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## HIGHLIGHTS OF THIS ISSUE 1

### ★ JETRO BANGKOK UPDATE PAGE 3

- JETRO Bangkok welcomed new investment advisor
- JETRO urged Thailand's enterprises to upgrade communication skill in business Japanese language to serve increasing Japanese investors

### ★ RECENT PUBLICATIONS PAGE 5

- Japan Spotlight, May/June 2006
- April's Japanese Business Sentiment in East Asia improved Slightly
- May's Japanese Business Sentiment in East Asia Declined
- June's Japanese Business Sentiment in East Asia Mixed
- "Trade Fairs in Japan 2006-2007" Book

### ★ EVENTS IN JAPAN PAGE 8

- Twenty New Projects Selected for FY2006 Region-to-Region Initiatives Program
- One Village, One Product Markets: Exhibitions at Airports
- India-Japan Business Summit in Tokyo



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## HIGHLIGHTS OF THIS ISSUE 2

### ★ WHAT'S NEW ON THE NET PAGE 10

- Japan Economic Monthly vol. 23, February 2006
- Invest Japan Newsletter No.12, 2006 Spring
- Japan Economic Monthly vol. 24, March 2006
- New JETRO Reports Available Online in Early June
- Survey of Japanese-Affiliated Manufacturers in Asia (ASEAN and India) 2005
- Agrotrade Handbook 2005 (excerpt)

### ★ EAST ASIA SPOTLIGHT PAGE 12

- East Asia Economic Integration Seminar in Singapore

### ★ EXPLORING JAPAN PAGE 13

- Article of "The SMEs of Ota City, Tokyo – The Secret Strength of Japan's Manufacturing Industry" by Mr. Yamada Nobuaki, released in Japan Spotlight of May/June 2006

# J E T R O B a n g k o k U p d a t e

## 1. JETRO Bangkok welcomed new investment advisor

JETRO Bangkok introduced Mr. Yoichi YAJIMA, replacing Mr. Nakai, to serve as senior advisor to BSCT (Business Support Center in Thailand). Mr. Yajima provides advice on establishing joint ventures and cooperating with Japanese partners in technology. Apart from responding to inquiries on a daily basis, he also distributes information on new business opportunities to local companies, including Japanese subsidiaries.

His past working experience included working with Itochu Corporation to establish affiliated companies in Asia, USA, Europe and Africa from 1994-1999, and working as general manager, Simon Corporation to set-up of a new affiliate company in China from 2001-2003. Prior to joining JETRO Bangkok, he was managing director, Simon Corporation's affiliated company in Thailand to manufacture safety shoes.



## 2. JETRO urged Thailand's enterprises to upgrade communication skill in business Japanese language to serve increasing Japanese investors



*Mr. Atsuo Kuroda, president of the Japan External Trade Organization or JETRO Bangkok (5<sup>th</sup> from left), has presented a BJT Test Award and a certificate to the 30 highest scoring Thai examination candidates.*

Mr. Atsuo Kuroda, the President of JETRO Bangkok urged Thailand's enterprises to upgrade communication skill in business Japanese language in order to reap mutual benefits from the business deals, and for preparing to deal with the increasing number of Japanese investors after recently announcement of the Economic Partnership Agreement (EPA) with Japan. The Japan-Thailand Economic Partnership, which includes Japan-Thailand Free Trade Agreement (FTA), means a higher flow-in of trade and investments as well as more knowledge transfer and human resource exchange in the future.

"JETRO has been conducting Business Japanese Proficiency Test since 1996 to respond the call for both Japanese firms operating business overseas and foreign businessmen operating business in Japan. There has been increasing number of Thais interested in Japanese language every year as more than 7,000 Japanese companies operating in Thailand employed more than one million staff in which expects more demand of speaking Japanese language staff" Mr. Kuroda, The President of JETRO Bangkok, stated during presenting a BJT Award and a certificate to the 30 highest scoring Thai examination candidates.

In 2006 onward, JETRO Test will be renamed “BJT Test” (Business Japanese Proficiency Test) to emphasize its goal of being the most practical business Japanese test. BJT Test will be conducted twice a year, on Sunday June 18 and Sunday November 19, 2006.

For more information, visit <http://www.jetro.go.jp/thailand/e/data/jetrotest.htm>



# Recent Publications

## Magazines:

### 1. Japan Spotlight, May/June 2006

<b>Publisher's Note</b>	~ SMEs' FDI Will Help Developing Countries <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3154">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3154</a>
<b>Topics</b>	~ Market Reforms Face Crucial Test <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3151">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3151</a> ~ Japan Back to Normalcy in Monetary Policy <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3152">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3152</a> ~ Japan to Boost Int'l Broadcasts, Enhance Info Outflow <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3153">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3153</a>
<b>Cover Story</b>	~ Japanese SMEs - Driving the Competitiveness of Japan's Automobile Industry <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3129">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3129</a> ~ Female Entrepreneurs and SMEs <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3130">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3130</a> ~ SMEs and the Globalization of Japanese Anime <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3131">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3131</a> ~ SMEs: Their Current State of International Development and the Future Course of Policy Support <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3132">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3132</a> ~ Japanese SMEs from a Foreign Perspective <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3133">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3133</a> ~ Development of Eliica: Super Electric Vehicle <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3134">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3134</a> ~ New Business Model for SMEs <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3135">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3135</a> ~ The SMEs of Ota City, Tokyo - The Secret Strength of Japan's Manufacturing Industry <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3136">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3136</a>
<b>Business Profiles</b>	~ What's Vital Is Not to Be Content with Present Work <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3137">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3137</a> ~ Shining in the Niche Market with Luminous Pigment and IPRs Strategy <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3138">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3138</a>
<b>Special Dialogue</b>	~ Pondering the Future of the Japanese Economy and Changes in the Corporate Community <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3139">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3139</a>
<b>Japanese Mind</b>	~ Shichu-no-In: The Hermitage in the City Tea Gardens Ancient and Modern <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3140">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3140</a>
<b>Viewpoints</b>	~ To Be Foreign in Japan <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3141">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3141</a>



<b>Feature</b>	~ Is Japan No Longer a Law-Abiding Society? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3142">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3142</a>
<b>Asian View</b>	~ A Message for the Understanding of Japanese Culture <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3143">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3143</a>
<b>Japanese Identity</b>	~ Will the United States Withdraw from Iraq and Leave Japan Out to Dry? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3144">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3144</a>
<b>Special Article</b>	~ The German Year in Japan 2005-2006 <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3145">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3145</a>
<b>What's up in Japan?</b>	~ Soccer in Japan: Community-Based Club Teams and Their Accomplishment <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3146">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3146</a>
<b>Finance</b>	~ Japan's Six Largest Banking Groups to Set New Record for Combined Profitability in FY 2005 <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3147">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3147</a>
<b>Culture</b>	~ Skyscrapers Changing Tokyo's Skyline <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3148">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3148</a>
<b>Keeping up with the Times</b>	~ Is the Cellphone Mightier than the Pen? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3149">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3149</a>
<b>Gallery</b>	~ Kumano Fude: The Harmonious Coexistence of Tradition and Modernity <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3150">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3150</a>



**Publications:**

**Books:**

**Trade Fairs in Japan 2006-2007**

JETRO's latest annual directory contains information on 408 major trade fairs to be held in Japan. The publication provides complete fair information, including dates, venue and location, main industry sectors, planned exhibits, registration deadlines, fair organizer contact details, total numbers of exhibitors/attendees of previous fairs and more.

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**Reports:**

**1. April's Japanese Business Sentiment in East Asia improved Slightly**

JETRO's April survey of Japanese companies and affiliates operating in 12 countries/regions of East Asia revealed that overall current business sentiment improved slightly in both the ASEAN region and Northeast Asia; sentiment among firms in Mainland China continued on the gradual rise that started at the end of 2005.

*For further information, visit*

*<http://www.jetro.go.jp/en/news/releases/20060424807-news>*



**2. May's Japanese Business Sentiment in East Asia declined**

May's survey revealed that overall current business sentiment declined in both the ASEAN region and Northeast Asia in May. Current sentiment was down in all ASEAN locations (with the exception of Singapore); the index for Thailand fell dramatically as political instability continued to grip the country. Sentiment among firms in Mainland China, however, continued on the gradual rise that started at the end of 2005.

*For further information, visit*

*<http://www.jetro.go.jp/en/news/releases/20060530031-news>*



**3. June's Japanese Business Sentiment in East Asia mixed**

June's survey revealed that overall current sentiment for the ASEAN region remained depressed in June, with the region's index hovering in negative territory for the seventh straight month. Sentiment in Indonesia was especially low, in particular among firms in the manufacturing sector.

Overall current sentiment for China and North Asia declined slightly in June. Sentiment among firms in mainland China, however, continued on the gradual rise that started at the end of 2005.

*For further information, visit*

*<http://www.jetro.go.jp/en/news/releases/20060629195-news>*



**1. Twenty New Projects Selected for FY2006 Region-to-Region Initiatives Program**

JETRO selected 20 new projects for inclusion in its Region-to-Region Initiatives Program for FY 2006. A total of 31 projects (including 11 continued from the previous fiscal year) commenced this April.

Some of the newly selected projects include:

- **Business tie-ups in the animation industry: Nerima ward, Tokyo / Paris, France**
- **Business tie-ups and personnel exchange in the IT industry: Fukuoka city, Fukuoka / Tamilnadu and Karnataka, India**
- **Technology tie-ups in developing a ship run on hydrogen fuel: Shimonoseki city, Yamaguchi / Iceland**

The Region-to-Region Initiatives Program aims at invigorating regional economies in Japan and other countries through two-way industrial exchanges of technology and business know-how through, for example, new business or venture tie-ups and joint R&D schemes. JETRO works closely with each participating region to help them achieve their objectives by offering advice, conducting surveys, and dispatching/accepting business missions for industrial exchange.

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**2. One Village, One Product Markets: Exhibitions at Airports**

JETRO will organize "One Village, One Product (OVOP)" markets in three Japanese airports, showcasing (and selling) craftwork items, textiles, processed foods and cosmetics from least developed countries (LDCs). The markets are part of the Japanese government's "One Village, One Product Campaign", which aims to introduce culturally representative and attractive products from developing countries to the Japan market as well as to help LDCs identify

and export promising local goods. The concept of OVOP originated in Japan's Oita prefecture and has since become a model for small villages and communities in developing countries to turn local goods into internationally competitive products.

OVOP airport market exhibitions:

- **Narita International Airport:**  
March 25th to end of September (9:00-17:00)  
Location: Observation Deck, 5th floor, Central Bldg., Terminal 1  
\* From May 3rd to the 16th and from September 8th to the 21st, a satellite booth will also open on the 4th floor of Terminal 2.
- **Kansai International Airport:**  
April 1st to end of September (9:00-17:00)  
Location: Domestic Departure & Arrival Lobby, 2nd floor, Passenger Terminal Bldg. North
- **Central Japan International Airport:**  
April 9th to the 16th (9:00-17:00): Event Plaza, 4th floor, Passenger Terminal Bldg.  
April 17th to end of September (10:00-18:00): Centrair Gallery, 1st floor, Passenger Terminal Bldg.

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**3. India-Japan Business Summit in Tokyo**

The "India-Japan Business Summit" was held this June 14th (14:00-17:45) at the Tokyo Prince Hotel (3-1, Shibakoen 3-chome, Minato-ku, Tokyo).

The event featured speeches by representatives from successful firms in India's leading industries (including auto, biotechnology, IT, retail and finance), who shared their insights and tactics on being competitive in India's fast-growing markets. Indian Minister of



Commerce Kamal Nath and Japanese Minister of Trade, Economy and Industry (METI) Toshihiro Nikai also presented keynote speeches on government efforts to further business partnerships between the two countries.

JETRO, the Confederation of Indian Industry and the India Brand Equity Foundation organized the event.



# What's new on the net?

## 1. Invest Japan Newsletter No.12, 2006 Spring



<b>Special Feature:</b>	Japanese Biomedical Industry
<b>Message to Our Readers:</b>	Ambassador C. Lawrence Greenwood, Deputy Assistant Secretary for International Finance and Development, US Department of State
<b>Investment Update:</b>	FDI Movements and News
<b>People in Action:</b>	More Eyes, More Ears —Joe Melillo, President, Genzyme Japan K.K.
<b>Japanese Market Close-up:</b>	Intellectual Property Rights Trust: New Means to Manage, Leverage, and Liquidize Intellectual Property
<b>Regional News:</b>	Hiroshima City: Taking Advantage of Its Accumulation of the Automobile Production Technology to Turn from Defense to Attack
<b>Tales of the Pioneering Days</b>	Saint-Gobain; Japan as Hub of Asia-Pacific Operations

Full articles (in PDF format) are posted at:  
<http://www.jetro.go.jp/en/invest/newsroom/newletter.html>



## 2. Japan Economic Monthly vol. 23, February 2006

<b>Business Topics:</b>	New Possibilities for Japan's Robot Industry
<b>Industrial Report:</b>	Trends in the Japanese Funeral Industry
<b>Regional Trends:</b>	Akita Prefecture Timber Businesses Expanding into China
<b>Economic Indexes:</b>	Japanese Patent Applications Overseas on the Increase

Full reports on the Japan Economic Monthly are available at:  
<http://www.jetro.go.jp/en/market/trend/index.html#jem>

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## 3. Japan Economic Monthly vol. 24, March 2006

<b>Business Topics:</b>	Building Conversations Spark Urban Renaissance
<b>Special Report:</b>	Measures to Reduce Greenhouse Gases and Create a Resource Recycling Network
<b>Industrial Report:</b>	Trends in the Japanese Robotics Industry

Complete editions of the Japan Economic Monthly are available at:  
<http://www.jetro.go.jp/en/market/trend/index.html#jem>



## 4. New JETRO Reports Available Online in Early June

The following market and survey reports will be available on the JETRO website from early June 2006.

### JETRO Market Reports:

- Nanoscale Equipment for Visualization and Measurement
- Environment and Health-conscious Consumers and Environment and Health-friendly Products and Services

Full reports are available at:  
<http://www.jetro.go.jp/en/market/reports/jmr/>

### Survey Report:

- Survey on Successful Cases of Secondary Investments by Foreign-affiliated Companies in Japan

Full report is available at:

<http://www.jetro.go.jp/en/stats/survey/>



**5. Survey of Japanese-Affiliated Manufacturers in Asia (ASEAN and India) 2005**

JETRO release the survey of “Japanese-Affiliated Manufacturers in Asia (ASEAN and India) 2005” at the web site.

The survey’s topics include

1. Operating Profits for 2005 and 2006
2. Export Trends
3. Local Procurement Trends of Raw Materials
4. Business Management Problems
5. Sources of Competitiveness and Future Business Expansion
6. Reorganization of Businesses in the East Asian Business Area
7. Medium- and Long-Term Production and Marketing Locations in the East Asian Business Area

**For more information, please visit**

<http://www.jetro.go.jp/thailand/e/data/jpnmanuasia05.pdf>



**6. Agrotrade Handbook 2005 (excerpt)**

The English excerpt of JETRO’s popular “Agrotrade Handbook 2005” (originally published in Japanese) is now available for free download (in PDF format) from the JETRO website at:

[http://www.jetro.go.jp/en/stats/survey/surveys/agrotrade\\_2005.pdf](http://www.jetro.go.jp/en/stats/survey/surveys/agrotrade_2005.pdf)

The English version contains Japan’s export/import trends and statistics for nearly a 100 agricultural, forestry and fishery product categories and items.

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# East Asia Spotlight

## East Asia Economic Integration Seminar in Singapore

The seminar “East Asia’s New Stage of Economic Integration”, inviting key government figures, economic specialists and academics from around the world, was held this June 26th at the Four Seasons Hotel in Singapore.

The event’s keynote speakers addressed crucial points for furthering integration in East Asia and talked about the road to integration and its challenges. Speakers focused on such topics as: sustaining ASEAN’s stable growth; resolving structural problems in China; the US presence in East Asia; emerging India; and the role of Japan in the region. Following the keynote speeches, a panel discussion, examining the role of participating countries as the region enters a new stage of integration, took place. Moreover, Singapore Minister for Trade and Industry Lim Hong Kiang presented a luncheon speech.

Other speakers included:

- Dr. Fan Gang, Director, National Economic Research Institute, China
- Mr. Lawrence Greenwood Jr., Vice President, Asian Development Bank
- Dr. T.J. Pempel, Director, Institute of East Asian Studies, University of California, Berkeley, US
- Mr. Keita Nishiyama, Director, Asia-Pacific Division, METI, Japan
- Mr. Osamu Watanabe, Chairman and CEO, JETRO



## Exploring Japan

1) The following is the article of “The SMEs of Ota City, Tokyo – The Secret Strength of Japan’s Manufacturing Industry” by Mr. Yamada Nobuaki, released in Japan Spotlight of May/June 2006

### ❖❖ The Source of Japan’s Global Competitiveness

The manufacturing process of Japanese factories is quite unique in comparison to other countries. Large corporations assembled products except for some special parts and most components are procured from subcontractors. Japan’s leading manufacturers, such as Toyota, have a massive number of affiliated companies under them, and they apply a just-in-time supplying process to carry out efficient production.

This system consists of an impressive pyramid of subcontractors starting from the primary subcontracted factories to the secondary, tertiary, quaternary and beyond. Small-sized factories which employ less than 10 people prop up the bottom end of the subcontracting pyramid. The greatest advantage that Japanese manufacturing industry has in terms of global competitiveness is the existence of a system in which suppliers with the highest level of technology deliver parts at the lowest possible cost.

The reason why Japan’s balance of trade figures have been in surplus since 1981 is that the manufacturer of machines—which account for 80% of exports – is carried out according to this supplying system of parts by small and medium-sized enterprises (SMEs). Japan beats the global competition by producing technologically superior and low-priced products, and the trade balance stays in Japan’s favor. However, a trade surplus leads to yen appreciation. Normally, this brings about a decrease in exports and an increase in imports, reducing the surplus or even creating deficit, but Japanese industry reacts by trying to reduce the procurement cost from the subcontractors in order to reduce production costs and overcome the strong yen aiming for economic growth through exports. This means that the subcontractors are required to make further technological improvements and shorten lead times with even greater precision. As this cycle repeats itself, trade remains in surplus every year despite the ongoing strength of the yen.

### ❖❖ Features of the Machine Industry in Ota City

The industry of Ota City, Tokyo, represents a microcosm of Japan’s SMEs. The number of factories peaked in 1983, and there were 5,040 factories as of 2003. Most of them are extremely small, with as



SMEs in Ota City supply technologies to each other in horizontal networking

many and 80% (4,112 factories) having less than 10 employees and about 50% (2,525 factories) having only a few employees. Approximately 75% of them fall into the categories of metal products, general machinery and implements, electrical and communication equipment, electrical parts and devices, transport equipment and precision instruments, and are particularly specialized in the engineering and metalworking industry. The vast majority of these produce parts or provide processing technology for specific orders; they may not work as subcontractors for a specific large

corporation, but they have corporate clients in many different areas.

A diverse range of processes is necessary for the production of machine parts, and because the factories in Ota City are very small, they are obliged to focus on specialized technology, and may not produce a completed component by themselves. Therefore, these companies build up strong ties and networks with each other in order to supply each other with necessary technologies; in other words, production takes place via a system of mutual interdependence. This enables companies to survive by focusing on their own specialized technology. This is possible since the industrial concentrations in the area cover a diverse range of machine-processing technology. This kind of subsistence format is referred to as integrated dependent-type corporations.

The reason why the machine industry in Ota City has become famous throughout Japan is because it has created an “Ota brand” by being able to respond swiftly to clients’ strict demands and at the same time to provide high level of precision. Companies that never turn down orders even for single part production and work proactively to meet clients’ needs are attractive even during an economic

recession. Although set-makers shifted their assembly plants overseas during the 1980s, companies that cater for special orders showed no signs of decreasing.

However, even Ota City companies operating at this high level saw their sales turnover decrease dramatically when the 21 century began, as can be seen by the fact that the number of factories in Ota City decreased by 1,000 in 2000-2003, resulting in an unprecedented crisis in the region's industry. The main reason was that the advanced technology for producing industrial parts by Japanese SMEs was being rapidly transferred to Asian countries. Even though Ota City industry was advanced in specialized technology, it could not help being affected by the entire Japanese manufacturing industry relocating overseas.

#### ❖❖ Industrial Compartmentalization in Asia

In the early 1990s, there was a long-term structural recession in Japan due to the collapse of the bubble economy. In the late 1990s, with the technological improvement of Asian countries including China, production was accelerated and industry was deeply hollowed out.

Japanese domestic industry is at a disadvantage in term of price competitiveness and labor costs. However, when the technological level is still low, cheaper labor costs are insufficient reason to attract production overseas. Rapid advances in technological level been assisted by the development of information processing such as CAD and CAM in manufacturing, and the introduction of sophisticated machine tools has made it possible to produce parts of superior quality. As technological capabilities have developed, clients have expanded their production bases in Asia and have created an increased need for local procurement. In response to this, Japanese SMEs have also come under pressure to relocate their operation overseas. The changes in the industrial foundation that have come about through globalization are at the root of the stagnation of Japan's economy at the beginning of the 21<sup>st</sup> century.

Japan's manufacturing industry now needs to establish an international division of labor to divide what will be developed and continued in Japan and what will be carried out in other parts of Asia. Large corporations have already implemented this, but it has now become an unavoidable issue for Japan's SMEs.

For the last 12 years, Ota City has focused on enabling its SMEs to jointly participate in overseas exhibitions. Some of these companies have expanded their operations by setting up overseas subsidiaries and building factories.



*Ota City's SMEs participate in overseas exhibitions*

### ❖❖ Opening of the Ota Techno Park

The construction of the Ota Techno Park, a concentration of factories for Ota City's SMEs, is currently in progress in the suburbs of Bangkok, Thailand. This project has been designed by the Amata Corp. PCL. to provide rental factory facilities, offering the adequate space for the needs of SMEs. Amata highly evaluates the technological capabilities of Ota City's SMEs that Thailand needs, and seeks to strengthen the country's industrial infrastructure through technological transfer, hoping that this in turn, will attract even more companies. Moreover, for Ota City's SMEs, establishing subsidiary factories in Thailand, whose economic growth has been steady, allows them not only to meet the needs of the clients expanding their local operations but also creates opportunities to secure new ones. This cluster of factories is planned to open in June 2006, with several powerful Ota SMEs with superior technologies already preparing to locate there. It would be ideal if this win-win relationship will be a step forward in the grassroots exchange that will lead to further industrial cooperation between Japan and Thailand.



Ota Techno Park in Thailand

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