



The site that can help you explore business opportunities with Japanese businessmen and learn about Japanese economy and business practices

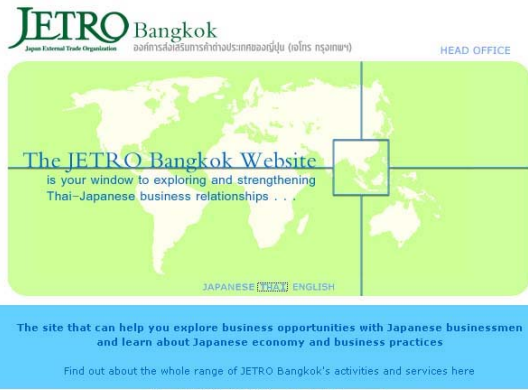
Find out about the whole range of JETRO Bangkok's activities and services here

Copyright 2001, JETRO Bangkok all rights reserved

Nantawan Building, 16<sup>th</sup> Fl., 161 Rajdamri Road  
 Patumwan, Bangkok 10330, Thailand  
 Tel: (66) 0-2253-6441-5  
 Fax: (66) 0-2253-2020  
 Web site: <http://www.jetrobkk.or.th>  
 E-mail: [bgk-pr@jetro.go.jp](mailto:bgk-pr@jetro.go.jp)

## HIGHLIGHTS OF THIS ISSUE 1

- ★ JETRO BANGKOK UPDATE PAGE 3
  - JETRO Bangkok welcomes new president
  - JETRO introduces a new Japanese staff in charge of trade cooperation
  - Upcoming 14th BJT Business Japanese Proficiency Test (Former JETRO Test) on November 19
  
- ★ JETRO OVERSEAS NETWORK PAGE 4
  - Scaled-up JETRO Network in India
  
- ★ RECENT PUBLICATIONS PAGE 5
  - Japan Spotlight, July/August 2006
  - Japan Spotlight, September/October 2006
  - July's Japanese Business Sentiment in East Asia Mixed
  - August's Japanese Business Sentiment in East Asia mixed
  - September's Japanese Business Sentiment in East Asia mixed
  - 2006 Report on the WTO Inconsistency of Trade Policies by Major Trading Partners by Industrial Structure Council, METI, Japan
  - DNA of Japanese Design
  - Japan's trade with China set another record in the first half of 2006
  
- ★ EVENTS IN JAPAN PAGE 10
  - JETRO BIOLINK FORUM 2006
  - International Symposium, "Boosting Science and Technology through Industrial Collaboration 2006"
  - JETRO BIZMATCH @ CEATEC JAPAN 2006



Nantawan Building, 16<sup>th</sup> Fl., 161 Rajdamri Road  
 Patumwan, Bangkok 10330, Thailand  
 Tel: (66) 0-2253-6441-5  
 Fax: (66) 0-2253-2020  
 Web site: <http://www.jetrobkk.or.th>  
 E-mail: [bgk-pr@jetro.go.jp](mailto:bgk-pr@jetro.go.jp)

## HIGHLIGHTS OF THIS ISSUE 2

### ★ WHAT'S NEW ON THE NET? PAGE 11

- Special Report: Japanese Trade Trends in 2005
- Comparative Survey of the Labor Environment in Asia

### ★ EAST ASIA SPOTLIGHT PAGE 12

- Article of "International Business Networks of Japanese Companies and Changes in the Trade Structure in Asia" by Mr. AIZAWA Takahiro, Ministry of Economy, Trade and Industry (METI) in the Japan Spotlight of July/August 2006

### ★ EXPLORING JAPAN PAGE 15

- Summary of Survey of Business Sentiment on Japanese Corporations in Thailand for Spring of 2006 by Japanese Chamber of Commerce in Bangkok
- Article of "Suzuki Motor: An SME Controlling Giant India" by Mr. Masuda Kazunori, a reporter for the Economic News Section of Kyodo News, released in Japan Spotlight of September/October 2006

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

## 1. JETRO Bangkok welcomes new President

JETRO Bangkok welcomed Mr. Yoichi KATO, its new President who succeeded Mr. Atsuo KURODA, in early August.

Under Mr. Kato's supervision, JETRO Bangkok will carry on three tasks, i) Trade Promotion, ii) Investment Promotion and iii) Industrial Promotion. Consequently, JETRO Bangkok activities include OTOP project, supports on Japanese firms' investments to Thailand, Thailand Automotive Human Resource Development Program (TAHRDP), Logistics Developments and Design Promotion.

Mr. Kato joined Japan's Ministry of International Trade and Industry for 23 years, and has mastered his vast experiences in Information Technology Policy as well as economics. He earned a bachelor's degree in Economics from Tokyo University, and a master's degree in International Development Economy from Yale University.



## 2. JETRO introduces a new Japanese staff in charge of trade cooperation

JETRO Bangkok introduced Mr. Haruhiko OZASA, replacing Ms. Terazawa, to serve as Director of Trade Cooperation Department. His main task during his tenure in Bangkok is to develop Japanese and Thai business opportunities in the global market.

After graduating from Faculty of Law, Chuo University, Japan, he entered JETRO Head Office in 1994. He has extensive working experience in Thailand especially in the area of One Tambon One Product (OTOP) from 1998-2003. Prior to joining JETRO Bangkok, he was Deputy Director, Trade and Economic Cooperation, JETRO HO.



## 3. Upcoming 14th BJT Business Japanese Proficiency Test (Former JETRO Test) on November 19

JETRO Bangkok in cooperation with the Technology Promotion Association (Thailand-Japan) (TPA) will organize the listening and reading comprehension portion (JLRT) of the **14<sup>th</sup> BJT Business Japanese Proficiency Test (Former JETRO Test) on Sunday, November 19 afternoon at Mahamakut Building, Faculty of Science of Chulalongkorn University.**

The BJT measures non-native speakers' ability to use the Japanese for business.

Beginning from 2003, former JETRO Test or BJT has been redesigned from the previous three levels of increasing difficulty to **one unified test for all examinees. The BJT will be score-based, similar to the TOEFL and TOEIC language tests (full scores: 800).**

The scoring system will enable examinees to judge precisely how they perform in each year's test and see their progress by comparing each year's test scores. Also, it is unnecessary for examinees to decide which level to take.

**JETRO Bangkok and TPA will present BJT Award to the Top Score takers and the certificates to them.**



# J E T R O   O v e r s e a s   N e t w o r k

## Scaled-up JETRO Network in India

Responding to growing interest among Japanese firms in India as an investment destination, JETRO opened an office in Bangalore this June 15th, bringing to three the number of JETRO offices in India (the other two are New Delhi and Mumbai).

The new office will provide a full range of business support and services and add to JETRO's efforts to increase business ties between India and Japan. Local Indian firms will also be welcome to make use of the support and services offered at JETRO Bangalore.

### **JETRO Bangalore**

**Address: Unit No.407, 408, Prestige Meridian II  
4th Floor 30 M.G. Road, Bangalore-560 001, INDIA  
Phone: +91-80-4113-8168 Fax: +91-80-4113-8169**

On July 19th, JETRO opened its fourth overseas business incubation facility, in New Delhi, to enhance support for Japanese firms seeking to set-up business in India. The new facility, called the Business Support Center India, or BSCI, has five temporary office spaces (which firms can use for up to two months) and offers a full range of support and services to Japanese firms planning to enter local markets or those seeking business and technology tie-ups with India firms. BSCI also offers expert advice and consultation to Japanese firms already operating in India.

### **JETRO Business Support Center India (BSCI)**

**Address: 6th Floor, Eros Corporate Tower, Nehru Place New Delhi-110019, INDIA  
(Note: JETRO New Delhi is located on the 4th floor of the same building.)**

# Recent Publications

## Magazines:

### 1. Japan Spotlight, July/August 2006

<b>Publisher's Note</b>	<p>~ Thoughts on a Japan-US FTA  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3173">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3173</a></p> <p>~ Japanese Businesses Post Record Profits for 3rd Year Running  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3174">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3174</a></p>
<b>Topics</b>	<p>~ 1st Step to Integrating Asian Currencies  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3175">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3175</a></p> <p>~ From 'Quantity' to 'Quality': Japan's Changing Cellphone Market  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3176">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3176</a></p>
<b>Cover Story</b>	<p>~ The Vision within the White Paper 2006  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3158">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3158</a></p> <p>~ International Business Networks of Japanese Companies and Changes in the Trade Structure in Asia  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3159">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3159</a></p> <p>~ The Relationship between Japan's Growing Income Balance and Private Investor Asset Management Patterns  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3160">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3160</a></p> <p>~ The Future of the Chinese Foreign Exchange System &amp; Its Influence on the Int'l Strategies of Japanese Companies  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3161">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3161</a></p> <p>~ Changing Intra-Asia Trade Networks: New Findings from the White Paper 2006  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3162">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3162</a></p> <p>~ The Expansion of the Service Industry in Asia - the Example of Shanghai Lawson  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3163">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3163</a></p> <p>~ Towards Shortening "Business Cost Distance" in Asia  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3167">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3167</a></p> <p>~ White Paper on International Economy and Trade 2006  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3172">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3172</a></p>
<b>Business Profiles</b>	<p>~ Seeking Co-Existence &amp; Co-Prosperity with Customers  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3164">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3164</a></p> <p>~ Nippon Sheet Glass Eyes 'Top 3' with UK Pilkington Purchase  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3164">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3164</a></p> <p>~ The World's Largest Fireworks Unite the People in the Community  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3166">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3166</a></p>
<b>Viewpoints</b>	<p>~ Japan: Craftsmanship &amp; Modern Technology  <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3179">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3179</a></p>

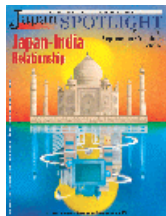


<b>Feature</b>	~ What Is to Be Done? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3180">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3180</a>
<b>Asian View</b>	~ Umeya Shokichi, the Benefactor Who Continued to Support Sun Yat-sen by Neglecting His Personal Fortune <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3178">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3178</a>
<b>Japanese Identity</b>	
<b>Special Article</b>	~ JEF Celebrates Its 25th Anniversary <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3169">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3169</a> ~ Softland Plan for Hokkaido <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3171">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3171</a>
<b>Culture</b>	~ New Regional Museum Sees Big Visitor Turnout <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3170">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3170</a>
<b>Keeping up with the Times</b>	~ Yakyu Wins Out Over Baseball <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3181">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3181</a>
<b>Gallery</b>	~ Kabuki as Japanese Culture <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3168">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3168</a>
<b>Spotlight</b>	~ The Star-Crossed Lovers <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3183">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3183</a>



## 2. Japan Spotlight, September/October 2006

<b>Publisher's Note</b>	~ Expectatons for the Further Development of the Indian Economy <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3206">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3206</a>
<b>Topics</b>	~ Broad Fiscal Reform Plan Put in Place <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3207">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3207</a> ~ Hotel War Under Way in Tokyo <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3208">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3208</a> ~ Nissan, GM in Alliance Talks <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3209">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3209</a>
<b>Cover Story</b>	~ A Sleeping Giant Elepnat Awakes <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3184">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3184</a> ~ Japan-India Economic Relations <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3185">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3185</a> ~ India-Japan Relations <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3186">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3186</a> ~ Finding the Right Location in India <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3187">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3187</a> ~ Suzuki Motor: An "SME" Controlling Giant India <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3188">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3188</a> ~ The Development Challenges Facing India <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3189">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3189</a> ~ How Do Japanese Companies View India's Infrastructure? <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3190">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3190</a> ~ India-Japan: Building New Bridges <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3191">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3191</a> ~ The Incendiary Ashes of Subhas Chandra Bose <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3192">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3192</a>
<b>Business Profiles</b>	~ The Key to Success in India's Market <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3194">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3194</a>
<b>Japanese Mind</b>	~ "Edo Shigusa" as the Sensibility of Edo Culture <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3196">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3196</a> ~ Back in the Age of the Furoshiki <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3197">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3197</a>
<b>Viewpoints</b>	~ A Land of Diligence, Trust & Discipline



	<a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3210">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3210</a>
<b>Feature</b>	~ Japan's LDP: Shaping and Adapting to Three Distinctive Political Systems <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3195">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3195</a>
<b>Asian View</b>	~ Recalling the Fruits of "Japanese Instructors" in China <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3199">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3199</a>
<b>Japanese Identity</b>	~ Japan's Two Resource Problems <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3198">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3198</a>
<b>What's up in Japan?</b>	~ Tsukiji Market: Past, Present & Future <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3200">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3200</a>
<b>Finance</b>	~ Five Public Sector Financial Institutions to Merge <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3201">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3201</a>
<b>Culture</b>	~ The Charm of Ocean Cruising <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3202">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3202</a>
<b>Keeping up with the Times</b>	~ Clearance of Traffic Jams Obstructs Business <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3203">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3203</a>
<b>Gallery</b>	~ Creating Tradition, One Beat at a Time <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3204">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3204</a>
<b>Spotlight</b>	~ Japanese Autumnal Equinox Day <a href="http://www.jef.or.jp/journal/jef_contents_free.asp?c=3205">http://www.jef.or.jp/journal/jef_contents_free.asp?c=3205</a>



**Publications:**

**Books:**

**2006 Report on the WTO Inconsistency of Trade Policies by Major Trading Partners by Industrial Structure Council, METI, Japan**



This yearly report is divided into two parts. Part I discusses Japan's major trade partners' policies and measures that are problematic under the WTO Agreements and other international rules. Part II contains an overview of the WTO Agreements and other rules and discusses major cases involving these rules which form the basis of Japan's view.

Moreover, in the 2006 report, emphasis has been placed on providing information relevant to both the industrial world and the general public to assure their broadened understanding of the WTO Agreements' international trade rules.



**DNA of Japanese Design**  
**100 pages;**  
**bilingual (English and Japanese)**

Beautifully illustrated, this full-color book captures the essence of JETRO's innovative industrial design exhibition, "DNA of Japanese Design", held in Bangkok in February and March 2006. The book includes numerous color photographs and descriptions (in both English and Japanese) that reveal how Japan's unique aesthetic design sense—or DNA—has been passed down over generations and continues to evolve and inspire innovation today.

Available through the JETRO online bookshop:  
<http://books.jetro.go.jp/en/>



**Reports:**

**1. July's Japanese Business Sentiment in East Asia Mixed**

JETRO's July survey of Japanese companies and affiliates operating in 12 countries/regions of East Asia revealed that overall current sentiment was mixed in the ASEAN region, while continuing on an upward trend (that began at the end of 2005) in mainland China.

Overall current business sentiment for the five ASEAN countries included in the survey declined

slightly over the previous month, with the index remaining in negative territory for the eighth straight month in July (individual indices—with the exception of Singapore—also lingered in negative territory in July). By country, sentiment was strong in Singapore, where Japanese firms in the country's electric/electronics sector continued to enjoy export growth in semiconductors and other products. Firms in Singapore's transport, communications, commerce and services sector were also buoyant, on the back of the country's growing export volume. Indices for Indonesia, Malaysia, the Philippines and Thailand, however, continued to hover in negative territory in July; the index for Indonesia marked its lowest point since the survey began in June 2001.

Overall forward business sentiment for the ASEAN region improved 4.3 points in this month's survey. Forward sentiment was up in Indonesia and Thailand, owing to an expected recovery in domestic demand for transport equipment. The index for the Philippines was also up in July, reflecting strong demand in overseas markets for goods in the country's electric/electronics equipment sector.

For further information, visit  
<http://www.jetro.go.jp/en/news/releases/20060726579-news>



**2. August's Japanese Business Sentiment in East Asia mixed**

August's survey of Japanese companies and affiliates operating in 12 countries/regions of East Asia revealed that current sentiment remained subdued in the ASEAN region, while continuing strong in mainland China.

Overall current business sentiment for the five ASEAN countries included in the survey improved 3.4 points over the previous month; the index, however, remained in negative territory for the ninth straight month in August. Individual indices improved for all countries over the previous month with the exception of Singapore. In Thailand, buoyant sentiment was noted among Japanese firms in the country's transport equipment sector, due to growing exports and recovering domestic demand. On the back of expanding global demand for semiconductors, strong business confidence among Japanese electric/electronics manufacturers in Malaysia and the Philippines helped push indices higher in these countries.

Overall forward business sentiment for the ASEAN region declined 0.7 points in this month's survey. The index for Indonesia (which had been



on a downward trend since November 2005), improved a dramatic 24.4 points in August, due to an expected recovery in domestic demand for transport equipment and electric/electronics equipment.

*For further information, visit  
<http://www.jetro.go.jp/en/news/releases/20060829337-news>*



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

September's survey of Japanese companies and affiliates operating in 12 countries/regions of East Asia revealed that overall current sentiment remained subdued in the ASEAN region for the tenth straight month in September.

In China and North Asia, overall current sentiment continued strong in mainland China in September, while declining in South China, where firms are facing rising labor costs.

Overall current business sentiment for the five ASEAN countries included in the survey declined 5.7 points over the previous month, with the index remaining in negative territory for the tenth straight month in September. Individual indices remained in negative territory for all countries with the exception of Singapore.

Overall forward business sentiment for the ASEAN region improved 1.4 points in this month's survey, although the index remained in negative territory. Notable gains were recorded in the Philippines, where the index returned to positive territory, and Indonesia, which recorded a dramatic 15.6 points (although remaining in negative territory) in this month's survey, on the back of a buoyant transport equipment industry.

*For further information, visit  
<http://www.jetro.go.jp/en/news/releases/20060926579-news>*



**4. Japan's trade with China set another record in the first half of 2006**

Japan's overall trade with mainland China (including imports and exports) set a new record for the seventh straight year (half-year basis) in the first half of 2006, increasing 9.9% to US\$99.2 billion.

Japan's trade with mainland China accounted for 16.8% of Japan's total external trade in the first half of 2006, roughly the same percentage recorded last year.

Japan's overall trade with China in 2006 is likely to set a new record for the eighth straight year, and exceed the US\$200 billion mark. Exports of electronic parts from Japan to China will continue to expand, and imports from China

to Japan will also increase—as Japanese manufacturers continue to shift their production bases to China (and export their finished products to Japan).

*For more information, please contact:  
 Mr. Kenji Shimizu or Mr. Hideki Shimada  
 JETRO Head Office  
 Phone: (03) 3582-5181 Fax: (03) 3582-5309  
 E-mail: [ORG@jetro.go.jp](mailto:ORG@jetro.go.jp)*





**1. JETRO BIOLINK FORUM 2006**



JETRO, together with the BioJapan 2006 Organizing Committee, held “JETRO BIOLINK FORUM 2006 (BIOLINK 2006)” at the Osaka International Convention Center on September 13th and 14th, during the period of “BioJapan 2006”(September 13th-15th).

BIOLINK 2006 was JETRO’s international biotech cluster networking and information-gathering event that brings together representatives from biotech clusters around the globe. The event included a business matching session for firms and biotech clusters from Japan and overseas.

Last year’s “BIOLINK 2005” in Yokohama attracted close to 370 attendees from some 50 biotech clusters in 12 countries for international exchange and networking on an unprecedented scale.



**2. International Symposium, “Boosting Science and Technology through Industrial Collaboration 2006”**

JETRO, together with the Science Council of Japan, held an international symposium this September 13th in Tokyo entitled “Boosting Science and Technology through Industrial Collaboration 2006”.

The seminar aimed at building global

understanding and collaboration among government, industry and academia to cope with the “shadows” created by modern science and technology, ranging from environmental destruction and ethical dilemmas (cloning, stem cells) to depletion of natural resources.

A number of key participants in the “Science and Technology in Society” forum, held in Kyoto on September 10th-12th, also took part in the Tokyo event.



**3. JETRO BIZMATCH @ CEATEC JAPAN 2006**

During CEATEC JAPAN 2006, held this October 3rd to the 7th at Makuhari Messe in Chiba, JETRO hosted a business-matching event for Japanese ICT firms interested in partnering with foreign firms.

The event, called “JETRO BIZMATCH @ CEATEC JAPAN 2006”, took place from October 3rd to the 5th and provided Japanese businesses an opportunity to hold one-on-one business talks with prospective international sales representatives, joint venture partners, suppliers, OEMs and the like.

The event also featured a seminar on the current Japanese ICT market and a networking reception for participants.



## What's new on the net?

### 1. Special Report: Japanese Trade Trends in 2005

#### Summary

- Japanese trade posted new records for the third consecutive year with \$598.2 billion in exports and \$518.6 billion in imports. Imports increased rapidly due to rising oil prices, but exports were rather sluggish, causing the trade surplus to decline \$30.8 billion to \$79.6 billion, the first fall in four years.
- By volume, exports increased 0.8% and imports 2.9%, both up for the fourth straight year.
- China and the U.S. were the main export destinations. Strong exports of autos helped the
- U.S. share of Japanese exports rise for the first time in four years. The leading imports were
- from the Middle East, up due to skyrocketing oil prices.
- Oil rose 40.5% to \$51.10/barrel, oil imports soared 42.7% to \$80 billion.

Full report is available at:

<http://www.jetro.go.jp/en/market/trend/special/pdf/jem0604-1e.pdf>



### 2. Comparative Survey of the Labor Environment in Asia

JETRO has recently conducted the comparative survey on the investment environment concerned with the labor force in the major ASEAN countries (Thailand, Malaysia, Indonesia, Philippines, Vietnam), China (South China) and India.

The survey covers the demand and supply situation of labor forces and human resources, wage trends as well as labor-related systems and other topics. The survey reveals that the investment environment regarding the labor forces in Asia are changing dramatically. Namely, 1) high increase of wages, 2) short of human resources, 3) increase of labor disputes in some countries are observed widely in Asia.

Full report in English is available at:

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

## East Asia Spotlight

### **The Article of “International Business Networks of Japanese Companies and Changes in the Trade Structure in Asia” by Mr. AIZAWA Takahiro, Ministry of Economy, Trade and Industry (METI) in the Japan Spotlight of July/August 2006**

Focused on optimizing their overall business practices, Japanese manufacturers are shifting various corporate business functions overseas, primarily within East Asia, to take advantage of relatively cheap labor and more opportunities to expand their markets. The following is an overview of how patterns of international business network development at Japanese corporations have changed in recent years, as well as the associated changes in trade patterns in the East Asia region.

Since the late 1980s, the number of corporations established in other Asian countries by Japanese manufacturers of electrical machinery, transport equipment, and other industrial sectors has been increasing, as have the sales generated by these corporations. These Japanese manufacturers have organized their corporate business functions so that research activities (basic and practical research, research and development) are conducted in Japan, while the manufacturing process (parts manufacturing and product assembly) are conducted in Japan as well as in ASEAN countries and China, showing the increasing shift toward Asia.

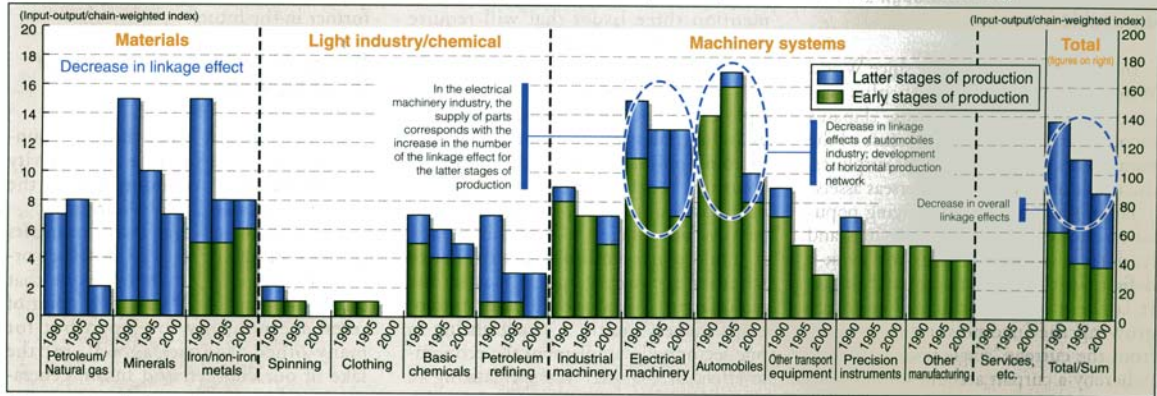
As manufacturing develops on an international scale, fewer and fewer companies are establishing vertical production networks by which to organize domestic and overseas business functions, dividing labor so that different stages of production are conducted in Japan and overseas. Instead, an increasing number of companies are establishing horizontal production networks in which the entire production process is carried out both inside and outside of Japan. By structuring production in this way, Japanese manufacturing industry is moving away from a division of labor based on the difference of factor endowment to a division of labor based on the degree of value, under which low value added, labor-intensive processes are carried out in developing countries and high value added, capital-intensive processes are performed in Japan.

The effects that these changes in the patterns of international business network development of Japanese manufacturers have on the division of labor in East Asia as a whole are evident in the changing industrial linkage effects structure. The international and inter-industry relations effect represent the ways in which production in an industry in one country affects production in another industry in another country. Japanese companies which establish vertical production networks see a higher inter-industry relations effect, since the production of goods overseas promotes the production of parts in Japan. By contrast, Japanese manufacturers with horizontal production networks tend to see a smaller inter-industry relations effect.

The relation number of the industrial linkage effect indicate that the overall inter-industry relations effect between Japan and other East Asian countries and regions has decreased, a fact which corresponds with the rise of horizontal production networks of Japanese manufacturers. The drop in the number of the linkage effects is particularly notable in the automotive industry, as Japanese automakers increasingly pursue integrated production overseas, in part to promote the procurement of parts locally. Against this backdrop, Japanese manufactures are introducing more advanced technologies at their local affiliates in these countries and their local affiliates are providing technical training for local corporations. In the case of the electrical machinery industry, which has the highest relation number of the linkage effects, an increasing number of Japanese companies are shifting away from supplying their local affiliates with parts and are instead finding themselves on the other end of the supply chain. This reversal indicates a significant decrease in the one-way flow of parts supplied by Japanese electrical machinery manufacturers to overseas manufacturers, as well as an increasing availability of parts from a greater number of countries and regions in East Asia for procurement by Japanese companies.



Figure 1 The relation number of the linkage effect between Japan and East Asia [about Japanese industries (selected industries)]

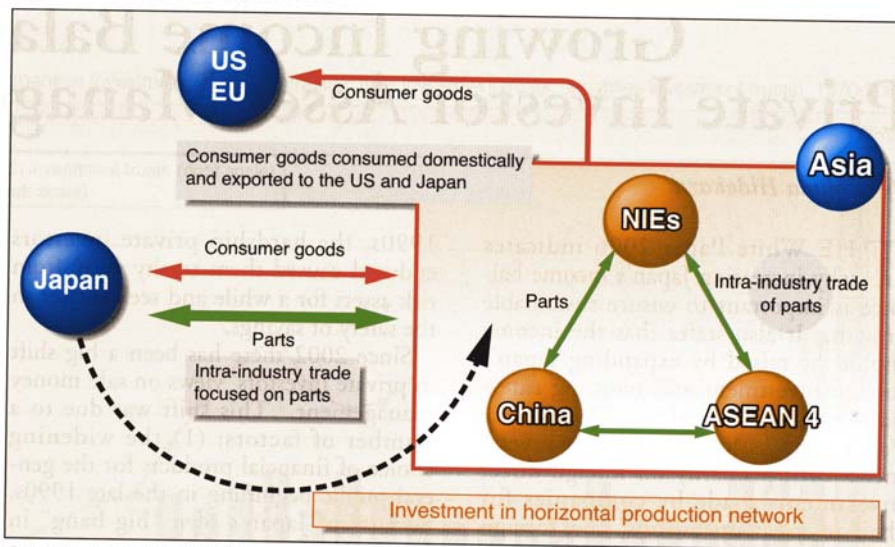


Source : Compiled from *Survey Research on East Asia Inter-Industry Relations and Trade Structure and the Restructuring of the Japanese Economy*, Japan Industrial Policy Research Institute (JIPRI)  
 Notes : 1. Figures represent the number of the forward and/or backward linkage effects taking the value dividing the linkage effect on recipient country production by domestic production of 5% or higher.  
 2. Early stages of production correspond with upstream manufacturing in the relations effect, while latter stages of production correspond with downstream manufacturing in the relations effect.  
 Source material : *Asian International Input-Output Table 1990, 1995 and 2000*, Institute of Developing Economies (IDE)

The relation number of the linkage effects within East Asia indicates a drop in the relations effect for the material industry and an expansion in the relations effect for the electric machinery industry. As the input-output/chainweighted index for the relations effect in Japan’s electric machinery industry peaks, East Asian countries and regions are increasingly supplying parts each other to those at the higher value end of the manufacturing networking.

The international structure of the Japanese manufacturing industry has shifted from a vertical to a horizontal production network, and we are seeing the emergence of mutual-parts trading between East Asian countries and regions. As a result, the intra-industrial trade of parts and capital goods is expanding in East Asia. It is notable that this structure is inconsistent with the concept held in developed nations that products should be differentiated, with “intra-industry trade primarily in consumer goods, based on individual preferences in end-consumer goods.

Figure 2 Division of Labor in Asia



Source : Compiled by METI

It should be noted that trade between Japan and other East Asian countries in the electric machinery sector exhibits a particularly high proportion of intra-industry trade within the East Asia region, and the intra-industry parts trade ratio between Japan and China, and Japan and the ASEAN 4, is rising. This indicates that, as production base is laid in China and the ASEAN 4, the production network is shifting to one of which these items, particularly manufacturing parts, are supplied by Japan to China and the ASEAN 4, as well as vice versa.

The export industry is therefore seeing increasing intra-industry trade of these items between Japan and other East Asian countries and regions, and the quality of the items exported by East Asian countries to third-country markets are in part of the same products as those in Japan. A comparison by added value of products exported to third countries by Japan and other East Asian countries and regions

suggests that these other countries are exporting an increasing number of goods with values similar to those of Japanese exports. This indicates that as Japanese companies pursue greater development of horizontal production networks, production base of these countries and regions are established locally, and that production and export of high value added products is advancing.

Finally, the economic relationship between East Asian countries can be analyzed in terms of demand. Demand within individual countries and regions is becoming increasingly dependent on the markets in other countries in this region. Japan and the United States remain extremely important in terms of final demand for value-added produced in East Asian countries and regions. Strong market growth, however, makes China an increasingly important player in terms of demand for goods, whether manufactured domestically or in other countries.

The horizontal production networks forged by Japanese manufacturers in the manner described above is promoting the production industry in various countries and regions, bringing about expansion within the region of mutual trade in parts for manufacturing. Japanese companies are responding to these changes, adapting their international business networks to suit the production base development in Asia, and recognizing the increasing strength of China as a consumer.

Aizawa Takahiro is an assistant director of the Policy Planning and Research Division,  
Trade Policy Bureau of the Ministry of Economy, Trade and Industry (METI)

# Exploring Japan

## 1) Survey of Business Sentiment on Japanese Corporations in Thailand for spring of 2006 (summary)

Japanese Chamber of Commerce in Bangkok (JCCB) conducted "Survey of Business Sentiment on Japanese corporations in Thailand for spring of 2006" on 1,238 JCC member firms (excluding 13 governmental organizations) from 8 May to 9 June 2006, and received the response from 351 (28.4 percent of the) firms. The following shows the summary of the survey report.

### 1. BUSINESS SENTIMENT

From the second half of 2005 to the second half of 2006, the target period of this survey, business sentiment continued to improve. However, the improvement seen in the second half of 2005 was still at the same level as that of the first half of 2005, followed by poorer performance in the first half of 2006. In contrast, business sentiment was anticipated to be better again in the second half of 2006.

The trend of Business Sentiment

Unit: percent

	Past Surveys										Survey this time			
	Result									Forecast		Result	Forecast	
	01S	02F	02S	03F	03S	04F	04S	05F	05S	06F	05S	06F	06S	
Improving	45	62	59	59	63	70	64	56	50	53	58	48	48	
No change	23	19	26	20	23	17	17	20	27	36	18	24	33	
Deteriorating	32	19	15	21	14	13	19	24	22	11	24	29	19	
(Ref) DI	13	43	44	38	49	57	45	32	28	42	34	19	29	

(Note) 1. DI = "improving" – "deteriorating"

2. If DI is above the neutral level, it signifies that business performance is improving even though the indicator declined from the previous term.

3. Since the fraction of percentage is rounded off, the totaling may not be equal to 100 percent.

### 2. SALES AND NET PROFIT/LOSS

- The number of firms reporting an increase in sale of 73% in 2005 diminishes to 71% in 2006. The number of firms with increase of sale at 20% or above of 27% in 2005 diminishes to 14% in 2006.
- The number of firms with before tax profit diminishes from 88% in 2005 to 87% in 2006. At the same time, the number of firms with increasing profit diminishes from 51% in 2005 to 37% in 2006.

### 3. CAPITAL INVESTMENT (MANUFACTURING SECTOR)

- The amount of planned capital investment in 2006 plans to increase by 9.4% from 2005. Among the number of the reported firms, the firms (103) reporting an increase outnumbered the firms (73) reporting a decrease.

(Note) This is just the total amount of capital investment by the respondents, not the total amount by the Japanese firms as a whole.

### 4. PROBLEMS OF COOPERATE MANAGEMENT

- The predominant response (check 4 that apply) was "hike in material prices" (59%), followed by "excessive competition with competitors" (55%), "lack of human resource" (45%), "foreign exchange fluctuation" (40%) and "job hopping of employees" (22%)
- "Political and social instability" (21%) advanced the rank from 18th in the previous survey to 6th.

### 5. POTENTIAL FACTORS AFFECTING ON THE THAI ECONOMY

- The potential factor affecting on the Thai economy within coming 1-2 years (check all that apply) was "hike in prices of oil and oil related materials" (66%), followed by "hike in cost including wage (inflation pressure)" (63%), "stagnation of consumption and investment by Thai economic growth becoming duller" (39%), "prolongment of political turmoil" (37%), "exchange rate fluctuation (e.g. rising baht price)" (37%) and "hike in prices of steel, raw materials and intermediate goods (except oil and oil related materials)" (36%).



**6. PROCUREMENT SOURCES OF PARTS AND MATERIALS (MANUFACTURING SECTOR)**

- The ratio at procurement sources of parts and materials in 2005 (simple average value of respondents) was 65.0% for ASEAN, including 56.7% for Thailand.
- The ratio at procurement sources of parts and materials in 2006 was 65.5% for ASEAN, including 57.4% for Thailand.

**7. EXPORT TREND IN 2006 (MANUFACTURING SECTOR)**

- The firms reporting that their export will “increase” on a year-on-year basis accounted for 42% for the first half of 2006, 45% for the second half of 2006 and 49% for the full year of 2006.

**8. PROSPECTIVE EXPORT MARKETS IN THE FUTURE (MANUFACTURING SECTOR)**

- The predominant response (check all that apply) was “ASEAN (excluding Vietnam, Cambodia, Laos, and Myanmar)” (35%), followed by “Japan” (25%), “China” (19%), “India” (19%) and “Vietnam” (17%).

**9. ECONOMIC RELATIONSHIP WITH CHINA AND INDIA (MANUFACTURING SECTOR)****(1) China and India as markets**

- The percentage of the firms exporting to China (including indirect export) was 33%, whereas the percentage of the firms exporting to India was 23%.
- The percentage of the firms reporting that their export to China will increase in the next 3 to 5 years was 48%, whereas the percentage of the firms reporting that their export to India will increase was 47%.

**(2) China and India as suppliers**

- The percentage of the firms importing parts and materials from China was 35%, whereas the percentage of the firms importing from India was 11%.
- The predominant supplier in China (check all that apply) was “Japanese firms (including affiliated companies)” (69%), while the predominant supplier in India was “local firms” (70%).

**(3) Competitiveness with China and India**

- Competitiveness with Chinese products and Chinese firms (check all that apply) resulted in replies of “already in excessive competition” for 18% in domestic Thai markets and 31% in export markets.
- Competitiveness with Indian products and Indian firms (check all that apply) resulted in replies of “already in excessive competition” for 5% in domestic Thai markets and 6% in export markets.

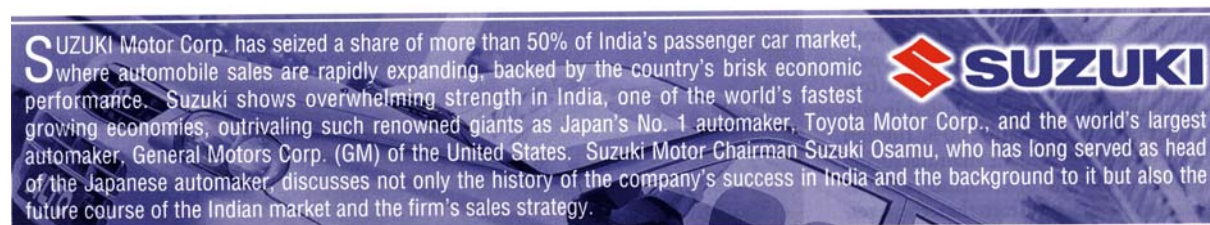
**(4) Effects or impacts of FTA with China and India**

- The predominant response on the effects or impacts of FTA with China (check all that apply) was “increased competition with imported goods from China” (40%).
- The predominant response on the effects or impacts of FTA with India (check all that apply) was “expansion of export to India” (24%).

For viewing the full survey in English, visit [http://www.jetrobkk.or.th/files\\_download/jccspr06\\_eng.zip](http://www.jetrobkk.or.th/files_download/jccspr06_eng.zip)

For viewing the full survey in Thai, visit [http://www.jetrobkk.or.th/files\\_download/jccspr06\\_tha.zip](http://www.jetrobkk.or.th/files_download/jccspr06_tha.zip)

**2) Article of “Suzuki Motor: An SME Controlling Giant India” by Mr. Masuda Kazunori, a reporter for the Economic News Section of Kyodo News, released in Japan Spotlight of September/October 2006**

**We Wanted to Become No. 1**

India, where sales of motor vehicles almost doubled in the last 10 years to about 1.5 million units in FY2005, has drawn the most attention among the four rapidly growing BRIC countries (Brazil, Russia, India and China). In October 1982, Suzuki Motor formally signed an agreement with the Indian government on joint automobile production which made Suzuki the first Japanese automaker to set up operations in the fast growing Indian market.

**Suzuki:** Our mainline products were small vehicles and we were strong in that field. That was our distinctive feature compared with other Japanese automakers. The Indian government-led national car

project was designed to establish a joint venture (JV), which was very convenient for us as we were smaller in corporate scale than major makers and faced difficulties in setting up overseas operations on our own. Suzuki was a small and medium-sized enterprise (SME) whose fundraising capacity was limited. Suzuki did not waste resources and had always thought really hard. For the Indian project, we thought it should be safer for us to link up with the government than with a private firm, a partnership with which would pose major risk.



**Your decision was quick. You thought it more beneficial to promote a highly profitable business project abroad than to compete with such larger automakers as Toyota Motor and Nissan Motor on the Japanese domestic market. Suzuki's top executives did not hesitate to launch an in-house team to promote the India project.**

**Suzuki:** We ranked at the bottom among Japanese automakers 24 years ago. It was my fourth year as the president of Suzuki. I was very serious about how to improve the company's earnings. In 1981, Suzuki gained the backing from GM through a capital alliance. I had a strong desire to acquire the top position for Suzuki wherever it might be. It was impossible for us to become No. 1 in any prefectures of Japan. But I thought it might be possible in a foreign market without other major automakers. If Suzuki could become the No. 1 automaker, it would raise the employees' morale, I thought. We already started production in Pakistan in 1975. I judged that India with much large population than that of Pakistan had potentially huge demand for motor vehicles.

### **Suzuki Personally Escorted Indian Delegation**

**Many major Japanese automakers showed their willingness to become a partner of India's national car project. India chose as its partner Suzuki, much smaller than major automakers like Toyota which had already won global appreciation. One of the reasons for the Indian decision was your sincere response as you were well versed in forefront matters.**

**Suzuki:** Suzuki was the last to file its applications, just ahead of the deadline. Later, an Indian survey mission came to Japan for a round of visits to Japanese automakers. Suzuki was also the last of the makers to receive the Indian delegation, which had already visited Toyota and other automakers. I met with the delegation in Tokyo, but could not provide enough time for the session because I was scheduled to leave for the United States for talks with GM. In such a limited time, I did brief the delegation by myself about our plant layout and our plan for the management of the Indian project. The Indian delegation had been scheduled to leave for home before I was to return to Japan. Yet they had remained in Japan until I returned home. Next, we met at our head office in Hamamatsu, Shizuoka Prefecture. I heard, after India picked Suzuki as its partner, that the Indian delegation was impressed with Suzuki because only senior officials showed up at other automakers but the chief executive treated them in a polite manner at Suzuki. I think the two sides had objectives in common as we excelled in small vehicles while India wanted to produce fuel-efficient small cars.

### **Hardships in Procuring Auto Parts**

**Suzuki's earnings performance was not necessarily favorable at that time. Suzuki's investment capability was limited in the Indian JV project. You promoted talks with the Indian side energetically while stressing the company's desire to launch business operations in India.**

**Suzuki:** Frankly speaking, Suzuki was small in scale in those days and had not been in a financially favorable situation. India first asked us to provide about 7.7 billion yen, or 40%, of the investment needed. It was out of the question for us. I said to the Indian side, "It is better to forge a partnership with a major automaker if you need both money and technology. Suzuki has no sufficient funds but can transfer its technology politely and with heart and soul as it is a local company." Finally, we reached an agreement for Suzuki to invest about 5 billion yen, or a 26% equity stake which, under the Indian law at that time, provides the investor with the right to veto. Even so, Japan's automobile industry viewed our Indian project as a major gamble.

**It was not easy for Suzuki to begin production in India where the automobile industry had yet to be established and India did not have the necessary infrastructure. Notably, you faced great difficulties in procuring auto parts in India where the manufacturing industry was undeveloped.**

**Suzuki:** Many Japanese parts makers are active now in India. But we experienced extreme hardships

in procuring auto parts there. Many parts makers declined our requests to produce parts in India because there was no guarantee for us to be successful. Many parts makers did not believe that motor vehicles could be produced in India. We first applied the so-called knockdown production formula under which key parts were imported from Japan for assembly in India. Production in India managed to begin. Annual output reached 50,000 vehicles in 1985 and was doubled in 1988. Then, Japanese auto parts makers came to produce in India gradually. Other Japanese and foreign automakers began production in India around 1995 after the Indian government lifted its economic control measures in 1991. I think those latecomers found it much easier to launch production because many parts makers had already been active in India.

### **Trust Is Basis for Human Relationships**

**Suzuki made the same production formula take root in India as that for its domestic plants in Japan. That led to its success in that country. However, the introduction of the Japanese-style production formula ran into difficulties that stemmed from India's unique obstacles like the caste system.**

**Suzuki:** Before launching the JV, I told the Indian side that Suzuki has no knowledge of Western-style management and will introduce Japanese-style one. They agreed cordially. But various differences emerged between the Japanese and Indian styles just before commencing the operation of the Indian auto plant. For example, Indians are traditionally individualistic and often resisted such Japanese practices as requiring employee to wear workers' uniforms and providing both cadres and rank-and-files with meals of the same quality at the canteen. We could not gain an understanding of the Japanese style so easily in India, once a strong class-based society, when we attempted to strengthen unity among the Indian employees or to raise their sense of loyalty to the company. But many Indian cadres at that time helped us by taking the initiative of wearing uniforms. I nearly wept for joy when I saw all the Indian employees with the same uniforms attend a ceremony marking the start of auto production in 1983.

**Securing human resources was a key point of Suzuki to complete preparations for production in a short period and get its Indian business on track. You needed to make Indian employees experience production at domestic plants in Japan in order to gain broader understanding from among them of Japanese-style management, although it cost a great deal.**

**Suzuki:** Key members of the Indian survey mission joined the JV, giving a major helping hand for Suzuki. I think encounters with local people are very important in any foreign project. In a society of different manners, customs, environment and languages, there are many matters that cannot be understood only with the knowledge from books. Establishing reliable human relationships with local people is extremely important for a business company to take root in another country. If both sides are in perfect harmony, one can delegate authority to the other. About 3,000 employees have come to Japan from India so far on training programs. At first, Suzuki taught the Japanese style in India. But the Indians did not understand it easily. Now, employees who had actually worked at the Japanese plants are back at home teaching their fellow Indians how to do the work effectively.

### **Suzuki Visited India More Than 100 Times**

**You visited India many times after reaching agreement on the JV project. Your energetic activities are said to have helped you establish smooth relationships with the company's Indian executives**

**Suzuki:** I have been to India more than 100 times. I did go, see it and decide everything by myself. It probably helped the project that the top manager spearheaded it. I have persisted in my strong belief that I will push through at any cost as long as I decided to begin production in India.

**The first product of the JV was a minivehicle called Maruti800, known as Alto in Japan, which exerted a revolutionary impact on the Indian automobile industry. Suzuki marketed Maruti 800 at about half the price of an ordinary vehicle in India at that time. As Maruti 800 was not only low-priced but had excellent performance, the number of would-be-buyers showed a market increase. But after Suzuki got its production in India on track, its ties with the Indian government threatened to deteriorate and Suzuki continued to experience difficulties.**

**Suzuki:** Keeping pace with the JV's growth, our equity stake in it went up gradually and reached 50% in 1992. But in 1995, Suzuki and the Indian government disagreed over an expansion of the plant. The Indian government one-sidedly designated a new president of the JV in 1997. We filed a suit with the

International Court of Arbitration, a dispute-settlement panel under the International Chamber of Commerce. After seeing it was in an unfavorable situation, the Indian government proposed a compromise settlement. There appeared to be disunity on the government side behind the proposal. After that, we have come off well. Suzuki raised its stake in the JV to 54% in 2002 to seize its control. After the Indian government sold a part of its shareholdings in the JV, we gained a freer hand over the venture's management. We could reorganize the Indian sales network and revise the employment system at our own initiatives. This led to strengthening the JV's competitiveness. In India, generally speaking, the government reduced its involvement in corporate activities and helped open its economy. This had helped to create a more favorable environment for foreign investors.

### **Suzuki in Crucial Stage with Rivals' Entry**

**South Korea's Hyundai Motor Co. and India's local automaker Tata Motors Ltd. are trying to catch up with Suzuki in the Indian auto market recently. Among major Japanese automakers, Toyota and Honda are going all-out to seize a share of the Indian market. It appears it will not be so easy for Suzuki to maintain the 55% share of the Indian market recorded in FY2005**

**Suzuki:** More than 10 automakers including US and European ones, have set up operations in India. Competition has definitely intensified. Suzuki is entering a crucial stage in India from now on. Suzuki urgently needs to beef up its production capacity to catch up with India's auto market's growth. Our production was 570,000 vehicles in FY2005. A new auto plant is due to begin operation at the end of 2006. The new plant is expected to produce 250,000 vehicles from FY2008 onward. Our output capacity in India will top 800,000 vehicles. We have acquired a vast tract of land around the new factory, which will enable it to produce 750,000 vehicles a year in the future. We can expect the new factory to serve as a key base for exports to Europe.

**With a population of over 1 billion, India is drawing global expectations that it will become a major auto market. If the Indian economy continues to grow at the current high pace, the number of automobile buyers will definitely increase and their needs will vary accordingly.**

**Suzuki:** On top of its huge population, India has achieved nearly double-digit economic growth. As the income levels of Indian buyers of Maruti 800 vehicles grow further, we will be required to produce a full line of automobile ranging from mini-vehicles to larger cars. Other automakers might seize customers from us unless we offer a wider variety of models. Our main products are currently small cars, but we will be required to produce all types of vehicles, including those with large engines. Suzuki's total power will be tested. We will be unable to maintain our current market share unless we cope with the tough situation with totally firm determination. It is something like the fable of the hare and the tortoise. The loser is the one who took breath in midcourse. Suzuki has so far been engaged in a battle with weak manufactures. We can never relax our guard after the world's top-level automakers have entered India.

### **Royal Road for Safety, Environmental Measures**

**Indian automaker Tata is trying to expand its market share with vehicles at lower prices than those of Suzuki's. Each rival automaker is aiming to catch up with Suzuki.**

**Suzuki:** Tata says it will release a model priced at around 300,000 yen, a level between a motorcycle and a Maruti 800 car. I wonder whether Tata will be successful if safety and environmental aspects are taken into consideration. We will never ignore technological aspects of safety and environmental measures and will follow the royal road for manufacturers. Tata is a giant business concern and its capability cannot be taken lightly. We need to pay sufficient attention to Tata and to compete with it.

**Some people say that Suzuki needs to tighten its sense of caution against employees who they say are too proud that the company has long remained the top automaker in the Indian market.**

**Suzuki:** Employees at the JV may feel contented because they have been producing the same models for more than 20 years. It is obvious that those old models bring huge profits because they are produced at facilities whose depreciation has been completed. From now on, the JV must release attractive models in tough competition with powerful rivals. But the JV apparently lacks a sense of competitiveness. Therefore, I am planning to make a new plant compete with the existing one. India's domestic law prevented the new plant from being operated by a new independent management entity. But we will let the two plants compete head-on with each other without allowing any personnel exchanges.



## Suzuki to Cooperate with Nissan and GM

As Suzuki beefs up its alliance with Nissan, there has emerged a plan to produce Nissan vehicles at Suzuki's plant in India. Nissan has so sharply fallen behind other major makers like Toyota in setting up operations in India that it expects cooperation from the front-running Suzuki in the Indian market. The plan is beneficial for Nissan which does not need to find a new production base and can keep its financial burden to the minimum.



Maruti 800, known as Alto in Japan, is one of the best selling cars in India

**Suzuki:** That plan emerged by chance after Nissan revealed its desire to produce small cars in India as Suzuki has provided Nissan with its mini-vehicles under the Nissan brand. We talked about a plan for joint production if Nissan wants to produce cars of the same size as Suzuki's. This will lead to a reduction in costs, and an output increase will also help to boost our earnings performance because profits from small cars are limited. So, the talks went smoothly. This stemmed from the idea that the two markers should utilize each other's capabilities. Suzuki will continue its cooperative ties with GM, even though GM has sold most of its shareholding in Suzuki. A corporation of our size cannot survive without cooperation with various companies.

**Many Japanese corporations are considering branching out into India due to the recent India boom. Suzuki was the first Japanese automaker to begin production in India and has been successful. Suzuki's experiences are precious for Japanese firms of various industries.**

**Suzuki:** As there are differences in the business cultures between Japan and India, an equity stake of more than 51% is desirable to launch a JV in India and to take management initiatives. Business opportunities are expanding in India with its economic development. However, it is important to conduct feasibility studies fully to advance into India and find out both merits and demerits. This is true not only for automakers but for other industries. You may fail if you are pulled by others to follow suit blindly. It is important to consider what you can do and to find out what you should do. In India, the automobile industry will absolutely face intensified competition but at the same time an expansion in national income will increase the number of customers. Such a trend will continue for some time. Suzuki must never be on the defensive but it needs to continue efforts to gain its strength. We will continue to remain on the offensive.

*Masuda Kazunori is a reporter for the Economic News Section of Kyudo News*

For further information, please contact:  
Ms. Chutima D.  
Public Relations Department  
Tel: (662) 253-6441-5 Ext. 147 Fax: (662) 253-2020  
E-mail: [bgk-pr@jetro.go.jp](mailto:bgk-pr@jetro.go.jp)