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# J E T R O B A N G K O K U p d a t e

## 1. Japan House exhibition held for 2nd consecutive year to promote design products from Japan

JETRO organized the “Japan House” exhibition at the Bangkok International Gift Fair (BIG&BIH 2013), at BITEC, as part of an initiative to further promote quality design products from Japan in the Thai market from October 19-23.

The products included decorative items, kitchenware, fashion accessories, health and beauty products, toiletries, and sports and leisure equipment, from 53 Japanese SMEs from 18 prefectures throughout Japan who are seeking partnership with Thai retailers.

The exhibition space this year occupied 450-square-meter area, much larger compared to the debut exhibition last year. The booth was presented in the form of a simple yet uniquely aesthetic Japanese home, hence the theme “Japan House”, where a variety of design products in everyday life were displayed.

For more information, visit the website:  
[http://www.jetro.go.jp/thailand/e\\_pree/pdf/japanhouse13eng.pdf](http://www.jetro.go.jp/thailand/e_pree/pdf/japanhouse13eng.pdf)



## 2. JETRO and Fukushima Prefecture promote agricultural products and tourism to Thailand

On October 21, JETRO Bangkok, together with Fukushima Prefecture, Japan showcased fresh and delicious culinary products from Fukushima Prefecture to usher in the beautiful season of autumn, one of the best seasons in Japan for local cuisine. The government-related organizations also encourage more Thai travelers to explore the region as it is considered one of the best destinations in Japan.

Thai Airways International launched direct flights from December 4 between Bangkok and Sendai of Japan, convenient for visitors from Thailand to access Fukushima.

For more information, visit the website:  
[http://www.jetro.go.jp/thailand/e\\_pree/pdf/fukushima13eng.pdf](http://www.jetro.go.jp/thailand/e_pree/pdf/fukushima13eng.pdf)



## J E T R O   A S E A N   U P D A T E

### JETRO holds international business symposium related to service industry in Singapore :- “Promoting excellent Japanese services”

On October 4 in Singapore, JETRO held an international symposium under the theme of the service industry jointly with the Organisation for Economic Co-operation and Development (OECD), Ministry of Economy, Trade and Industry of Japan and relevant Singapore organizations.

JETRO's Chairman and CEO Hiroyuki Ishige delivered a keynote address entitled "Japan's New Magnetism Created through the Service Industry" focused on three subjects:

1. The present status of the world's service industry. What has been changing recently?
2. In what fields is the Japanese service industry competitive and advantageous?
3. Using the Japanese service industry as a core, how will Japan and Singapore be able to increase the profit of its respective counterpart?

As a major factor for the highly praised competitiveness and advantages of the Japanese service industry, he pointed out the idea of "omotenashi (hospitality)" within traditional Japanese service culture, highlighting the fact that the Japanese services focus not only on "supplying utilities," the original meaning of services, but also on hospitality. This spirit of hospitality the Japanese have fostered is key to developing products that make customers satisfied by exceeding their expectations.

Singapore, a critical business and trade hub, has a large concentration of people, goods and capital from abroad. It also attracts tourists from ASEAN countries, mainly those in the upper class. Japan can make use of Singapore as a trend center. Taking advantage of these circumstances, JETRO decided to promote cooperation between Japan and Singapore in three aspects aiming to build a win-win relationship:

1. Creating combined business that capitalizes on the advantages of both countries
2. Exercising leadership in establishing rules for service trade
3. Cooperation in developing markets in third countries

For more information, visit the website:  
[http://www.jetro.go.jp/en/jetro/topics/1310\\_topics11.html](http://www.jetro.go.jp/en/jetro/topics/1310_topics11.html)



## Events in Japan

### 1. MOC signed between Laotian Government and JETRO

On December 15, JETRO and the Government of the Lao People's Democratic Republic signed a memorandum of cooperation (MOC) to strengthen joint activities for expanding trade and investment between Japan and Laos. The ASEAN-Japan Commemorative Summit Meeting, attended by the leaders of each country, was held on the same day to commemorate the 40th year of ASEAN-Japan friendship and cooperation and this gave Japanese Prime Minister Shinzo Abe and Lao Prime Minister Thongsing Thammavong an opportunity to also observe while JETRO Chairman Hiroyuki Ishige and Lao Deputy Foreign Minister Alounkeo Kittikhoun signed the MOC.

In recent years Laos has seen a growing number of Japanese firms establishing factories in the country due to changes in the investment environment in China and Thailand. It is also garnering much attention in light of the recent "China-plus-one" and "Thailand-plus-one" trends. On November 17, PM Abe had met with PM Thongsing on a trip to Laos where both leaders expressed their hopes for the JETRO Vientiane office scheduled to be established in 2014 in order to facilitate the advancement of more Japanese companies into Laos as well as to help improve the country's investment environment. JETRO plans to set up the Vientiane office with cooperation from the Laotian Government and bolster its ability to acquire information and to enhance local operations in support of Japanese firms. Through activities such as seminars, missions between both countries, dispatching experts, exhibitions and informational exchange, both parties agreed to the following goals:

1. Promoting trade between both countries
2. Promoting investment between both countries, in particular Japanese investment into Laos
3. Developing and promoting Lao industry
4. Facilitating two-way exchange between staff members through platforms such as the Asia Trade Promotion Forum

While a landlocked country with a population of only 6.5 million, Laos is of strategic importance to transportation in the Indochina Peninsula as both the East-West and North-South Economic Corridors run through its land. Because of this, a growing number of Japanese companies are reviewing the inter-process division of labor between factories of Laos and Thailand. There are also many business opportunities for industries utilizing the country's agricultural resources born from its fertile soil, its plentiful water resources throughout the Mekong River and its mineral resources such as gold, silver and copper. JETRO will continue to support trade and investment relations between Laos and Japan.

For more information, visit the website:  
[http://www.jetro.go.jp/en/jetro/topics/1312\\_topics1.html](http://www.jetro.go.jp/en/jetro/topics/1312_topics1.html)



**2. ASEAN Fair 2013 (40th year of ASEAN-Japan friendship and cooperation)**

Interaction between Japan and ASEAN is celebrating its 40th year. In conjunction with the ASEAN-Japan 40th Year Commemorative Summit, the Economic Forum will be organized by the Ministry of Economy, Trade and Industry of Japan and will include industrial experts and intellectuals from both sides. In the same venue, JETRO will organize ASEAN Fair 2013 December 15, 2013, 12:00-18:00. The event included

1. Exhibitions of Japanese technologies and products by infrastructure, energy, healthcare, food and other industries;
2. Exhibitions of ASEAN products and promotion of tourism to ASEAN countries
3. Exhibitions of JETRO support program

For more information, visit the website:  
<http://www.jetro.go.jp/en/events/20131114001.html>



## What's new on the net?

### New Reports from JETRO

Below are some recently published reports and events now available on the JETRO website.

### Results of JETRO's 2013 Survey on Business Conditions of Japanese-Affiliated Firms in Asia and Oceania

Between October and November 2013, the Japan External Trade Organization (JETRO) conducted its latest survey on the business operations of Japanese-affiliated firms in 20 countries and regions in Asia and Oceania: Northeast Asia (mainland China, Hong Kong, South Korea, Taiwan and Macau), ASEAN (Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam and Laos), Southwest Asia (Bangladesh, India, Pakistan and Sri Lanka) and Oceania (Australia and New Zealand). The survey received valid replies from 4,561 firms (a 48.7% response rate). Below is a summary of the results.

#### Summary points:

#### 1. Sales forecast

- (1) **The percentage of firms expecting improved operating profits remained the same level, while varying by country and region**

64.6% of respondents expect an operating profit in 2013, remaining almost the same level as the previous year (63.9%). Looking at the results by country, the percentage for Taiwan is the highest (81.8%), followed by Pakistan (74.1%), South Korea (73.8%), Hong Kong and Macau (72.6%) and Thailand (72.4%), among others. On the other hand, the percentage is relatively low for Sri Lanka (38.7%), Cambodia (38.5%) and Laos (25.0%). Looking at the results by business scale, 69.4% of large-scale companies expect an operating profit, 13.2 points above the percentage for small and medium-sized enterprises (SMEs) (56.2%). In Thailand and China, the percentage for large-scale companies is almost 20 points above that for SMEs.

- (2) **Significantly improved operating profits forecasted for 2014, centering on emerging countries**

50.6% of firms forecasted improved operating profits for 2014, while those expecting decreased profits dropped to 10.7%. The diffusion index (DI) - the proportion of businesses reporting increased operating profits minus those reporting decreased operating profits compared to the previous year - is used to measure business confidence and the estimate for 2014 is forecasted to be 39.9 points, up 23.9 points from this year. The most common reason for the increase was "increased sales in local markets". For emerging countries including Cambodia, Pakistan, Bangladesh and Myanmar, the figure is expected to exceed 60 points, showing a significant improvement of business confidence.

#### 2. Management issues

- (1) **Increased wages of employees pose serious management problems**

The most serious problem in management was increased wages of employees cited by more than 70% overall and by more than 80% of respondents in Indonesia and China. Other issues placed high in the survey were "competitors' market shares are growing (cost-wise competition)", "lack of employee performance/awareness among local staff" and "quality of employees". The results show that management problems largely fall under increased costs and human resources.

- (2) **Six countries and regions such as Indonesia and Myanmar achieve double-digit wage growth rate**

Six countries and regions including Indonesia, Myanmar, Pakistan, Vietnam, India and Bangladesh, which have had wage rates increasing at more than 10% for the last few years, realized an average double-digit rate of wage-growth, compared to 2012. The rate was especially high in Indonesia: a 28.4% increase in the manufacturing industry and 17.1% increase in non-manufacturing industries. The estimate for 2014 in these six countries is also expected to be a double-digit increase as in 2013.

### 3. Future business plans and countermeasures

#### **(1) The percentage of firms such as in Myanmar, Pakistan and Cambodia have strong intention to expand business**

The percentage of respondents planning to expand business operations in the next one or two years was 59.8% overall, a 2.0 point rise from the 57.8% in the previous year. Firms in emerging countries such as Myanmar (84.6%), Pakistan (81.5%) and Cambodia (80.0%) have particularly strong intentions to expand their business for the reasons of “sales increase” and “high growth potential.” The percentage for China increased to 54.2%, a 1.9 point rise from 2012 when it had decreased by 14.5 points from 2011. On the other hand, the percentage for Indonesia decreased 10.9 points from the previous year, the largest decrease among the surveyed countries. While the percentages for the Philippines (58.1%) and Sri Lanka (51.5%) are below overall average, they showed significant increase (9.9 points and 14.0 points, respectively) compared to the previous year.

#### **(2) Approx. 70% of firms enhancing training and cultivation of local human resources in consideration of localization**

In terms of the increase/decrease of the number of Japanese expatriate employees over the next year, a majority of respondents indicated that they will “maintain the current level” (72.2%) followed by “decrease” (16.5%). Only 11.3% of respondents stated “increase.” In China, respondents indicating “decrease” accounted for 25.2%, the highest among the surveyed countries. Regarding the approaches to promote management localization, 68.1% of firms cited “to strengthen system to train/cultivate local human resources by focusing on localization of corporate management” and 51.3% cited “to assign local staff to a general manager/manager position/store managers”.

#### **(3) Cost cuts through accelerating local procurement of materials and parts**

The ratio of cost of materials/parts to production was an average of 61.2% and that of labor to production was an average of 17.2%. The survey indicated that production costs consist mostly of material costs. According to the survey, 74.8% of firms intend to increase their local procurement rates in the future for the reasons of “to make costs lower” (89.5%) and “to shorten lead time” (66.1%). The local procurement rate in China, which has been increasing yearly, reached 64.2% (compared to 45.8% in 2009).

For more information, visit the website:  
[http://www.jetro.go.jp/en/reports/survey/pdf/2013\\_12\\_27\\_biz.pdf](http://www.jetro.go.jp/en/reports/survey/pdf/2013_12_27_biz.pdf)



# Exploring Japan

## Invest Japan Hotline

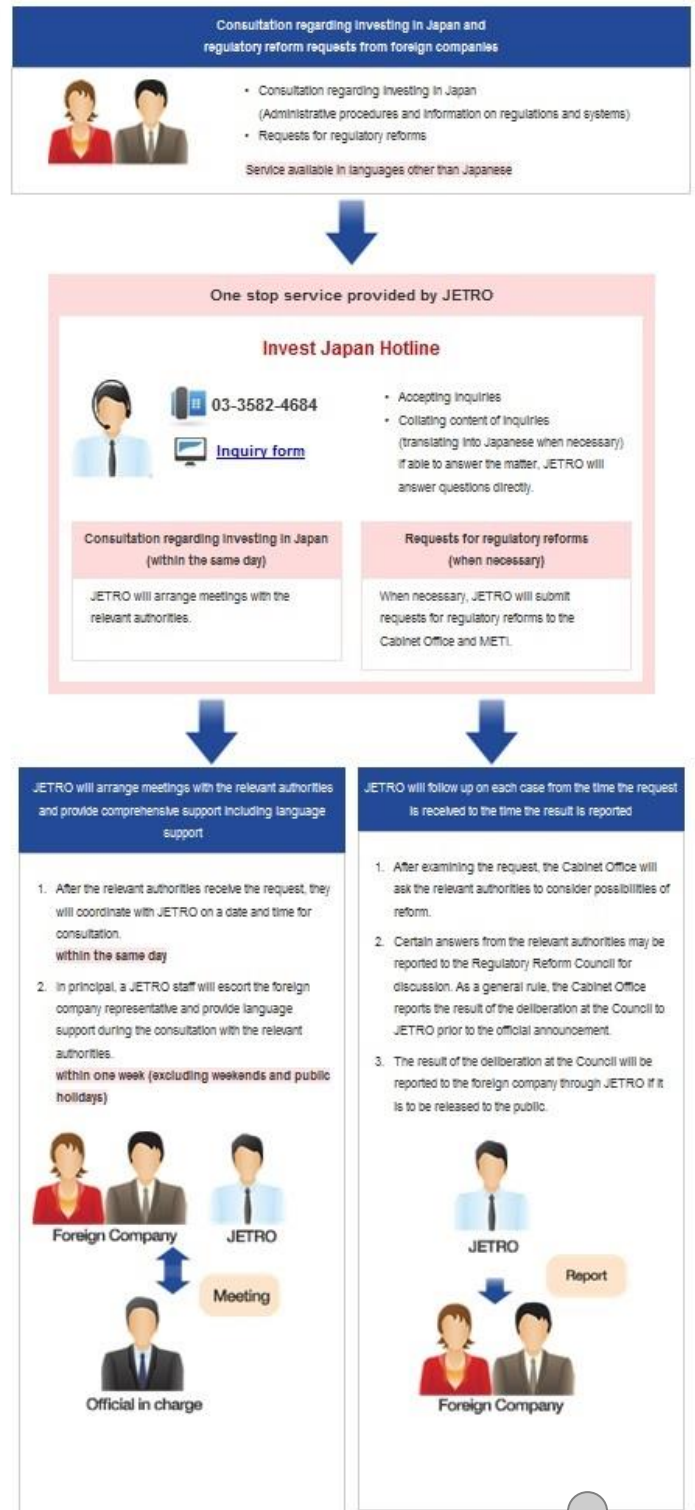
JETRO has established an Invest Japan Hotline that provides consultation and accepts regulatory reform requests from foreign companies regarding investing in Japan.

In June 2013, the Japanese government formulated the “Japan Revitalization Strategy,” which articulates “Drastically strengthening the government’s capability for attracting foreign companies and its support framework.” The Strategy calls on JETRO to put this into practice by “enhancing JETRO’s comprehensive support system for foreign enterprises.”

When an inquiry is made through the hotline, JETRO will, when necessary, arrange meetings with the relevant authorities. In principal, a JETRO representative will escort the foreign company and provide language support during the consultation with the relevant authorities.

When requests regarding regulatory reforms are made through the hotline, JETRO will, when necessary, receive verification from the relevant authorities and submit requests for regulatory reforms to the Cabinet Office and METI, and ask the relevant authorities to consider possibilities of reform.

For more information, visit <http://www.jetro.go.jp/en/invest/>



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