Japanese experts render free technical guidance to local companies

WITH THE RAPID GROWTH OF foreign direct investment in the assembly industries such as automobile, rubber, electrical equipment and electronic equipment industries, the SI Program was conceptualized to simultaneously develop the local parts and components industry. Through the dispatch of technical experts and/or sending of local personnel for training in Japan, improvement of the local supply market creates a balance in the industrialization process and lessens trade deficits.

Dispatched early this year were two (2) Japanese technical experts, Messrs. Michio Komatsu and Fumio Yamaguchi. Mr. Komatsu is a technical expert on plastic molding (January-February 2006) while Mr. Fumio Yamaguchi’s specialization is on metal stamping (February-March 2006). Both JETRO experts visited Manila, Cavite, Laguna and Subic areas to provide free technical assistance/guidance to selected companies that are members of the Philippine Die and Mold Association (PDMA).


On the other hand, recipient companies for the Metal Stamping sector were First Philippine Scales, KEA Industrial Corporation, Sankei Philippines, Works Bell Philippines, Maxmetal Industries, Fabricator Philippines, Ambrose Industries, Optitech Machine Tools, Anvil Metal Shop Corporation, Roberts Automotive & Industrial Parts Manufacturing Corp., HDM Technologies, Albert Metalcraft and a new participating company, Earl Metal & Plastic Parts Fabricator.

After the plant visits, JETRO held simultaneous evaluation meetings to discuss the technical experts’ general observations and provide recommendations for their continuous improvement. Present during these meetings were the company owners/managers and technical heads. They were also encouraged to voice out their perceptions and suggestions on how to improve the conduct of the SI programs.

It is also good to note that both sectors are making progress towards the realization of their plans to create textbooks relating to their specific technical fields.
JETRO Releases the Results of its Survey of Japanese Firms’ International Operations

Firms expecting negative effects from further yuan revaluations were asked to indicate the maximum percentage of revaluation that would allow them to maintain profitability: most responses (42.0%) were between 5% and 15%, and the average for all respondents was 15.8%

Firms (with production bases in China) expecting negative effects from further yuan revaluations were asked what measure(s) they would adopt to maintain profitability. Most respondents said they would “improve efficiency of local production” (54.6%) and/or “reduce costs” (50.5%). Respondents also said they would “increase local sales in China” (37.1%), pointing to the increasing trend for Japanese manufacturers operating in the country to shift their focus towards the domestic market and away from exports from their bases in China. Firms also said they would “move operations to a third country” (26.8%).

Nearly two-thirds of respondents (65.6%) have plans to make new/additional investments overseas in the coming three years, which is almost unchanged from the 2004 survey (64.8%). Firms with such plans were asked to indicate the country/region in which they would start/expand business by specific function, such as sales, production, R&D. The percentage of firms selecting China in the production (of mid to low-end products) and sales categories declined 6.0 points and 3.7 points, respectively, compared to the 2004 survey.

A larger percentage of firms (compared to the 2004 survey), however, selected Thailand as a location for starting/expanding production of mid to low-end products (up 6.2 points) and high-end products (up 10.9 points). In the sales function category, a larger percentage of firms selected India (up 4.7 points) and Vietnam (up 4.1 points). These figures suggest that more respondents are following a “China plus one” strategy of operating in China and another country (mainly in East Asia) to reduce over dependence on China.

The percentage of respondents planning to expand their operations in Japan within the next three years increased 3.7 points to 51.0% in the 2005 survey.
JETRO has been consistently promoting the development of small and medium enterprises (SME) through its various assistance programs aimed at strengthening their competitiveness in the global market. Developing countries have undergone industrialization built around a core of direct investment from foreign countries, including Japan. However, majority of foreign investments has been in assembly industries, specifically in the automobile and electronic and electrical equipment industries. The vigorous growth experienced by these industries was accompanied by a growing expansion of the demand for parts and materials. In the case of the Philippines, local manufacturers of these items are not fully developed yet to take on the role of a supporting industry for those assembly industries.

As a continuous follow-up of these projects for both sectors, JETRO will dispatch Messrs. Michio Komatsu & Fumio Yamaguchi late 2006 to assess local plants and provide technical consultancy.

JETRO Releases
its Latest Survey of Japanese Manufacturers in ASEAN & India

THE JAPAN EXTERNAL TRADE ORGANIZATION (JETRO) released the results of its latest annual survey of Japanese-affiliated manufacturers operating in six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) and India. The survey, conducted in January 2006, received valid responses from 966 companies, or 51.8% of the 1,865 firms sent questionnaires.

The survey suggests that Japanese manufactures in ASEAN are working to realign their production network in the region, against the backdrop of an increasing number of free trade and economic partnership agreements being concluded in East Asia. Within this realignment, respondent firms are primarily moving production bases from one ASEAN country to another, mostly to Indonesia, Malaysia, Thailand and Vietnam (in that order), and from China to ASEAN, mainly Vietnam, followed by the Philippines, Thailand and Malaysia. More than a quarter of respondents in Vietnam (25.8%) cited China as the country from which they transferred production operations.

Firms were polled about measures they were taking (if any) to respond to risks associated with doing business in/with China, such as the impact of yuan revaluations and the April 2005 anti-Japan demonstrations. The majority of respondents (73.2% of firms in ASEAN and 75.6% in India) were taking no measures, the survey found. Vietnam, however, had the highest percentage of firms that were taking measures, such as expanding production in Vietnam rather than, as formerly planned, China (20.5%), or transferring aspects of production from China to Vietnam (6.8%). This suggests that Vietnam is becoming more of a “cushion” for Japanese firms seeking to reduce their over-dependence on China and spread their business risks in the region more evenly.

Thailand ranked highest in a question that asked firms to rate the most optimal location for establishing a production/sales base in the coming five to ten years; Vietnam, India and China (in that order) were other top locations.

Firms with production bases in both ASEAN/India and China were asked to contrast the investment environments of each. Overall, ASEAN ranked behind China in the level of supporting industries and skills of researchers and engineers; respondents in Singapore and India, however, ranked researchers and engineers in their respective countries as superior to those in China. Firms were also asked to compare their production costs (for producing the same item) for the two regions. More than a third (34.5%) selected ASEAN/India—specifically, Vietnam (56.1%), India (48.8%) and the Philippines (40.0)—as having lower production costs compared to China.

According to the survey, nearly 80% of respondents in ASEAN (75.4%) and India (79.7%) expect to post an operating profit in 2005, which is higher than the 73.0% figure obtained from respondents to the same question in JETRO’s latest annual survey (conducted in Dec. 2005-Jan. 2006) of Japanese manufacturers in Northeast Asia.

Nearly half of respondents in ASEAN (48.5%) and over 60% in India (64.7%) in this survey expect improved year-on-year profit/loss performance in 2005. A majority of respondents in Thailand (60.0%) and India (61.4%) cited increased sales in their respective domestic markets (both of which have seen demand rise), as the driving force in their improved profitability in 2005.

Regarding the outlook for 2006, nearly half of respondents in ASEAN (47.5%) expect improved profit/loss performance, mainly due to improved product efficiency and increased export sales. Compared to prospects for 2005, a smaller percentage of respondents in ASEAN expect increased sales in the domestic market in 2006, suggesting that Japanese manufacturers in the region will be looking more to exports for profits in the current year. This contrasts with India, where nearly 70% of respondents (68.2%) expect higher sales in the domestic market, on the back of growing demand in the country.

Japanese companies operating in China appear to be more upbeat than those in ASEAN, if the figures in this survey are compared with those obtained in JETRO’s latest survey of companies in Northeast Asia (cited above). Nearly half of respondents in China (49.3%) expect improved performance in 2005 and a full 58.0% have such expectations for 2006, whereas 48.5% of firms in ASEAN expect improved performance in 2005 (and 47.5% for 2006). Further, 31.8% of firms in China expect worsened business performance for 2005 and just 9.9% have such expectations for 2006; compared to figures of 30.1% (2005) and 19.1% for (2006) for firms in ASEAN.
ICT - Japan’s largest and most dynamic market

The largest industry in Japan remains strong

Beginning in 1996 with the rapid spread of PCs, the Internet, and mobile communications, Japan’s ICT revolution quickly took off. By 1996, the information communications business claimed the top position among Japan’s eight major industries in terms of market size, and in 2002 it accounted for 12.0% of the output of all companies in Japan.

The market for the information and communications sector grew at a rapid rate averaging 5.6% annually from 1995 to 2002. Corporate ICT infrastructure development seems to have recently peaked, but business opportunities continue to emerge, as many companies in this sector have yet to start reducing costs and creating added value.

In particular, the arrival of the ubiquitous network society made possible by the IT revolution will create huge new markets. MIC estimates the size of markets related to ubiquitous networking at 59.3 trillion yen in 2007 and 87.6 trillion yen in 2010.

It is impossible to talk about the information communications industry without referring to the Internet. The Ministry of Internal Affairs and Communications estimates put the number of Internet users in Japan at 77.3 million (2003), second only to the U.S. It is predicted that this growth trend will continue, topping 88.92 million in 2007. It is estimated, moreover, that by 2007, corporate broadband penetration will reach 98.2%. And household use will reach 88.1%, making unconnected homes the minority. Beginning in the late 1990’s Japan began implementing policies designed to induce competition and improve access in the communications sector, focusing on the rapid introduction of broadband infrastructure in the market. These policies, together with entrance into the communications field of companies from different industries, fueled an explosion in broadband speed and price reductions, providing the catalyst for the rapid growth of Japan’s broadband market beginning in early 2001. For example, Yahoo! BB (ADSL) launched in September 2001, and by the end of 2002 had signed up more than 1.69 million users. Between January 2002 and January 2003, NTT increased the number of its FTTH (fiber to the home) subscribers from just over 12,000 to over 233,000. Currently there are around 17 million broadband FTTH subscribers in Japan, and the number is projected to grow to over 20 million by the end of 2005.

Japan’s top industries: Market size by industry

(Note) Domestic production (gross output) based on input-output tables
Source: “Information & Communications in Japan 2004,” Ministry of Internal Affairs and Communications
4. Judgment by Accredited Certification Body

Based on results of the above 3 audit and tests, the Accredited Certification Body judges conformity of the product and will notify the applicant of the result.

5. Conclusion of Certification Agreement between Accredited Certification Body & Applicant

After the judgment was made Accredited Certification Body, the successful applicant is required to sign on the Certification Agreement with the Accredited Certification Body that sets forth JIS mark usage conditions, Mark affix method, frequency of the Certification Maintenance Surveillance and the like.

6. JIS Mark Affixing on Products

Upon conclusion of the Certification Agreement, the applicant is entitled to affix a JIS mark on their products.

7. Certification Maintenance Surveillance

After acquisition of the certification, the entity is required to accept the surveillance conducted by the Accredited Certification Body in order to continuously maintain the certified status. It is required to undergo the Certification Maintenance Surveillance, that verifies continuous conformity of the quality management system of the certified entity as well as compliance of their products with JIS, at least every third year. The actual frequency of such surveillance will be defined in the above Certification Agreement.

Established in December 2002, For Fellas, a design and consulting firm is a 100% Japanese owned company, engaged in software development and hardware electronic design. For Fellas provides their clients with high quality of technology customized according to their specific needs. To date, they already have 4 outsourcing companies in China.

For Fellas Overseas Project manager, Mr. Harada Akira says, “investing here in the Philippines is a lot more different than investing in China.” Major factors we considered in choosing the Philippines are (1) the low labor cost; (2) fluency of Filipinos fluent in English language; (3) abundant skilled IT Engineers; and (4) the Philippine government’s positive approach to the IT Industry.

For Fellas has been utilizing the JETRO’s Business Support Center in the Philippines (BSCP) since March 2006. Since then, they have been receiving a lot of possible business tie-ups.
Steps to Acquisition of Certification

ANY ENTITY THAT WANTS TO AFFIX any of the new JIS Mark on its products has to acquire JIS certification after selecting an appropriate Accredited Certification Body. After the certification is granted, in order to maintain it certification, the entity has to successfully pass the Certification Maintenance Surveillance implemented by the Accredited Certification Body.

1. Selection of Accredited Certification Body

An entity that seeks acquisition of the JIS certification should check the scopes and geographical areas, in which the candidate Accredited Certification Bodies would provide the JIS certification service, first to select one suitable for its application. Every Accredited Certification Body has the obligation to disclose necessary information such as the dealing scope and geographical area of certification on its own web site.

In addition, each web site of such Accredited Certification Body provides detailed information concerning the method to estimate charges for its certification service, certification procedures and so on.

2. Application for Certification

After selecting a proper Accredited Certification Body, the applicant has to have discussions with that Body in order to specify the items enlisted below:

- Product for certification
- Manufacturing site for audit
- Corresponding JISs for the product to be certified

3. Quality Management System Audit & Product Tests

Audit of the quality management system includes review of the submitted documents and onsite audit. Document review will be implemented based on the description paper that the applicant had submitted together with the application form and the explanation of the condition of its own quality management system. As for the onsite audit, an auditor dispatched from the Accredited Certification Body audits the quality management level of the applied factory.

During audit of the quality management system, the Accredited Certification Body may use the result of ISO 9001 certification for the applicant’s Quality Management System.

Product conformity tests against the corresponding JISs (product tests) are to be carried out as the responsibility of the Accredited Certification Body. The product tests will be conducted on a product sampled by the Accredited Certification Body from the products manufactured by the applied factory, and either one of the following methods will be employed:

a) To be conducted by the “testing laboratory” of the Accredited Certification Body.
b) To be conducted by a “subcontracted laboratory” of the Accredited Certification Body.
c) To be conducted using the “testing facility” of the applicant (including a subcontracted laboratory) by or under witness of an audit from the Accredited Certification Body.