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The Great East Japan Earthquake:

Emergency relief operations in progress

It is more than one and a half months since Japan was struck by a severe earthquake, followed by an unprecedented tsunami and a nuclear disaster. More than 27,000 people have lost their lives or are unaccounted for, and more than 165,000 were evacuated as a result of the disaster. The great earthquake, a magnitude 9 quake, that hit Japan on 11th March 2011 at 2:26 pm (local time) centring on the eastern Fukushima region of Japan, was the greatest disaster Japan has faced since the end of World War-2. It has been reported that a number of aftershocks have rattled the country since March 11, as Japan continues to tackle the aftermath of the great disaster.

In a recent press conference, Japan's Prime Minister Naoto Kan said that the country was mobilizing all available resources to bring the situation at Fukushima Daiichi Nuclear Power Station under stable control, and working to stabilize the situation there, at the earliest possible time. He said that his government was turning its focus on recovery and reconstruction after all urgent measures have been taken to safeguard the lives of those who were seriously affected by the disaster. "Now the aim is to create a new future, with the vision of creating eco-cities with societies highly resistant to effects of natural disasters" the prime minister announced. He also said that a social system that allows people to live in harmony with the environment, and kind to people, particularly the vulnerable, would be created.

To accomplish this vision, the reconstruction works will be guided by the following three principles. First, more than anything else, the country will respect the request and wants of those living in the areas affected by the disaster.



A scene from the tsunami stricken area

Secondly, instead of simply gathering ideas from within Government or political sphere, the country will call for proposals from academia, private enterprises, NPOs and the public at large, and will incorporate these proposals into the work scheme. Thirdly, the reconstruction will aim at creating a kind of dream society of the future. The Government has already created a Reconstruction Design Council, comprising of experts and governors of municipalities in the region affected by the disaster, and a blueprint for the reconstruction plan would be ready by around June.

Regarding the nuclear power plant mishap, the prime minister said that the incident was one of the kind never experienced before in Japan. Although the reactors at the power plant stopped due to the earthquake, the tsunami that followed the earthquake prevented the operation of the emergency power generators, causing the cooling system to go offline, leading to serious problems for the power plant. The Nuclear Emergency Response Headquarters established by the prime minister immediately after the nuclear disaster, has been exerting every possible effort for disaster response since the incident. At a time, the situation at the nuclear power plant became severe, and evidences of spread of radiation were confirmed in and around the plant area. All possible measures were taken with the help of experts from around the world and with the support of related international organizations, to prevent the spread of nuclear radiation. Now, the situation at each reactor at Fukushima nuclear power plant is moving towards stability, and the amount of radiation being released continues along a downward trend.

The prime minister, in his recent press meeting pledged his all out support to those affected people, by implementing measures in the fields of housing, employment, education and other areas. On the frontlines, the goodwill, sharing and caring attitude of the people of Japan helped a lot in bringing down the hardships of the people in the affected areas.

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Relief operation in progress

JETRO Chairman's message:

On March 11, the Tohoku Region in northeastern Japan was hit by the Great East Japan Earthquake, the largest earthquake ever recorded in the history of Japan. We at JETRO would like to offer our deepest condolences to the persons affected by this catastrophe. We fervently hope and pray that the people in the stricken region will be able to return to their normal lives as soon as the region is able to recover. We have received so many messages of concern and encouragement from our friends overseas, and we are most grateful for all the support that we have been shown. With your support and assistance, we at JETRO will be able to continue our work towards the promotion of business.

Yasuo Hayashi
Chairman & CEO

Iraq Business Seminar in Dubai

Investment flows and business environment improving in Iraq

JETRO Dubai has recently organized a seminar on business prospects in Iraq, with experts presenting subjects like 'Iraq Security Situation and the Outlook', 'Sales, Investment and Establishment in Iraq', 'Guide to Tax and Accounting Issues in Iraq', 'Investment Flows and Business Environment in Iraq', 'Security Situation in the Middle East and Future Outlook' etc. The seminar was organized on 28th March 2011 at the Hotel JAL Tower, situated on the Sheikh Zayed Road.

Mr. Hideyuki Urata, Conselor, Economic Section at the Japanese Embassy in Iraq made the first presentation on the 'Latest Situation and Economic Strategy in Iraq', followed by a presentation on 'Iraq Security Situation & the Outlook' by Mr. William Armstrong, Iraq Intelligence Manager at Baghdad office of Control Risks. The presentation on 'Sales, Investment and Establishment in Iraq' made jointly by Mr. David Laurence (Partner) and Mr. Christopher Gunson (Associate) of Herbert Smith LLP covered subjects like Distribution Agreements and Sales into Iraq, Business Establishment and Practical Considerations, Joint Ventures and M&A in Iraq, Investment Law and Investor protection, Dispute Resolution, Electricity, Oil & Gas Sectors, various topics under the Iraq Investment Law & Investor Protections, such as, overview of legal framework, IP regulation, real estate law, labour law, contract law, environment laws and regulations, bribery and corruption legislation etc.

Another leading presentation was on Tax and Accounting Issues in Iraq, presented by Mr. James Aleman (Partner) and Mr. Kenny Hawsey (Partner) of PricewaterhouseCoopers. This presentation included various aspects of the Iraqi accounting system which is based on 'Iraqi GAAP' (Generally Accepted Accounting Principles), Iraqi Corporate Tax Regime, benefits enjoyed by projects under the investment law, Income Tax Regime in the Kurdistan Region and Japan's Assistance for the Reconstruction of Iraq.

Another presentation was on "Investment Flows and Business Environment in Iraq" presented by Mr. Kyle Stelma, Managing Director – Engineering Markets, of Dunia Frontier Consultants. The presentation included Iraq political overview, recent trends in investment, geographic distribution of investments, recent deals in Southern Iraq, structure of local business communities, local Iraqi business partners and various logistical issues. The seminar was attended by around 100 Japanese companies from the United Arab Emirates and other GCC countries.

Topics on Economy, Business and New Technology:

Japan bent on increasing foreign direct investment:

The Japanese Government, adopting a 'New Growth Strategy' is bent on doubling the flow of people, goods and money into Japan over the coming ten years. Japan aims at accomplishing this target through attracting foreign companies into Japan by making Japan a 'hub for Asian operations' and a 'Comprehensive Global Strategic Special Zone'. Foremost among the strategies are lowering of the corporate tax rate by 5 percentage point and taxable income deductions of 20% on companies authorized as Asian headquarters and companies engaged in business in the global strategic special zone. The measure is expected to curb the exodus of core manufacturing bases and R&D bases from Japan to overseas countries, and promote domestic investment and make ways for Japan to emerge from deflation, and create domestic employment.

The strategic plans include elimination of barriers to the flow of people, goods and money with Asia as well as with the rest of the world by reviewing regulations that constitute hindrances to this flow. Japan aims to bring down the corporate effective tax rate to 35.6% from the current rate of 40.7% which is one of the highest in the world. The international levels of nominal effective tax rates have moved to the 25-30% level over the past 10 years.

Indicators of nominal effective tax rates in

Corporate tax rate	Year 2000	Year 2009
EU	Approx. 35%	Approx 27%
OECD	Approx. 34%	Approx. 26%
Asia	Approx. 28%	Approx 25%
Japan	42%	40.7%
Move to further lower corporate tax in recent years		
Singapore	18% - 17% (2010~)	
Taiwan	20% - 18% (2008~) - 17% (2010~)	
Hong Kong	17.5% - 16.5% (2008~)	
South Korea	27.5% - 24.2% (2009~)	
China	33% - 25% (2008~)	
UK	28% - 24% (2011~)	
Germany	38.7% - 29.8% (2008~)	

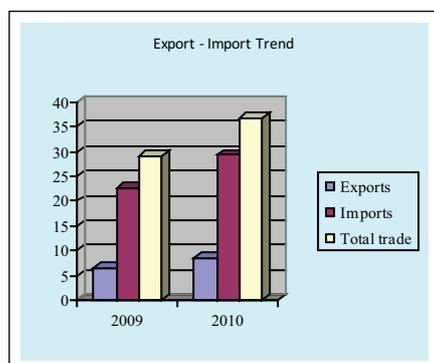
The strategic plan envisages the establishment of a preferential tax system comparable with those in Asian countries. Taxes that will come under review in this context will be the income tax, corporate tax, individual resident's tax, corporate resident's tax enterprise tax

etc. With regard to global company R&D base and regional headquarters, when satisfying the terms on creating employment or expanding investment, a 20% taxable income reduction will be permitted for a period of 5 years from the point of approval. Some of the anticipated effects on the overall tax reforms for global businesses based in Japan include location of high value-added business operations in Japan, generation of domestic employment and attraction of advanced level overseas personal to Japan.

Another aspect of the strategic plan is the encouragement given to the setting up of innovative low-carbon technology-intensive industries in Japan, including industries involved with lithium-ion batteries, LED lighting, etc. and their supporting industries, for which Japan has cutting edge technological capabilities. The plan envisages providing investment subsidies to the tune of 50% to small companies and around 33.33% to mid-sized and large companies. Major conditions applied to such companies include effective reduction of CO2 emissions and creation of a minimum number of jobs.

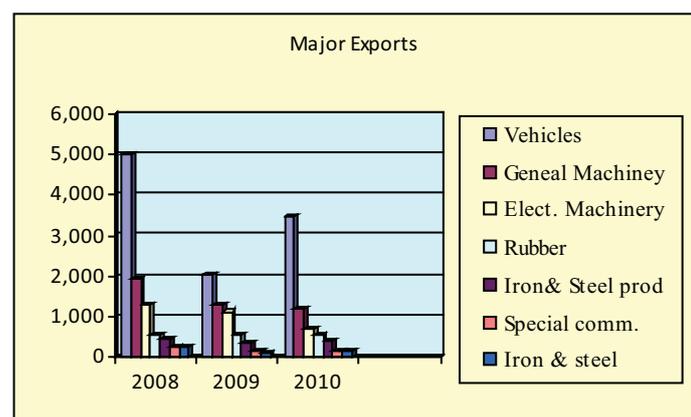
Japan's trade with the UAE during the year 2010

25.38% growth in bilateral trade:



Japan's bilateral trade with the United Arab Emirates witnessed a major consolidation in 2010 after an year of sluggishness caused by the global financial crisis. The value of Japan's trade with the UAE increased by 25.38%, to US \$ 36.62 billion in 2010, compared to US \$

29.21 billion in 2009. Though this increase was mainly attributed to an increase in the average price of crude oils that Japan imported from the UAE in 2010, a surge in Japan's exports to the UAE has greatly contributed to the trade growth. UAE was the 11th largest trading partner of Japan in 2010, with a share of 2.50% of Japan's total world trade. Japan's exports to the UAE grew by 12.96% to US \$ 7.33 billion in 2010, against US \$ 6.49 billion in 2009. This increase in exports was against the backdrop of an increase in the value of Japanese Yen that climbed an average 6.16%, in 2010. On the import side, Japan's imports to the UAE grew by 28.93% to US \$ 29.29 billion, against US \$ 22.71 billion in 2009. The increase in the



value of imports was almost corresponding to the increase in the average price of crude oils that rose by 30.03% on an average.

Trend in Japan's world trade in 2010:

Japan's world trade grew 29.33% to US \$ 1,464.34 billion in 2010, against US \$ 1,132.25 in 2009. Major increases were recorded in Japan's trade with East-Asian countries such as Thailand, Indonesia, Malaysia, Taiwan, South Korea and China. China was Japan's largest trading partner in 2010, with a bilateral trade of US \$ 303.10 billion, which was equivalent to 20.70% of Japan's world trade. United States of America stood at a distant 2nd position with a bilateral trade of US \$ 186.11 billion, and a share of 12.71%. UAE was Japan's 5th largest supplier of goods, and the 11th largest trading partner during the year 2010. Mineral fuels formed the largest single category of trade between Japan and world nations, valuing at US \$ 211.6 billion and covering 14.45% of Japan's total world trade. The 2nd major commodity of trade was general machinery, of which, the value stood at US \$ 206.1 billion, covering 14.07% of the total trade. Trade in motor vehicles, the 3rd largest single commodity, was valued at US \$ 161.4 billion, covering 11.02% of Japan's world trade. The value of Japan's total exports stood at US \$ 770.00 billion, against a total import of US \$ 694.30 billion, giving Japan a positive trade balance of US \$ 75.70 billion in 2010, which was 164.14% higher, compared to the trade balance in 2009. Following is a list of major trading partners of Japan during the year 2010.

Japan's bilateral trade with major partners (value in billion US \$)

Country	2008	2009	2010	Growth rate %
China	268.61	232.09	303.10	30.6
USA	214.98	152.58	186.11	21.9
S. Korea	88.92	69.20	90.95	31.4
Taiwan	67.85	54.75	75.50	37.9
Australia	64.97	46.91	61.08	30.2
Thailand	50.30	38.27	55.28	44.5
Indonesia	45.17	31.14	44.18	41.9
S. Arabia	58.74	34.58	42.37	22.5
Malaysia	39.68	29.59	40.36	36.4
Germany	43.87	33.41	39.61	18.6
UAE	57.65	29.20	36.62	25.4
Singapore	34.52	26.80	33.38	24.6

Source: Japan customs, compiled by World Trade Atlas

It is worth to note that Japan's trade with countries like China, South Korea, Taiwan and Thailand had exceeded the level of trade that Japan had with them in 2008.

Japan's major exports to the UAE:

The turnaround in the UAE economy, with an increase in demand for automobiles, rubber products, iron & steel products, beverages, organic chemicals etc. has contributed to an expansion in Japan's exports to the UAE. Revival in the trade, tourism and allied sectors in the UAE has brought back the much needed dynamism in the UAE's economy. According to media reports quoting UAE's Federal Customs Authority, UAE's imports grew by 8% in 2010 and non-oil exports grew by a significant 27%. Rise in the price of mineral fuels, UAE's major commodity of export, has also contributed to the surge in economic activities in the UAE, promoting Japan's exports to that country. However, Japan's export of general machinery and electrical machinery to the UAE recorded declines, due to the continued sluggishness in the construction and real estate sectors in the UAE and neighbouring countries. The near completion of the metro project in Dubai and the absence of new project starts have also contributed in the decline in Japan's exports of general and electrical machinery to the UAE.

Japan's largest single category of export to the UAE in 2010 was motor vehicles, covering 47.59% of her total exports to the UAE.

Motor vehicle exports grew by 73.02% to US \$ 3,489.7 million, compared to US \$ 2,017.00 million in 2009. This was followed by general machinery, with a value of US \$ 1,201.45 million, covering 16.39% of the total exports. Other major exports to the UAE were electrical machinery, Iron & Steel and their products, rubber products, optical goods, plastics and textiles.

Among motor vehicles, export of passenger motor cars jumped 107.21% to 2,443.78 million in 2010, compared to US \$ 1,179.44 million in 2009. Major increase was seen in the export of passenger motor cars having capacity of 3000 cc and above. Export of medium capacity cars (between 1500 cc and 3000 cc) increased by 88.5% to US \$ 615.85 million, compared to US \$ 326.80 million in 2009. Among motor trucks, major expansion was seen in the export of small gasoline trucks, having capacity of less than 5 tons. Export of small trucks surged by 57.40% to US \$ 84.33 million in 2010 from US \$ 53.58 million in 2009. Export of diesel trucks having capacity between 5 tons and 20 tons has also grown by 22.16% to US \$ 303.46 million in 2010 from US \$ 248.42 million in 2009.

Against the backdrop of a 7.74% decline in the export of general machinery to the UAE, major increases were recorded in the export of spark ignition engines, self propelled bulldozers/angledozers, printing machines, ball and roller bearings and marine outboard engines. Machinery that saw a decline in exports were mainly air and liquid pumps, lifting machinery, heat exchangers etc., The import value of general machinery stood at US \$ 1,201.50 million in 2010, against US \$ 1,302.25 million in 2009.

Export of electrical machinery declined by 39.19% to US \$ 689.56 million in 2010, compared to US \$ 1,115.56 million in 2009. Major items that saw considerable decline in exports were electric transformers and static converters, optical fibre cables, electrical appliances for switches, line telephone sets and storage batteries. Some of the items among the electrical machinery that have shown moderate increases in exports were transmission apparatus for radio, telephone and TV, electric water heaters, ignition/starting apparatus.

Other major products that saw increases in exports were rubber products, iron and steel products, optical goods, photographic and cinematographic machinery, beverages and live animals. Export of rubber products, of which, 90% were consisted of new tires, increased by 5.51% to US \$ 556.76 million in 2010 compared to US \$ 527.68 million in 2009. Export of iron and steel products rose by 14.10% to US \$ 410.77 million from 360.00 million in 2009. Major items among iron and steel products were tubes and pipes that saw a jump in exports by 69.74% to US \$ 232.32 million in 2010, compared to US \$ 136.87 million in 2009. Export of iron and steel, mainly consisted of flat rolled products, angles, shapes or sections etc., rose by 66.91% to US \$ 158.56 million in 2010, compared to US \$ 95.00 million in 2009. Export of optical photographic, cinematographic or measuring goods or instruments showed an increase in export by 11.22% to US \$ 88.71 million in 2010 against US \$ 79.76 million in 2009.

Export of non-alcoholic beverages including mineral or aerated waters, sweetened or flavoured waters showed an increase in 2010 by 35.63% to US \$ 33.92 million in 2010, compared to US \$ 25.01 million in 2009. Export of live animals consisting of horse, asses or mule reached an amount of US \$ 14.48 million in 2010 from almost nil in the previous years. Export of plastics goods, textiles and glassware have shown minor decreases in 2010.

Japan's imports from the UAE:

The value of Japan's imports from the UAE surged 28.93% to US \$ 29.29 billion in 2010, compared to US \$ 22.71 billion in 2009. 98.48% of imports from the UAE were consisted of mineral fuels that include crude oils, and other gaseous hydrocarbons. The value of crude oils along covered 76.04% of the total imports from the UAE in 2010, which was 21.07% of the total value of Japan's crude oil imports from the world. When considering the quantity of crude oil imports, Japan imported a total of 1,329.06 million barrels of crude oils from the world in 2010, in which, 278.12 million barrels were from the UAE. While the total quantity of crude oil imports by Japan in 2010 expanded 0.58%, quantity of crude oil import from the UAE declined 2.70%. The average price of crude oils surged 30.03% in 2010, to US \$ 80.06 per barrel, compared to US \$ 61.57 per barrel in 2009. The expansion in the value of imports could be attributed mainly to the increase in the price of crude oils. UAE remained to be the 2nd largest supplier of crude oils to Japan after Saudi Arabia which supplied over 409 million barrels of crude oil to Japan during the year 2010.

Japan's mineral fuel imports from the UAE (value in US \$ million)

Particulars	2008	2009	2010	G. Rate %
Crude oils	38,777.31	17,600.10	22,267.48	26.52
Petroleum Gases	5,702.29	3,687.45	5,132.37	39.18
Other fuels	1,845.26	1,249.71	1,439.92	15.22
Total	46,324.86	22,537.26	28,839.77	27.96

Source: Japan Customs (Compiled by World Trade Atlas)

Beside crude oils, Japan imports petroleum gases and other fuels in large quantities from the UAE. Major among the different petroleum gases that Japan imports from the UAE was Liquefied Natural Gas, of which, the value of import stood at US \$ 3,104.64 million in 2010. Other categories of gas imports were Liquefied Propane and Liquefied Butanes. There had also been an increase in the price of petroleum gases during the year 2010. The average price of petroleum gases imported from the UAE in 2010 had increased by 34.51% to US \$ 642.94 per metric ton, compared to US \$ 477.97 in 2009. For the purpose of comparison, the average price of petroleum gases in 2008 was US \$ 685.56 per metric ton.

Other imports from the UAE

Japan's imports from the UAE other than mineral fuels were limited to a handful of items. Among them, the major and traditional item of import in 2010 was aluminium in different forms. UAE has been a traditional source of semi-finished aluminium for Japan, and in 2010 Japan imported aluminium worth US \$ 329.83 million, which was 249.43% higher in value compared to the value in 2009. In terms of quantity, Japan imported 139.64 million kg of aluminium in 2010 at an average price of US \$ 2.36 per kg, compared to 51.18 million kg at US \$ 1.85 per kg in 2009. Japan's aluminium imports nosedived in 2009 due to the economic slump caused by the worldwide financial crisis. However, 2010 turned to be a year as usual, and aluminium



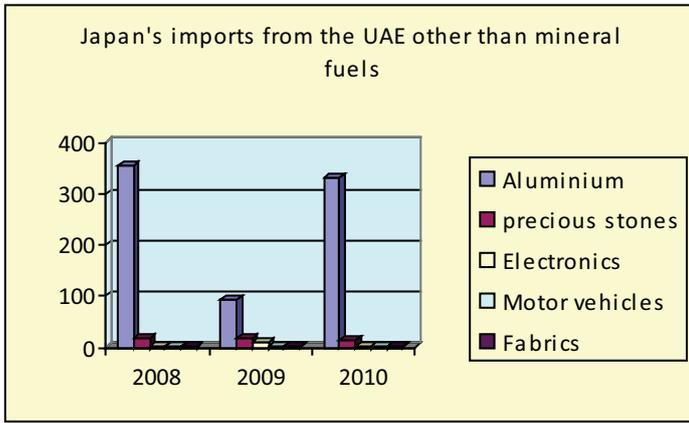
Briefing held for foreign companies on "The Current Situation of Fukushima Dai-ichi Nuclear Power Plant and Effects of Tohoku-Pacific Ocean Earthquake"

On March 31st, JETRO, Japan's Ministry of Economy, Trade and Industry (METI), the Ministry of Foreign Affairs of Japan (MOFA), and relevant ministries and agencies hosted a briefing for foreign companies on the current situation of the Fukushima dai-ichi nuclear power plant and the effects of the Tohoku-Pacific Ocean Earthquake" in 'IBSC Tokyo'. Approximately 170 people attended the briefing

Establishment of "Business Hotline" for your business emergencies

JETRO has established an emergency hotline for foreign companies in Japan who have business concerns/difficulties due to the Great East Japan Earthquake. The consultation is limited to international business issues and items related to company operations in Japan (e.g. tax accounting issues, human resources, etc.).

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imports regained its strength. Japan imported US \$ 6.12 billion worth of aluminium from the world over in 2010, with Australia being the number one supplier, followed by Russia, China and South Africa. UAE was the 7th largest supplier of aluminium to Japan in 2010. Other suppliers of aluminium to Japan from the GCC block were Bahrain, Saudi Arabia and Qatar.

In addition to aluminium, Japan imported small quantities of copper articles, mostly copper scraps, precious stones (diamonds), electrical goods such as unrecorded media materials (discs, tapes, smart cards etc.), some readymade garments, food waste as animal feed etc. from the UAE, all together valuing under US \$ 75.00 million.

