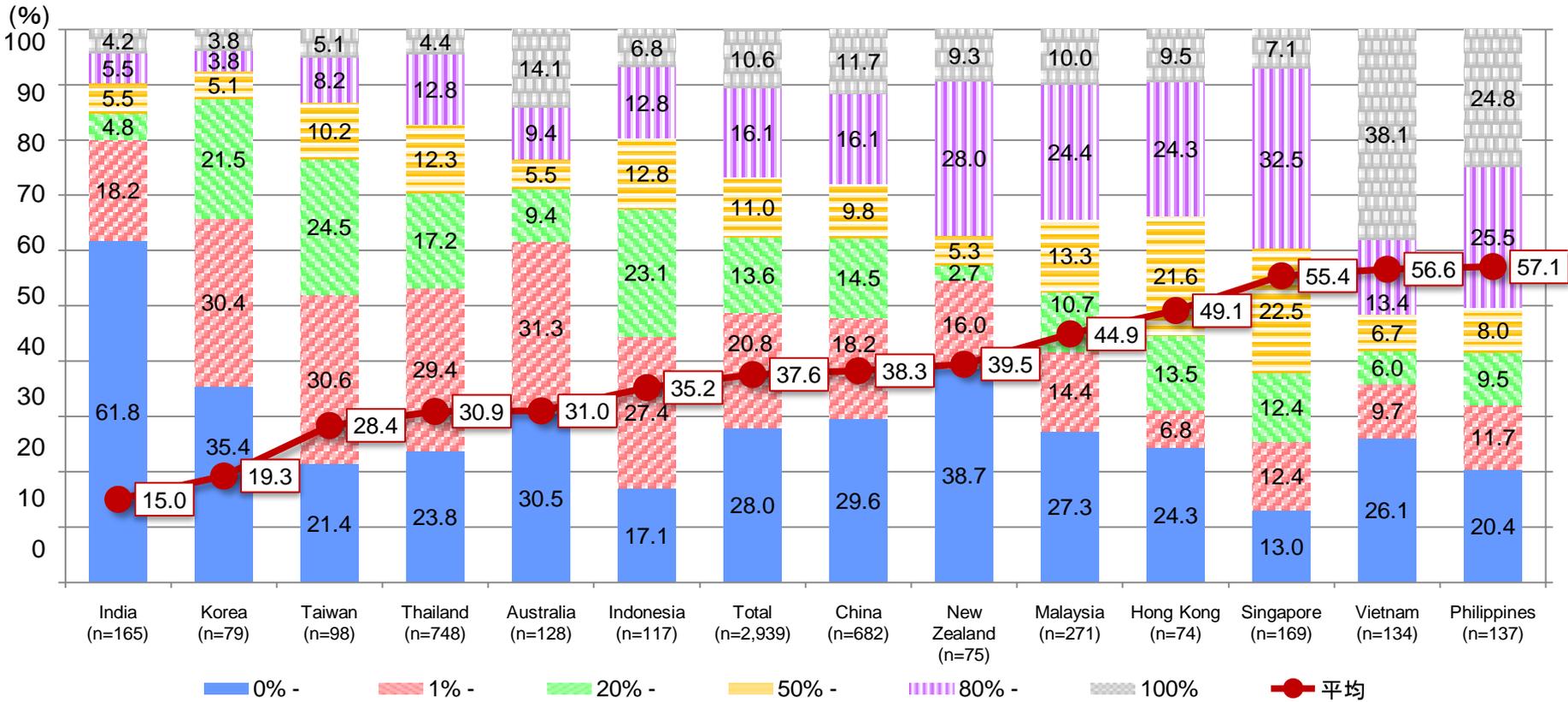
- Looking to the future, 56.5% of all responding firms say that they plan to increase local procurement.
- This trend is especially clear in India (83.5%) and China (76.8%).
- In ASEAN, but especially in Singapore and Vietnam, intention to increase procurements within the region is high compared to intention to increase procurements outside the region.
- 25.9% of Taiwan-based firms expect to increase procurement from China, with interest in the transportation machinery industry especially high
- In Singapore we see diversification of suppliers, with intention to increase procurement from ASEAN, China, and India all increasing.



# 6. Exports/Imports (1)

**Export Ratio (by country/region, responses as 0-100%)**

Note: Countries/regions with 30+ firms responding

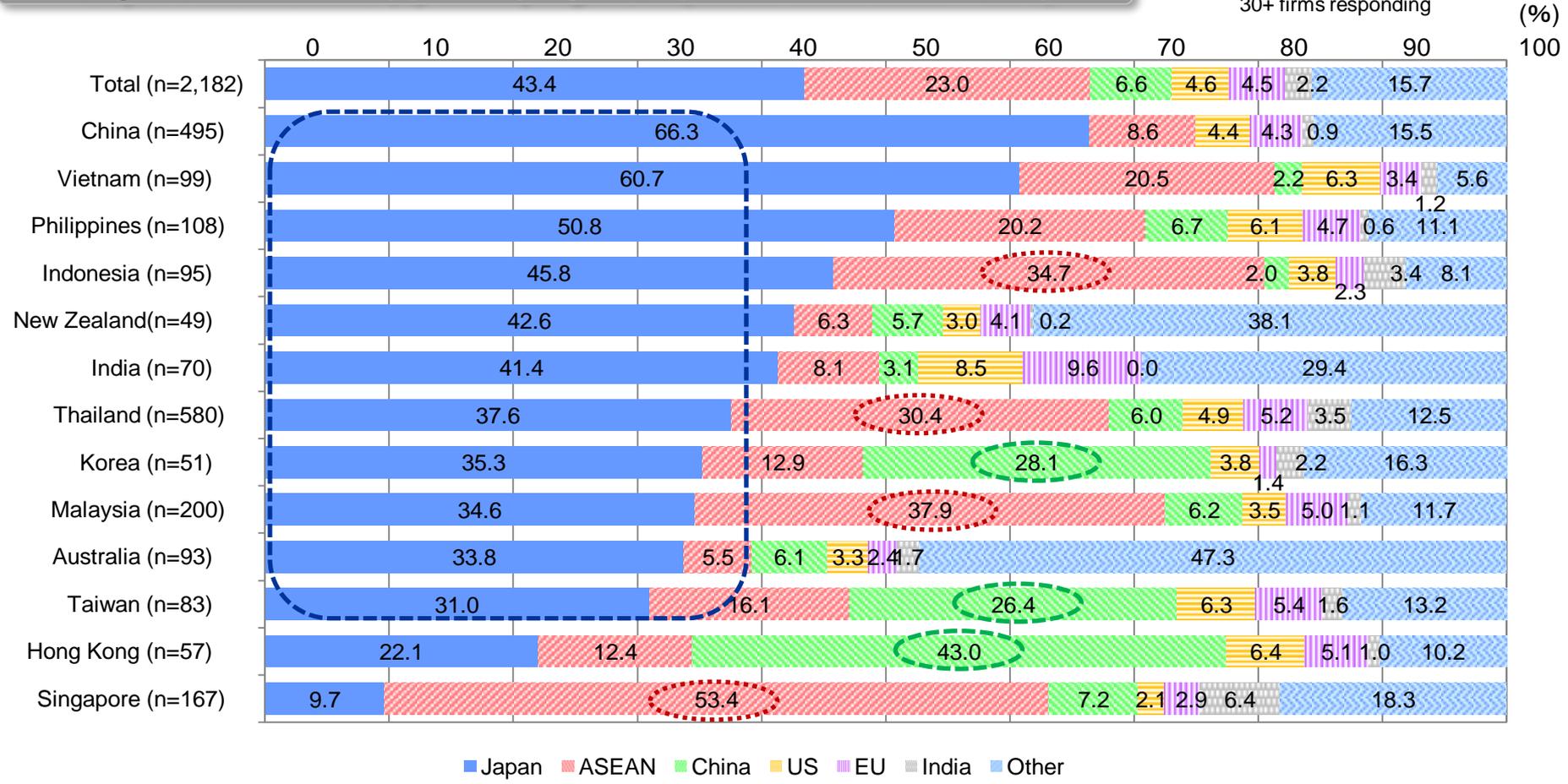


- Export ratios are high, exceeding 50%, in the Philippines (57.1%), Vietnam (56.6%), and Singapore (55.4%). They are relatively low in India (15.0%), Korea (19.3%), Taiwan (28.4%), and Thailand (30.9%).
- In India 61.8% of firms produce exclusively for the local market (export ratio=0). Besides India, countries with a relatively high (over 30%) proportion of firms producing exclusively for the local market include New Zealand (38.7%), Korea (35.4%), and Australia (30.5%). In contrast, countries with a relatively high proportion of firms producing exclusively for export include Vietnam (38.1%) and the Philippines (24.8%).

# 6. Exports/Imports (2)

**Export destinations (by country/region, responses where totals = 100%)**

Note: Countries/regions with 30+ firms responding



- Japan (43.4%) is the largest target for exports, followed by ASEAN (23.0%). High proportions of exports from China (66.3%) and (60.7%) are to Japan.
- For ASEAN countries, the highest proportions of exports besides those going to Japan to other ASEAN countries. In Singapore (53.4%), Malaysia (37.9%), Indonesia (34.7%), and Thailand (30.4%), exports to other countries in the region account for more than 30% of total exports.
- In Hong Kong, Korea, and Taiwan, a high proportion of exports go to China; that figure is equal to or higher than the proportion going to Japan.



# 6. Exports/Imports (3)

## Most important export destination within next 1-3 years (by country/region)

Note: Countries/regions with 20+ firms responding

Hong Kong (n=65)		
	Country	%
1	China	58.5
2	Vietnam	9.2
3	Japan	7.7
4	Indonesia	4.6
5	USA	4.6

**China is most important**

Korea (n=59)		
	Country	%
1	China	44.1
2	Japan	25.4
3	Mideast	5.1
4	Other	5.1
5	Indonesia	3.4

Australia (n=101)		
	Country	%
1	China	24.8
1	Oceania	24.8
3	Japan	13.9
4	Indonesia	6.9
5	India	4.0

Taiwan (n=82)		
	Country	%
1	China	54.9
2	Japan	13.4
3	India	7.3
4	欧州	4.9
5	Vietnam	3.7

New Zealand (n=50)		
	Country	%
1	China	30.0
2	Japan	26.0
3	Oceania	18.0
4	Vietnam	8.0
5	India	2.0

Total		
Total (n=2,234)		
	Country	%
1	Japan	20.8
2	India	14.5
3	China	14.1
4	Indonesia	9.6
5	Vietnam	7.4

**Japan is most important**

Indonesia (n=88)		
	Country	%
1	Japan	23.9
2	India	12.5
3	China	10.2
4	Thailand	10.2
5	Vietnam	8.0

China (n=425)		
	Country	%
1	Japan	39.1
2	India	13.2
3	Vietnam	7.1
4	Europe	7.1
5	USA	6.8

Vietnam (n=103)		
	Country	%
1	Japan	28.2
2	China	17.5
3	USA	10.7
4	Indonesia	7.8
5	India	6.8

**Indonesia is most important**

Malaysia (n=225)		
	Country	%
1	Indonesia	23.6
2	Japan	13.8
3	China	12.9
4	India	10.7
5	Thailand	9.8

India (n=91)		
	Country	%
1	Japan	26.4
2	Mideast	14.3
3	Europe	12.1
4	Other	12.1
5	Thailand	8.8

Philippines (n=113)		
	Country	%
1	Japan	21.2
2	China	17.7
3	Thailand	9.7
4	USA	8.8
5	India	8.0

**India is most important**

Singapore (n=141)		
	Country	%
1	India	28.4
2	Indonesia	19.9
3	China	12.8
4	Vietnam	9.2
5	Thailand	6.4

Thailand (n=644)		
	Country	%
1	India	24.8
2	Japan	14.4
3	Indonesia	14.3
4	Vietnam	10.9
5	China	9.0

- During the next 1-3 years, Japan, China, and India are expected to rank first, second, and third as export markets. The largest number of firms for which Japan is an important market are those in China, Vietnam, India, Indonesia, and the Philippines.
- The largest number of firms for which India is the most important market are in Singapore and Thailand, while the largest number for which China ranks first are in Hong Kong, Taiwan, Korea, Australia, and New Zealand.



# 6. Exports/Imports (4)

## FTA and/or EPA (5+ user companies)

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.

	Export/import Partner countries	Export/import firms	FTA/EPA user firms	FTA/EPA user ratio	Top 3 user industries (No. of firms)						Firms considering use of FTA/EPA	
					No. 1	n	No. 2	No. 3				
Thailand	Exports	ASEAN	271	115	42.4	Motor vehicles/Motorcycles	24	Chemical/Pharmaceutical	17	Electric machinery	15	66
		Japan	324	92	28.4	Wholesale/retail	14	Textiles	13	Food, transport machinery	10	64
		China	137	37	27.0	Chemical/pharmaceutical	7	Electric machinery	5	Wholesale/retail	5	38
		Australia	71	26	36.6	Motor vehicles/Motorcycles	6	Electric machinery	5	Chemical/pharmaceutical	3 each	16
		India	113	22	19.5	Motor vehicles/Motorcycles	5	Iron/Nonferrous metals/Metals	5	Electric machinery	4	38
		Korea	53	11	20.8	Motor vehicles/Motorcycles	3	Electrical machinery, transport machinery, textiles, chemicals/pharmaceuticals	1 each			14
		New Zealand	25	7	28.0	Electric machinery	3	Motor vehicles/Motorcycles, Rubber/Leather, transport	1 each			4
	Imports	Japan	404	132	32.7	Wholesale/retail	28	Motor vehicles/Motorcycles	26	Iron/Nonferrous metals/Metals	14	95
		ASEAN	164	79	48.2	Motor vehicles/Motorcycles	16	Wholesale/retail	16	Electric machinery	9	29
		China	151	40	26.5	Wholesale/retail	11	Motor vehicles/Motorcycles	7	Electric machinery	5	40
		Korea	52	11	21.2	Iron/Nonferrous metals/Metals	4	Electric machinery, Motor vehicles/Motorcycles, Wholesale/retail	2 each			10
		Australia	21	8	38.1	Iron/Nonferrous metals/Metals	5	Wholesale/retail	2	Motor vehicles/Motorcycles	1	3
		India	26	8	30.8	Motor vehicles/Motorcycles	4	Electric machinery, Iron/Nonferrous metals/Metals, Wholesale/retail	1 each			7
		ASEAN	142	53	37.3	Wholesale/retail	29	Chemical/pharmaceutical	13	Electric machinery	4	20
Singapore	Exports	Japan	69	23	33.3	Wholesale/retail	9	Chemical/pharmaceutical	9	Electric machinery	1 each	4
		China	59	22	37.3	Wholesale/retail	11	Chemical/pharmaceutical	7	Food	1 each	6
		India	71	19	26.8	Wholesale/retail	10	Chemical/pharmaceutical	5	General machinery	2	15
		Australia	49	13	26.5	Wholesale/retail	6	Chemical/pharmaceutical	6	Rubber·Leather	1	5
		Korea	29	9	31.0	Wholesale/retail	5	Chemical/pharmaceutical	3	General machinery	1	1
		USA	24	8	33.3	Wholesale/retail	3	Chemical/Pharmaceutical	3	Rubber·Leatherほか	1 each	1
		New Zealand	30	8	26.7	Chemical/Pharmaceutical	5	Wholesale/retail	2	Rubber·Leather	1	3
		ASEAN	122	52	42.6	Electric machinery	15	Chemical/Pharmaceutical	9	Wholesale/retail	7	14
Malaysia	Exports	Japan	122	42	34.4	Iron/Nonferrous metals/Metals	9	Chemical/Pharmaceutical	6	Electric machinery	5	8
		China	66	23	34.8	Electric machinery	6	Chemical/Pharmaceutical	4	Iron/Nonferrous metals/Metals	3	11
		Korea	30	15	50.0	Electric machinery	5	Chemical/Pharmaceutical	2	Motor vehicles/Motorcycles	1	3
		Australia	26	8	30.8	Electric machinery	4	Chemical/Pharmaceutical	1	Other Manufacturing	3	2
		India	35	7	20.0	Electric machinery	2	Wholesale/retail, Chemical/Pharmaceutical, other	1 each			12
		Pakistan	10	6	60.0	Wholesale/retail	2	Electric machinery, Chemical/Pharmaceutical, other	1 each			0
		Japan	173	47	27.2	Wholesale/retail	13	Iron/Nonferrous metals/Metals	9	Electric machinery	8	10
	Imports	ASEAN	101	39	38.6	Wholesale/retail	16	Electric machinery	8	Chemical/Pharmaceutical	5	10
		China	77	23	29.9	Wholesale/retail	8	Electric machinery	6	Iron/Nonferrous metals/Metals	2	8

- The largest number of firms now making use of FTA and/or EPA are in ASEAN, especially in Thailand, Singapore, Malaysia, and Indonesia.
- In Thailand, the Motor vehicles/Motorcycles industry is the largest user with partners primarily in ASEAN, Australia, and India. The wholesale/retail industry has the largest number of firms trading with Japan.
- Singapore has the highest proportion of firms making use of FTA and/or EPA, with the majority being sales companies in the wholesale/retail sector. For Malaysia, electric machinery firms are the largest users among exporters, with importers using FTA and/or EPA mostly in the wholesale/retail industry. In India, users in the Textiles industry dominate among exporters, while importers using FTA and/or EPA are concentrated in the Motor vehicles/Motorcycles industry.



# 6. Exports/Imports (4)

**FTA and/or EPA (5+ user companies)**

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.

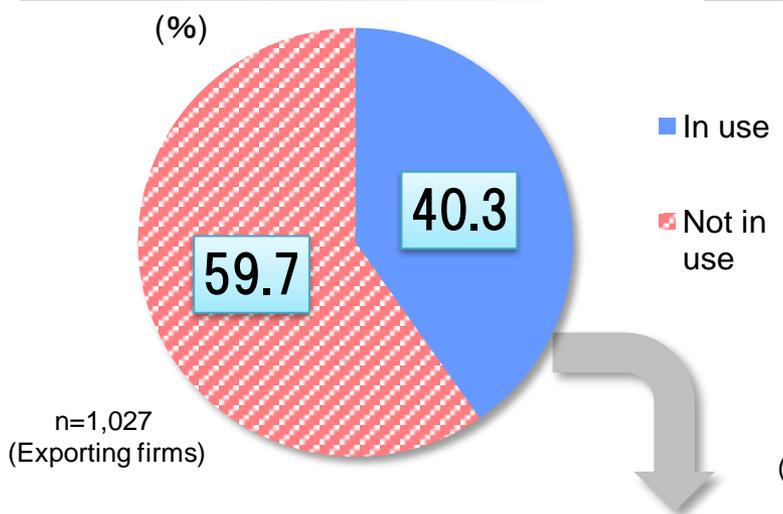
		Export/import Partner countries	Export/import firms	FTA/EPA user firms	FTA/EPA user ratio	Top 3 user firms			Firms considering Use of FTA/EPA		
Indonesia	Exports	ASEAN		58	27	46.6	Motor vehicles/Motorcycles	6 Textile	5 Chemical/Pharmaceutical	4	13
		Japan		60	26	43.3	Textile	9 Electric machinery	3 Chemical/Pharmaceutical	3	12
		China		17	5	29.4	Textile	2 Chemical/Pharmaceutical	1 Rubber/Leather	1	4
	Imports	Japan		81	34	42.0	Motor vehicles/Motorcycles	7 Iron/Nonferrous metals/Metals	7 Textile	6	21
		ASEAN		53	28	52.8	Motor vehicles/Motorcycles	8 Chemical/Pharmaceutical	6 Iron/Nonferrous metals/Metals etc.	3	6
		China		22	8	36.4	Iron/Nonferrous metals/Metals	2 Wholesale/retail	2 Chemical/Pharmaceutical etc.	1	5
Philippines	Exports	ASEAN		45	15	33.3	Motor vehicles/Motorcycles	6 Iron/Nonferrous metals/Metals	3 Chemical/Pharmaceutical etc.	2 each	2
		Japan		73	14	19.2	Electric machinery	5 Motor vehicles/Motorcycles	3 Textile etc.	2 each	4
		China		27	6	22.2	Electric machinery	2 Motor vehicles/Motorcycles	2 Chemical/Pharmaceutical etc.	1 each	2
	Imports	Japan		77	20	26.0	Electric machinery	5 Motor vehicles/Motorcycles	5 Wholesale/retail	3	9
		ASEAN		47	16	34.0	Electric machinery	3 Motor vehicles/Motorcycles	3 Wholesale/retail	3	5
		China		31	8	25.8	Electric machinery	4 Chemical/Pharmaceutical	1 Transport	1	5
Vietnam	Exports	Japan		64	22	34.4	Electric machinery	6 Chemical/Pharmaceutical	4 Textile	3	9
		ASEAN		39	14	35.9	Electric machinery	5 Iron/Nonferrous metals/Metals	3 Chemical/Pharmaceutical	3	5
		China		24	5	20.8	Electric machinery	3 Chemical/Pharmaceutical	1 Motor vehicles/Motorcycles	1	4
	Imports	Japan		73	19	26.0	Electric machinery	5 Motor vehicles/Motorcycles	3 Chemical/Pharmaceutical etc.	2 each	13
		ASEAN		52	13	25.0	Motor vehicles/Motorcycles	4 Electric machinery	3 Iron/Nonferrous metals/Metals	1	12
		China		35	5	14.3	Electric machinery	2 Motor vehicles/Motorcycles	1 Chemical/Pharmaceutical	1	4
China	Exports	Hong Kong		118	22	18.6	Electric machinery	7 Chemical/Pharmaceutical	4 Iron/Nonferrous metals/Metals	3	17
		ASEAN		94	18	19.1	Wholesale/retail	4 Motor vehicles/Motorcycles	4 Food, etc.	2 each	24
		Hong Kong		106	19	17.9	Electric machinery	7 Wholesale/retail	3 Chemical/Pharmaceutical	3	16
	Imports	ASEAN		67	19	28.4	Wholesale/retail	8 Electric machinery	3 Chemical/Pharmaceutical	4	15
		Singapore		24	7	29.2	Wholesale/retail	2 Electric machinery, Motor vehicles/Motorcycles etc.		1 each	6
		ASEAN		22	6	27.3	Electric machinery, Motor vehicles/Motorcycles, Iron/Nonferrous metals/Metals, Chemical/Pharmaceutical, etc.			1 each	4
Korea	Imports	ASEAN		14	10	71.4	Wholesale/retail	5 Motor vehicles/Motorcycles	2 Chemical/Pharmaceutical	1	2
	Imports	Thailand		47	18	38.3	Motor vehicles/Motorcycles	9 Wholesale/retail	3 Electric machinery	2	18
India	Exports	New Zealand		36	9	25.0	Wholesale/retail	6 Motor vehicles/Motorcycles	1 Other Manufacturing	2	3
	Imports	Thailand		27	12	44.4	Wholesale/retail	6 Motor vehicles/Motorcycles	3 Electric machinery	2	1
		USA		21	5	23.8	Motor vehicles/Motorcycles	1 Wholesale/retail	1 Electric machinery	1	2
Australia	Exports	China		16	7	43.8	Wholesale/retail	4 Food	2 Wood/Pulp	1	1
		Australia		19	5	26.3	Wholesale/retail	2 Food	1 Wood/Pulp	1	2
		ASEAN		14	5	35.7	Wholesale/retail	3 Food	1 Wood/Pulp	1	0
	Imports	Australia		22	6	27.3	Wholesale/retail	3 Food	2 Rubber/Leather	1	0
		Thailand		13	6	46.2	Wholesale/retail	5 Rubber/Leather	1		
		Thailand		13	6	46.2	Wholesale/retail	5 Rubber/Leather	1		

- Use of FTA and/or EPA is not as advanced in the Philippines and Vietnam as it is in other four original member countries of ASEAN. Use of FTA/EPA in China, Korea, and India is also limited.
- In India, the overwhelming majority of cases of FTA /EPA use involve imports from Thailand, primarily of transport machinery. In New Zealand, the majority of firms using FTA and/or EPA are in the food or wood/pulp industries.

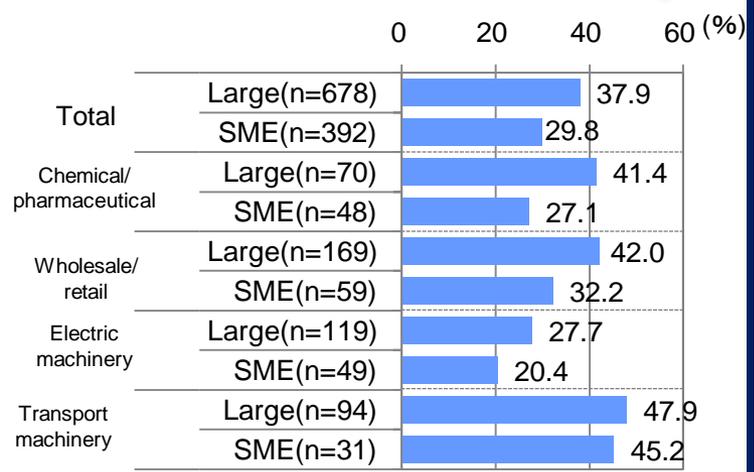
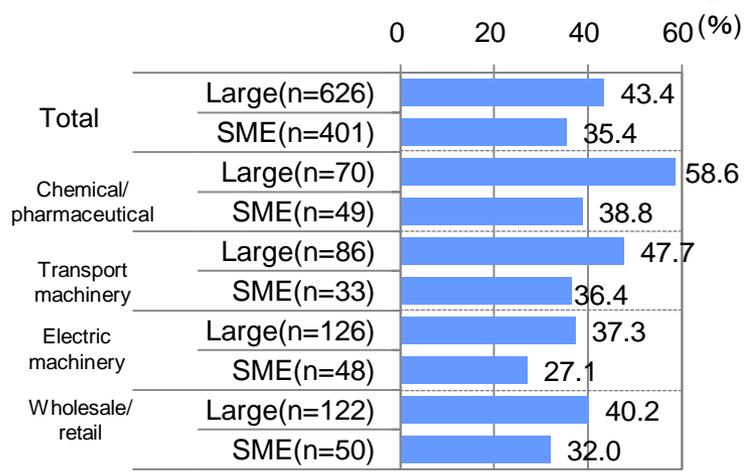
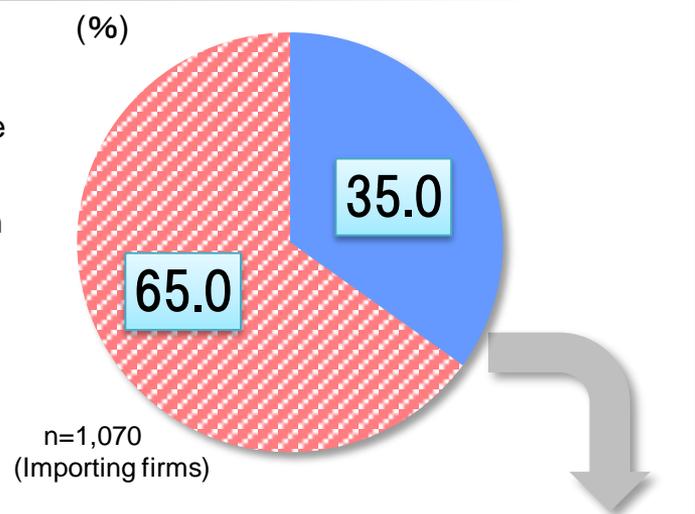
# 6. Exports/Imports (5)

## FTA and/or EPA usage by Japanese-affiliated firms in ASEAN

### Export Side



### Import Side



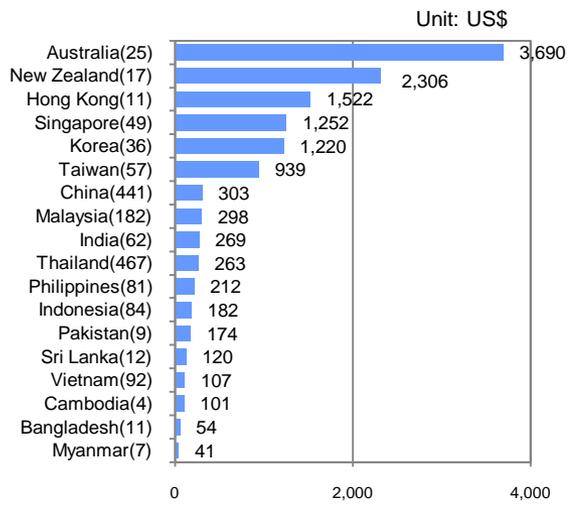
Note: SME = Small and Medium Enterprise.  
n = number of firms engaged in export or import. % = number of firms making use of at least one FTA or EPA divided by n.

- Of Japanese-affiliated firms in ASEAN, 40.3% of exporters and 35.0% importers use FTA and/or EPA.
- In the top four industries in terms of number of firms using FTA and/or EPA, large firms have high usage rates, for both imports and exports.
- The gap between large firms and SME is particularly pronounced in the chemical/pharmaceutical industry (a 19.8% gap for exports, 14.3% for imports).
- Both large firms and SME are more likely to use FTA/ETA for exports than imports. Only in the Motor vehicles/Motorcycles industry does usage for imports exceed exports.

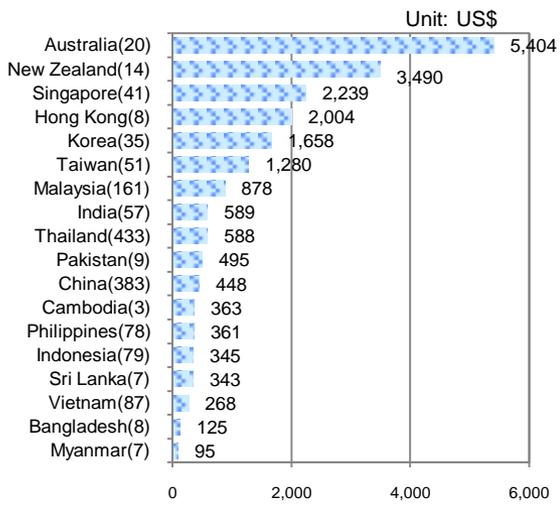


# 7. Wages (1) Monthly Base Salary

**Workers, Manufacturing**

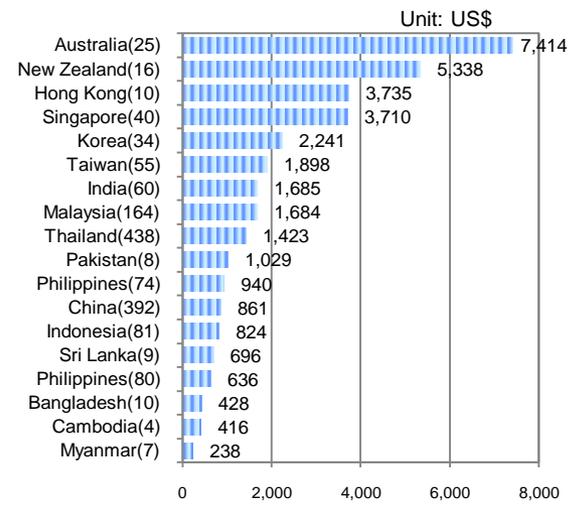


**Engineers, Manufacturing**

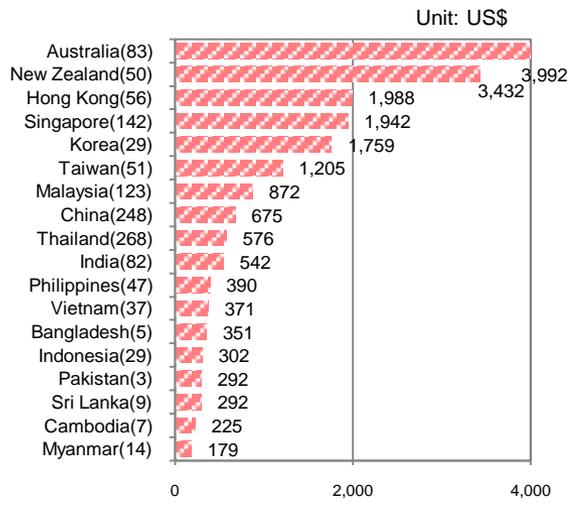


**Managers, Manufacturing**

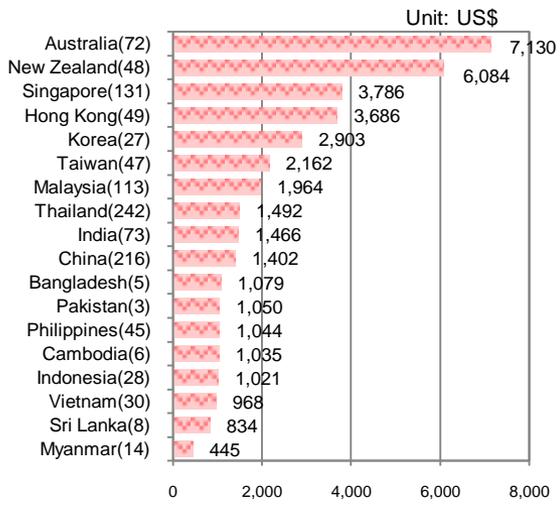
Numbers in parentheses are number of firms



**Staff, Non-Manufacturing**



**Managers, Non-Manufacturing**



Base salary: As of August 2010, excluding allowances

Worker: Full time employee with three years experience in manufacturing operations. Excludes contractor workers and those still in trial period.

Engineer: Full time employee who is a graduate of a vocational school or college with five years of experience.

Manager (Manufacturing): Full time employee with the rank of section chief or higher, with 10 years experience.

Staff: Full time employees with 3 years experience in routine office work. Excludes temporary and trial period employees.

Manager (Non-manufacturing): Full time employee with sales responsibility at the rank of section chief or above and 10 years of experience.

Note: Except for Vietnam and Myanmar, average salaries were reported in local currency and converted to US dollars at the average rate prevailing in August 2010 (as announced by each country's central bank). For Myanmar the conversion is at the average actual local rate in August 2010. For Vietnam and Myanmar, some responses used different currencies (the local currency or US\$); the responses for those in the local currencies were converted to US dollars and an average calculated.



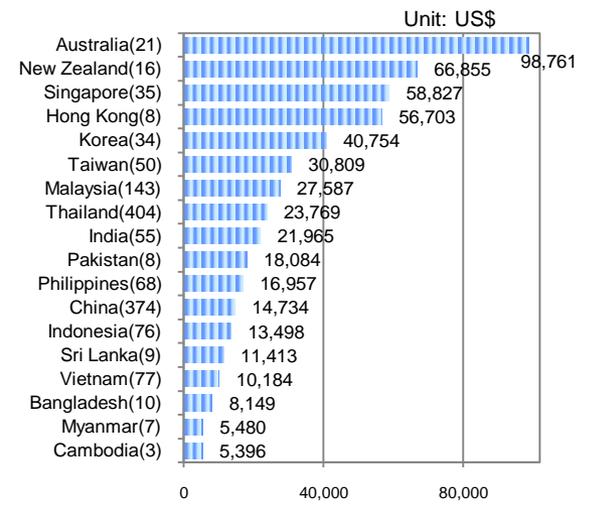
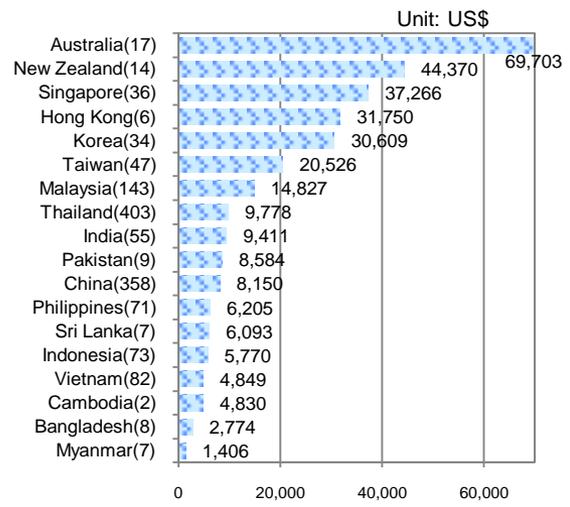
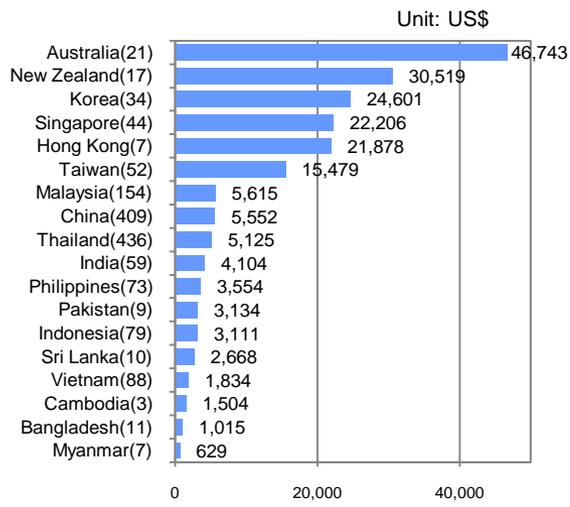
# 7. Wages (2) Annual total pay burden

**Worker, Manufacturing**

**Engineer, Manufacturing**

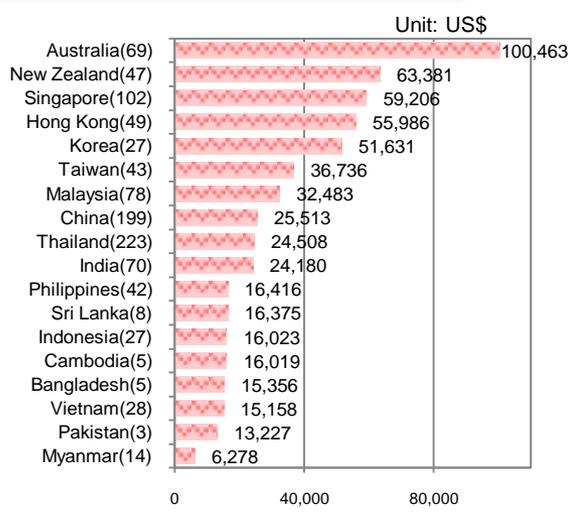
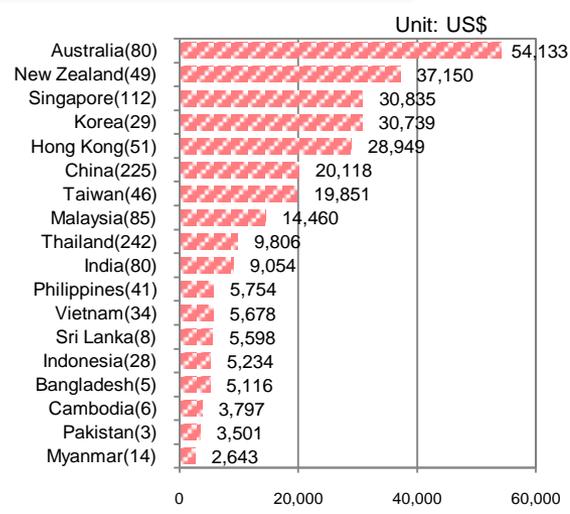
**Manager, Manufacturing**

Numbers in parentheses are number of firms



**Staff, Non-Manufacturing**

**Manager, Non-manufacturing**



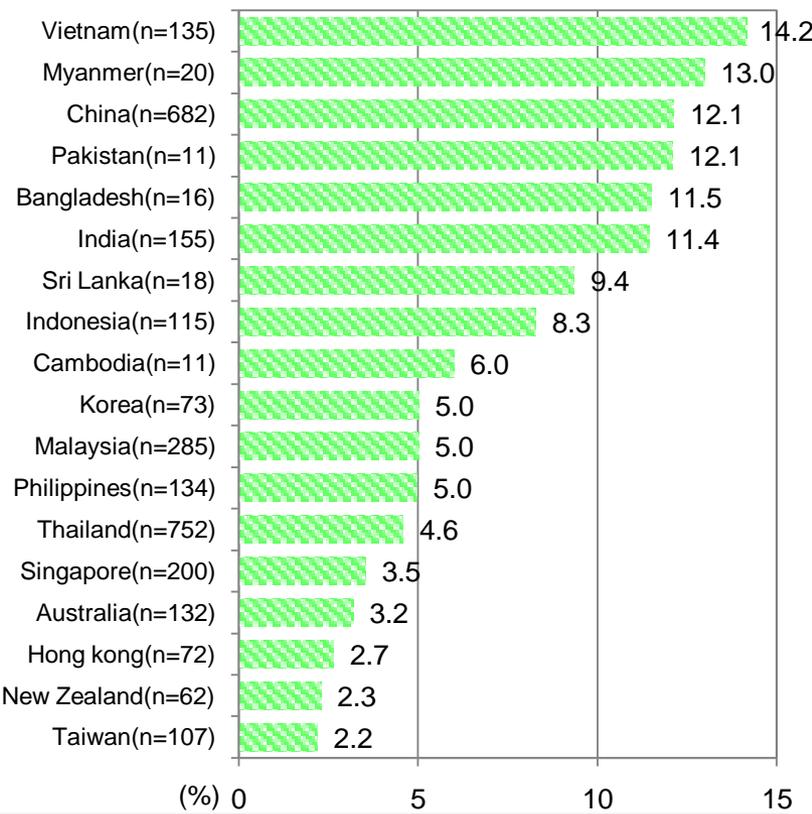
Annual total pay burden: Total annual per capita pay including base salary, allowances, social insurance, overtime and bonuses.

For definitions of worker, engineer, manager (manufacturing), and staff and manager (non-manufacturing), see the previous page.

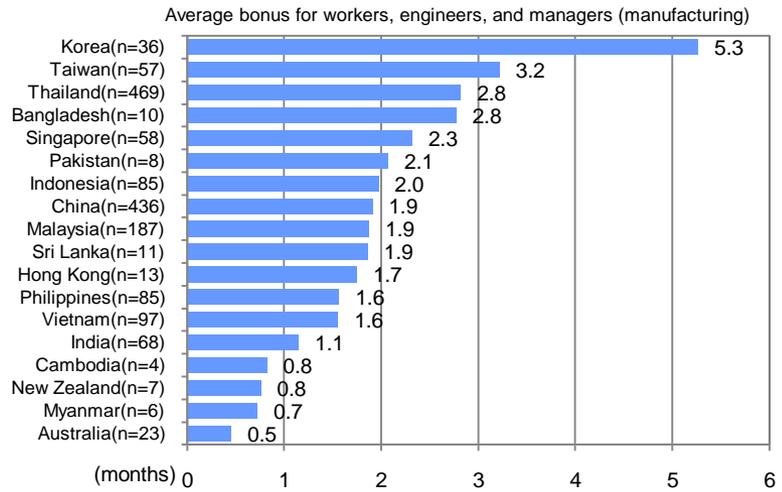
Note: Except for Vietnam and Myanmar, average salaries were reported in local currency and converted to US dollars at the average rate prevailing in August 2010 (as announced by each country's central bank). For Myanmar the conversion is at the average actual local rate in August 2010. For Vietnam and Myanmar, some responses used different currencies (the local currency or US\$); the responses for those in the local currencies were converted to US dollars and an average calculated.

# 7. Wages (3) Wage increase over the previous year, Bonuses

## Wage increase (vs. previous year, average)



## Average Bonus (Manufacturing)



- Vietnam (14.2%) had the highest average Y on Y raise. Wage increase in emerging markets averaged around 10%. Average salaries were up in China (12.1%), CLMV countries, and India (11.4%), and also rose sharply in Southwest Asia.
- Bonuses were concentrated around the 2-month level. However, in Korea, where allowances are generous, they totaled 5.3 months of base salary, among manufacturing firms.

## Average Bonus (Non-manufacturing)

