

# **Japan's Technical Cooperation in Logistics**

2004.11

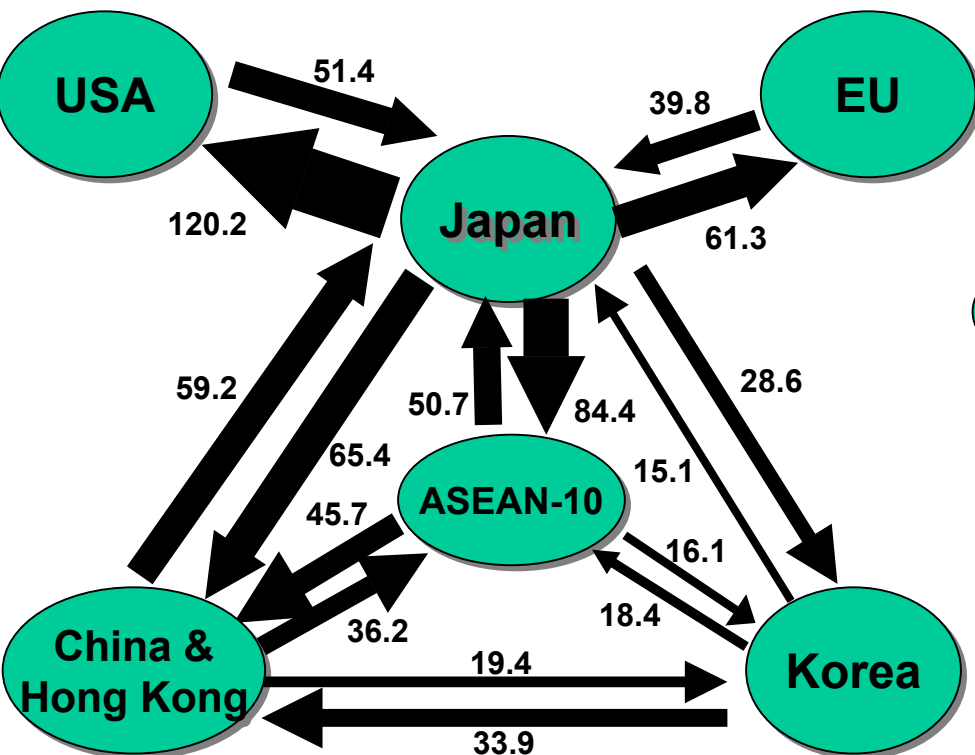
**Satoshi SUENAGA**

**Technical Cooperation Division  
Ministry of Economy, Trade and Industry**

# (1) Increased Importance of East Asia to Japan

## ① Patterns of Trade Among Selected Regions (2002)

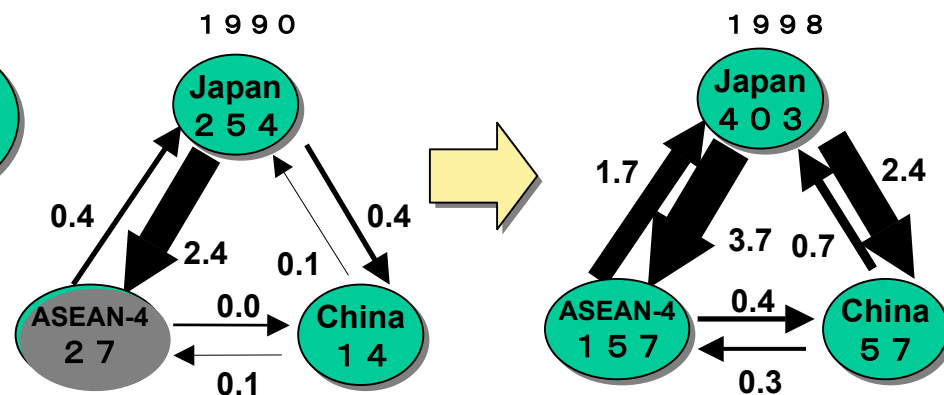
(\$1 billion)



Source : International Monetary Fund DOT (2003)

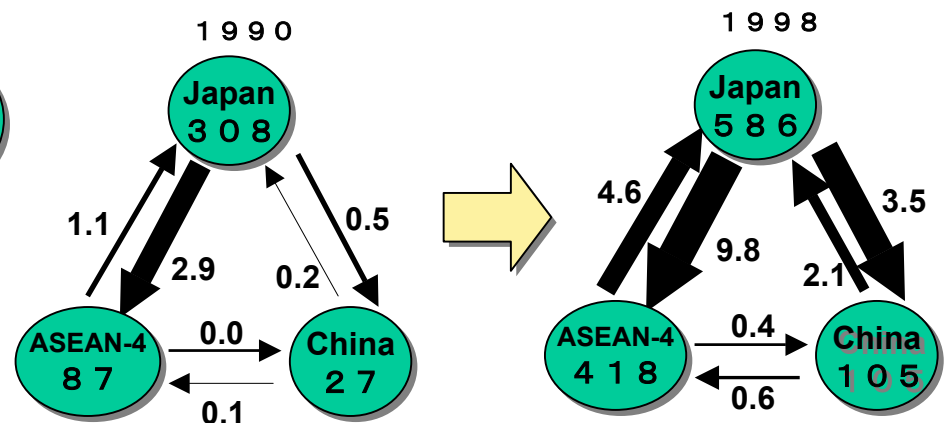
## ② Trade in Intermediate Manufactured Goods

(\$1 billion)



## ③ Trade in Electronic Parts

(\$1 billion)



## (2) The “Asia-Shift” of Japanese Manufacturers

○ More specifically, Japanese firms have been engaged in a gradual but steady shift of production centers to Asia, as exhibited below in the case of the electronics sector.

### ① Foreign Direct Investment by Japanese Firms (2001, millions of \$US)

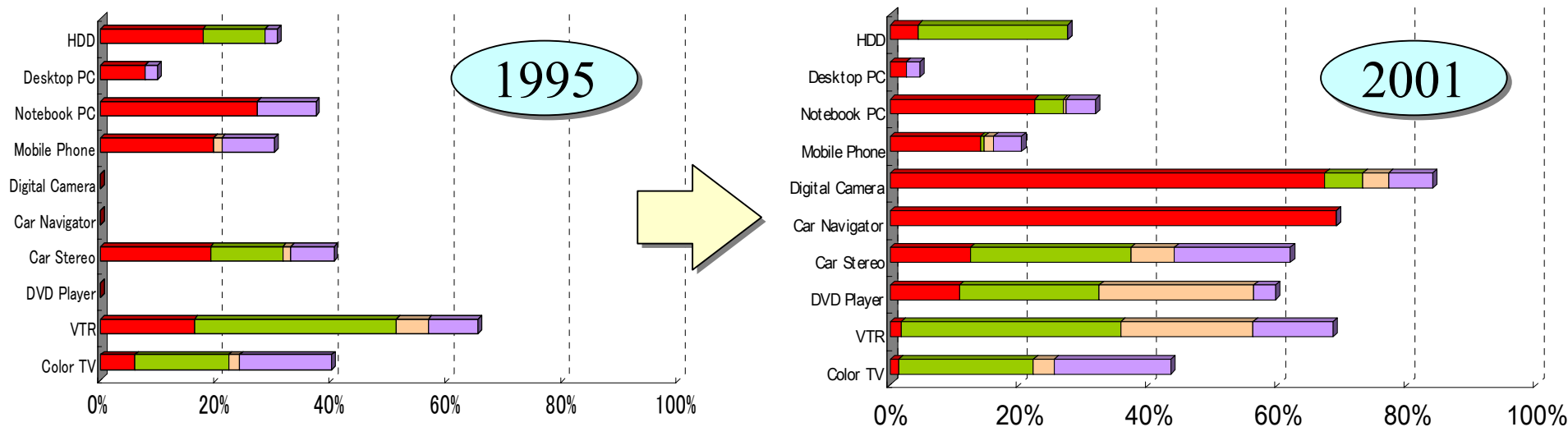
	2001 FY	1951~2001 FY total
to China	1,440	21,949
to ASEAN-5	3,330	75,323

Source: Ministry of Finance, “Status of FDI Abroad (2002)”

#### Key:

- Japan
- ASEAN-10
- China
- Other regions

### ② Change in the Regional Share of Production by Japanese Firms



### **(3) Concerns by Japanese Firms on Trade and Investment in Asia**

- While trade and investment by Japanese firms in Asia have continued to be active, some voices of concern have emerged with regards to the business environment in Asian economies.

#### **Examples of concerns by Japanese firms active in Asia**

- **Lack of transparency in legal and administrative procedures**
- **Violation of intellectual property rights**
- **Regulations targeting foreign investors**
- **Slow custom procedures**
- **Lack of waste-management policy and facilities**
- **Availability of highly-skilled engineers and managers**

## **(4) Issues for Further Development of Asian Economies**

- In order to achieve further sustained growth in Asia, it is of paramount importance for Asian nations, including Japan, to continue the current efforts towards improving the environment for trade and investment environment, as listed below:

### **1. Liberalization in the movement of goods, money, and people**

#### **① Lowering/elimination of tariffs**

- Integration of ASEAN economies via AFTA/AICO

#### **② Smoother flow of goods**

- Development of transport infrastructure
- Improvements in customs procedures

#### **③ Liberalization of trade in services**

- Abolition of existing regulations
- Improvements in marketing access

#### **④ Greater exchange of personnel**

- Facilitation of visa procurement and immigration procedures
- Exchange of technical/business personnel and students

### **2. Facilitation of business activities**

#### **① Deregulation of investment rules**

- Abolition of regulations penalizing foreign investors
- Establishment of dispute settlement mechanisms

#### **② Harmonization of rules and institutions**

- Protection of intellectual property rights
- Standards and conformance: promotion of mutual recognition

### **3. Sustainability of economic growth**

#### **① Financial sector reform**

- Development of long-term capital markets
- Liberalization of international capital flows

#### **② Environmental and energy issues**

- Energy conservation, environmental protection

## **(5) Priority Areas of Economic Cooperation**

○ Specifically, METI is focusing its economic cooperation to the following priority areas.

- **Establishment of Rules and Institutions Conducive to Trade and Investment**

1. Protection of intellectual property rights
2. Harmonization of standards and conformance
3. Streamlining trade procedures and distribution logistics

- **Establishment of Environment-Friendly Economic Systems**

4. Environmental protection and energy conservation

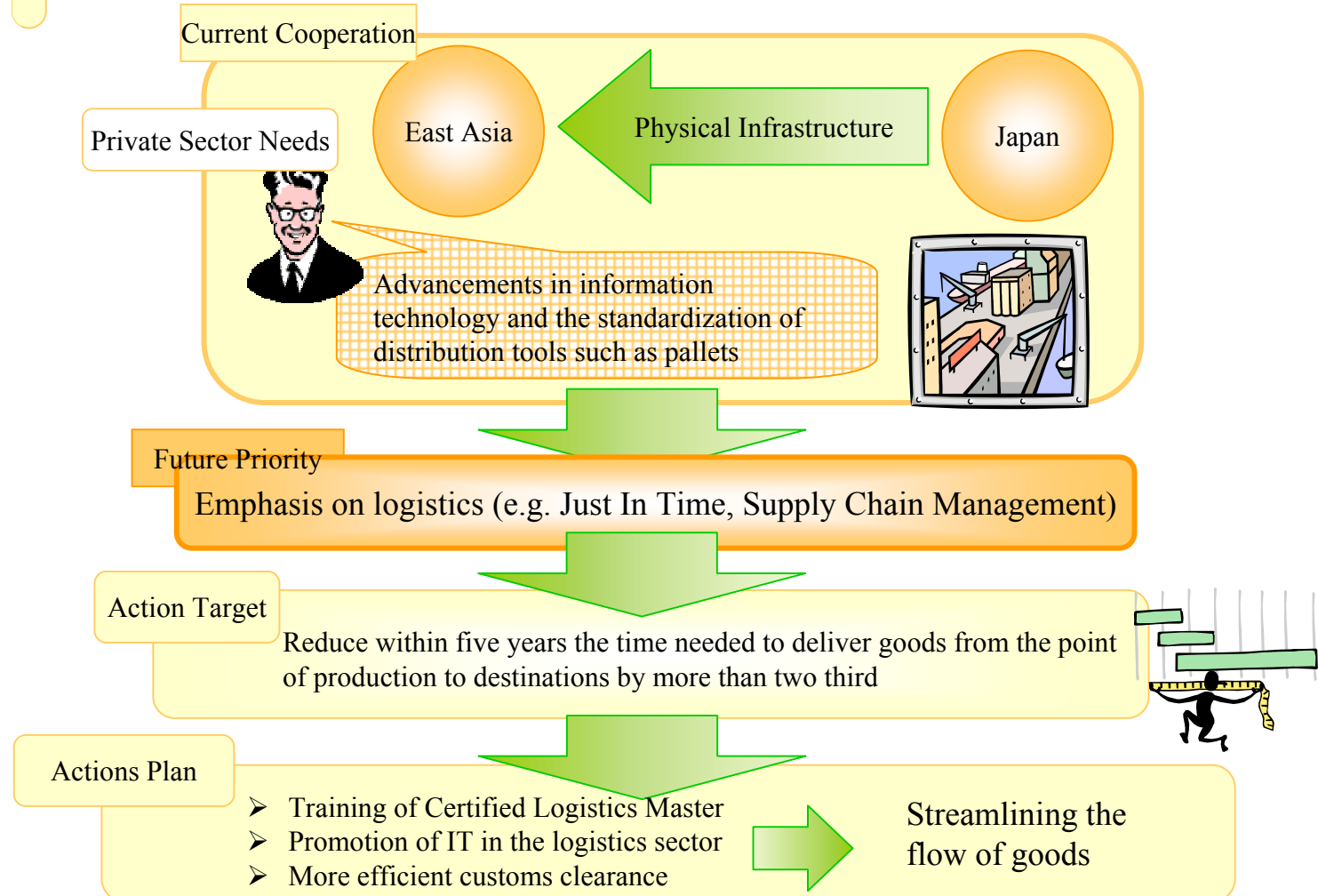
- **Development of Industrial Human Resources**

5. Development of human resources for supporting industries and SMEs

## 6) Streamlining Trade Procedures and Distribution Logistics

### Rationale

- Lower the cost and risk of transnational economic activity and promote the efficient division of labor within the region.
- Improve the efficiency not only of production activities but also of distribution between production centers and from production to consumption sites.

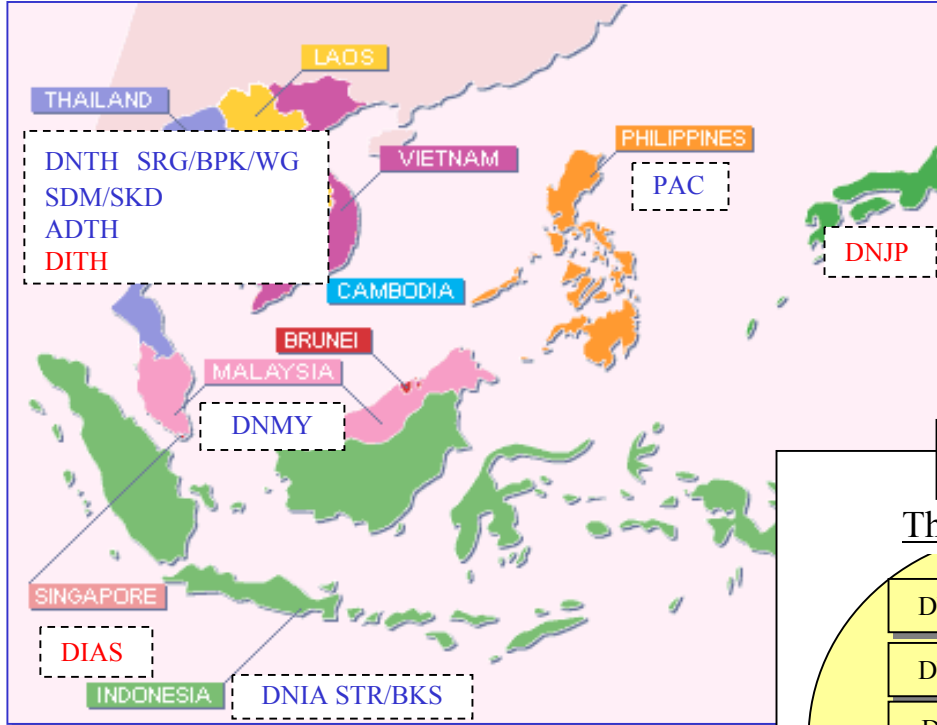


***J FRONT ~***

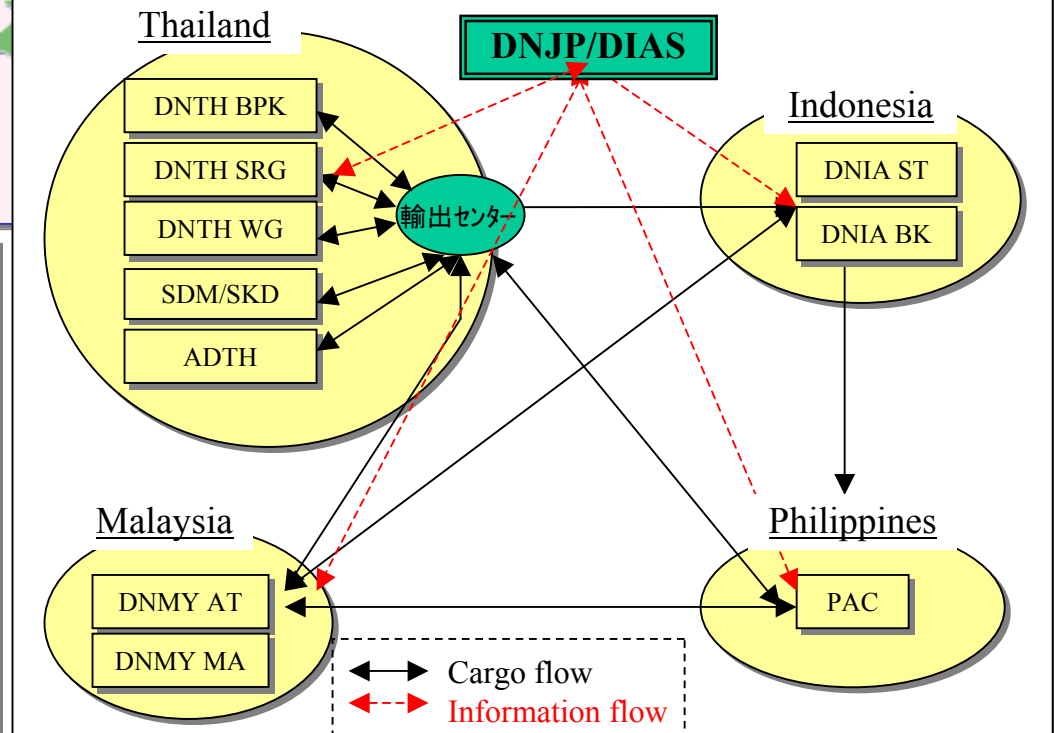
***Pilot Project with Breakthrough in  
Business Investment Environment***



# 4. Pilot Items to be Proven



## <Pilot Model by Denso>



### Items to be Proven

- ① Centralized stock control by DNJP/DIAS(RHQ)
- ② Re-positioning control by DNJP/DIAS(RHQ)
- ③ Logistics flow via regional complementation network
- ④ Catering to multiple users. (6 plants in Thailand)
- ⑤ Depot function of Thailand Export Centre
- ⑥ Various logistics pattern - balanced/unbalanced models
- ⑦ Simplified tax free import/export custom clearance

## 6. Desired Results and Basic Standpoint towards Systemization

### (1) Desired Results

#### 1) Reduction of Manufacturing Cost

- Increasing standardization → Expansion in scope → More economical
- Reducing Ratio of Packaging cost against manufacturing cost 3%→1.5% (=reduce Mfg cost by 1.5%)
- Proving effectiveness of control system
- Proving cost effectiveness of regional returnable container → Promote participation by service provider

#### 2) Reduction of Logistics Lead time

- Production (exporter) ~ consumer (importer) ave 25→24days (possible to reduce by 0.5~1day)
- Cycle reduction: Packaging→Transportation→Receiving→Unpacking→Re-packing→Line

#### 3) Smoothness in Custom Clearance System of each Country

- Prepare for tax free re-export system of returnable container
- Free custom clearance issues (establish tax free custom clearance system)

#### 4) Upgrade level of Logistics Management

- Introduce effective logistics management system through the opportunity of setting new control system
- Base up on logistic management ability of local Japanese enterprises

#### 5) Contribution to Environmental Conservation

Returnable container can last an average of 7~10 years, and using recycle material. As for carton box, re-cycle ratio is less than 50% in SE Asia, with high import of recycled paper from Japan. Therefore, we can conclude that returnable container is much more environmental friendly.

***Demonstrative Project Relative to the  
Development of Land Transportation Network  
in the Greater Mekong Sub-region(GMS)***

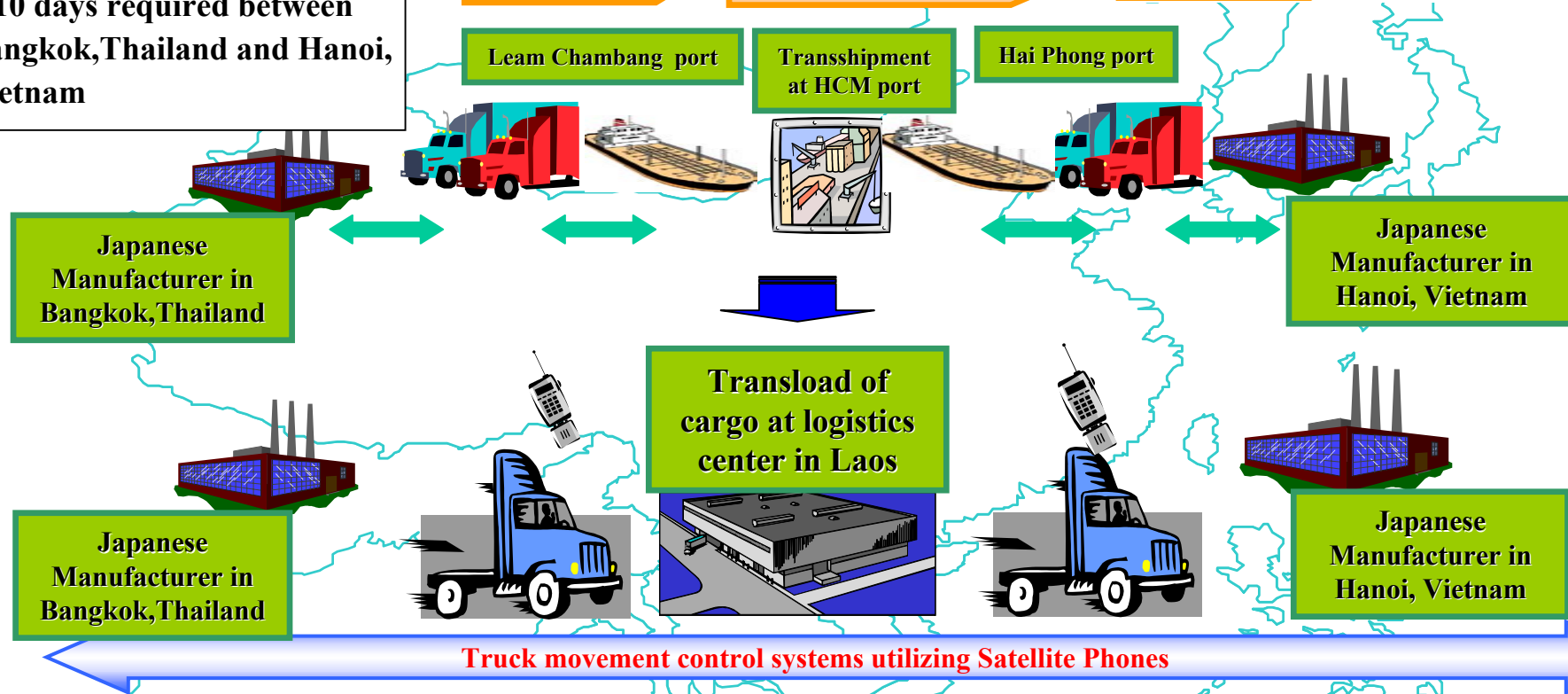
November 18, 2004

# Objectives of the Project



**【Ocean transport up-to now】**  
8-10 days required between Bangkok, Thailand and Hanoi, Vietnam

Land transport (truck)      Ocean transport • , transshipment at Hub port      Land transport (truck)



The objectives of the Project are;

- aa) expanding **the manufacturing and sales activities of the locally established Japanese businesses** by
  - investigating the practicality of land transport route to reveal areas requiring improvements.
  - making proposal regarding the route which will shorten the transit time to **two third** of the existing duration.
- bb) contributing to;
  - the improvement of the investment environments at the Project countries,
  - the economic growth of Laos.

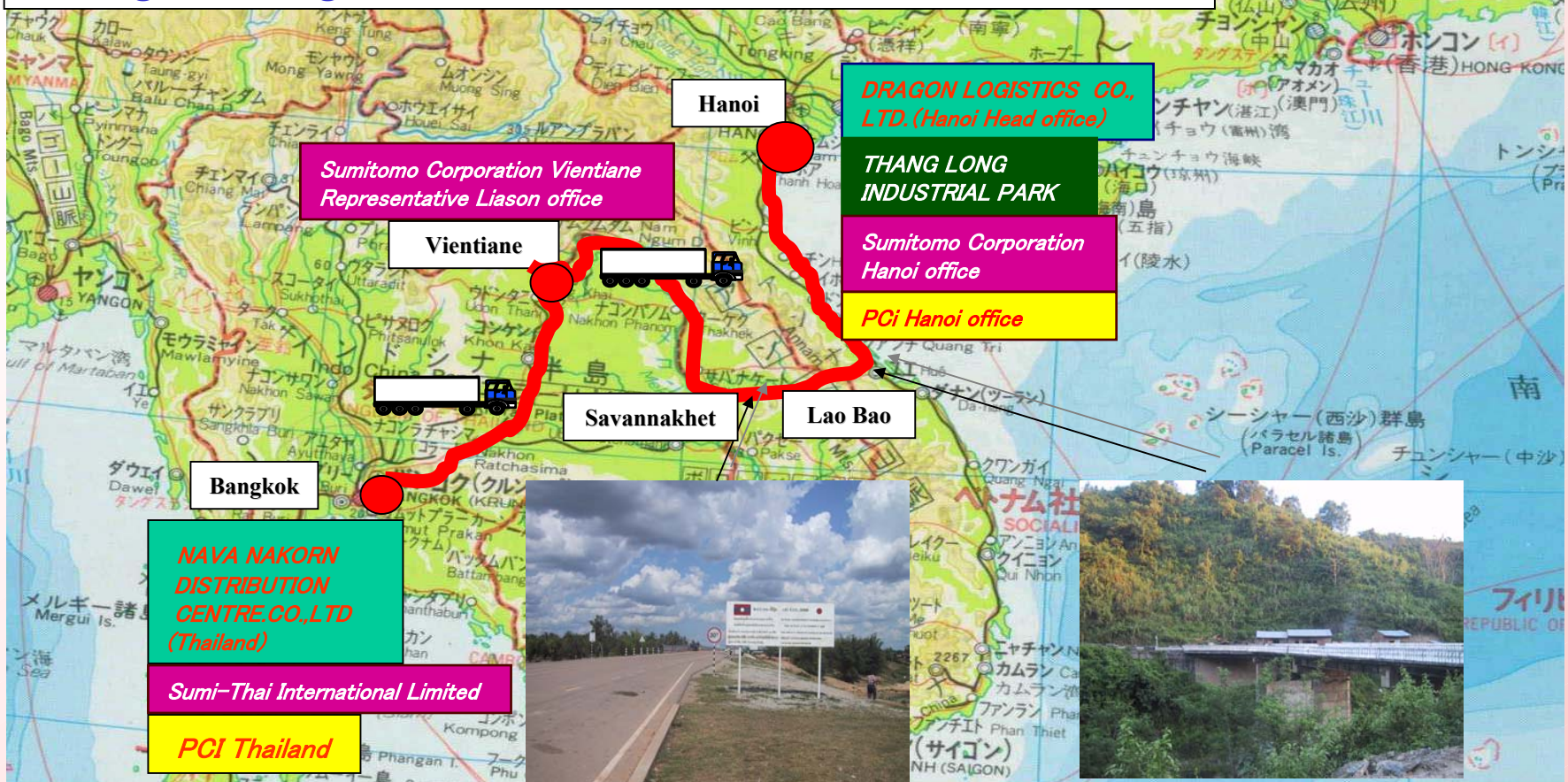


# Route Implementation & Location of Local Activity Bases



## Project Route:

National Road No.13 and East-West corridor route(National Road No.9)  
Bangkok~Nongkai~Vientiane~Savannakhet~Lao Bao~Hanoi

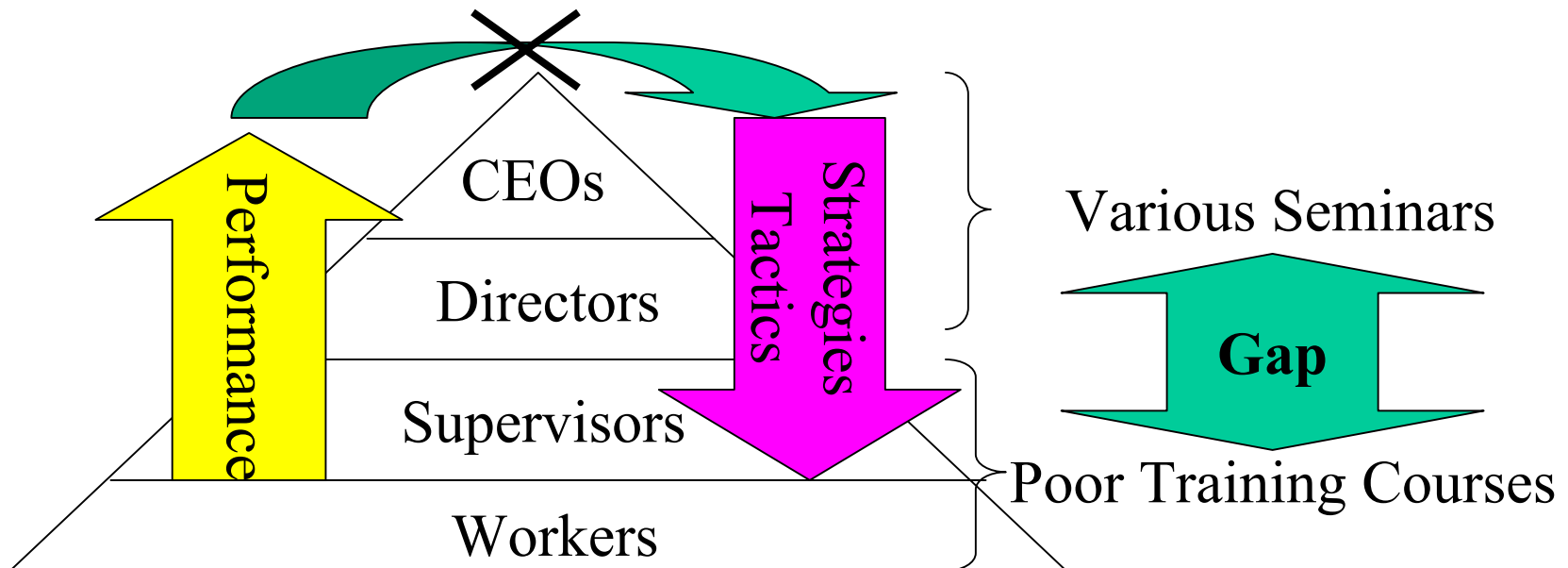


# HRD Project of Logistics Curriculum for Thai SMEs

Conducted by  
Japan Small Business Research Institute  
&  
Thai National Shippers' Council

# Objectives of this Project

- Based upon the Study conducted by JETRO, there are critical needs for training courses to cultivate logistics expert in private and government sectors, however, there are a few practical courses in Thailand and those are mainly focusing theory basis.
- Consequently, it will be very useful to establish training system in Thailand by introducing Japanese curriculum in order to accelerate the promotion of logistics efficiency in Thailand.



# Technical Cooperation in Logistics from METI

## <Soft Infrastructure>

- Create and expand understandings of logistics  
(Expert dispatch projects and training courses on logistics)
- Establish a system of human resources development on logistics  
(Demonstrative Project for Training of Certified Logistics Advisor)
- Cooperate to the organizations related to logistics (Cooperation to NSTR)
- Investigate demonstrative projects for logistics operation improvement  
(Demonstrative Project for Standardization of Returnable Container  
Demonstrative Project for Operation of Mekong Route Land Transportation)

## <Hard Infrastructure (at other ministries)>

- Facilitate Infrastructure  
(Prioritization on tasks for infrastructure facilitation)

*Result*

***Steady action for the master plan of efficient logistics***