

White Paper on International Economy and Trade 2010 Summary

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Ministry of Economy,
Trade and Industry

White Paper on International Economy and Trade 2010

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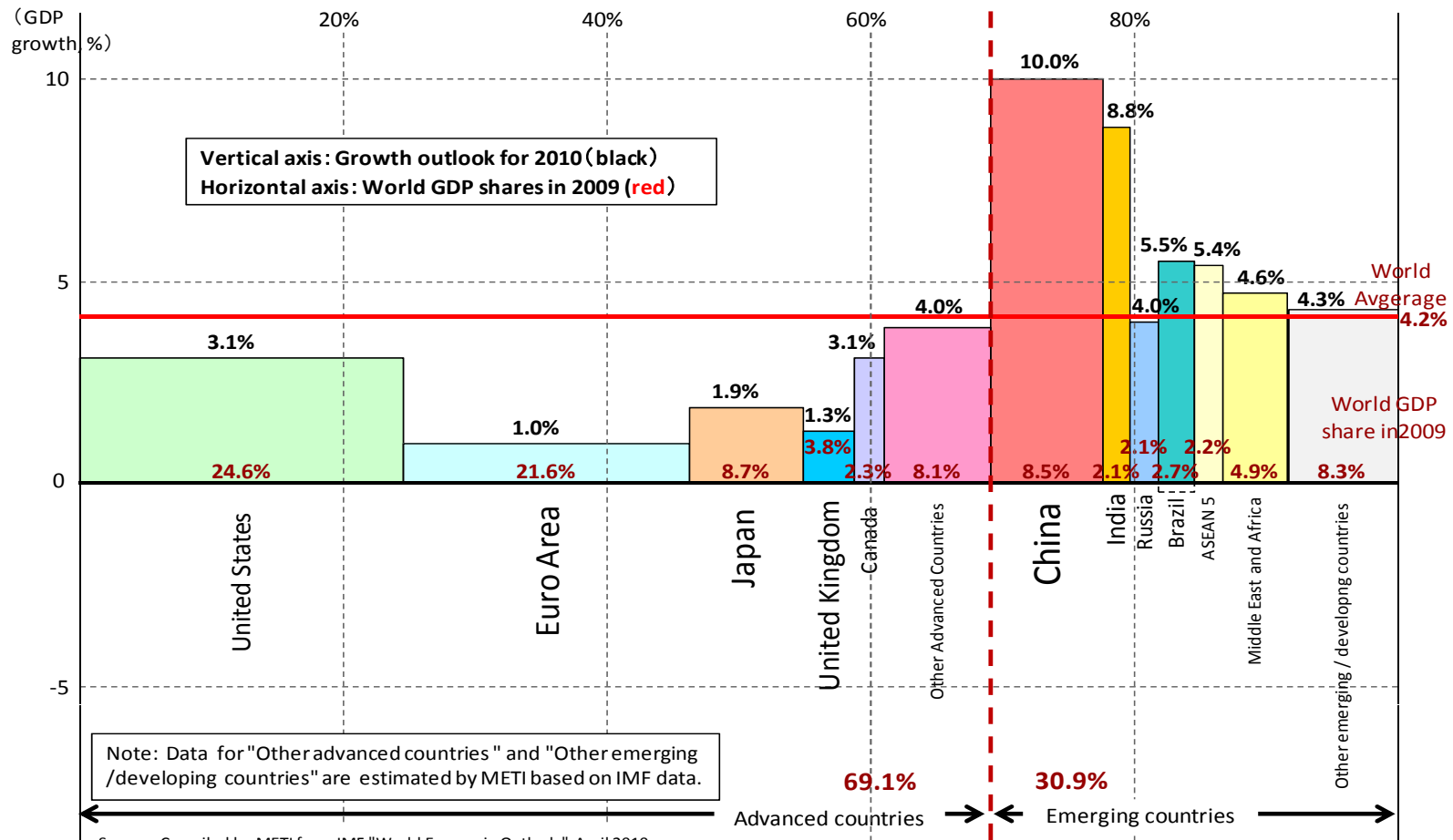
Chapter 1 Global Economy at a Turning Point

—Current Situation and Future Prospects

1.1.1 World economy recovering from financial/economic crises with economic measures

- Advanced countries are expected to achieve positive but moderate growth in 2010.
- On the other hand, emerging countries such as China and India are estimated to achieve high growth.

World GDP Shares in 2009 and World Economic Outlook for 2010



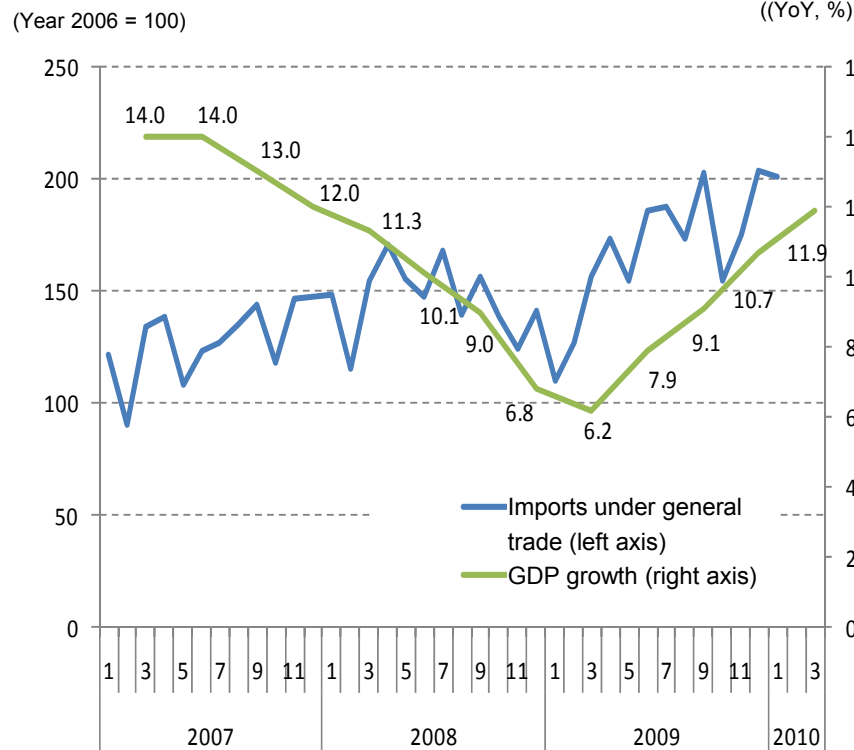
Source : Compiled by METI from IMF "World Economic Outlook," April 2010.

1.1.2 China leading Asia's economic recovery

- As a result of large-scale stimulus measures, China took an early lead in recovering from the world economic crisis.
- Asia achieved economic recovery ahead of the other economies, led by increased exports to China.

China's imports recovering sharply

Imports Under General Trade and China's Economic Growth

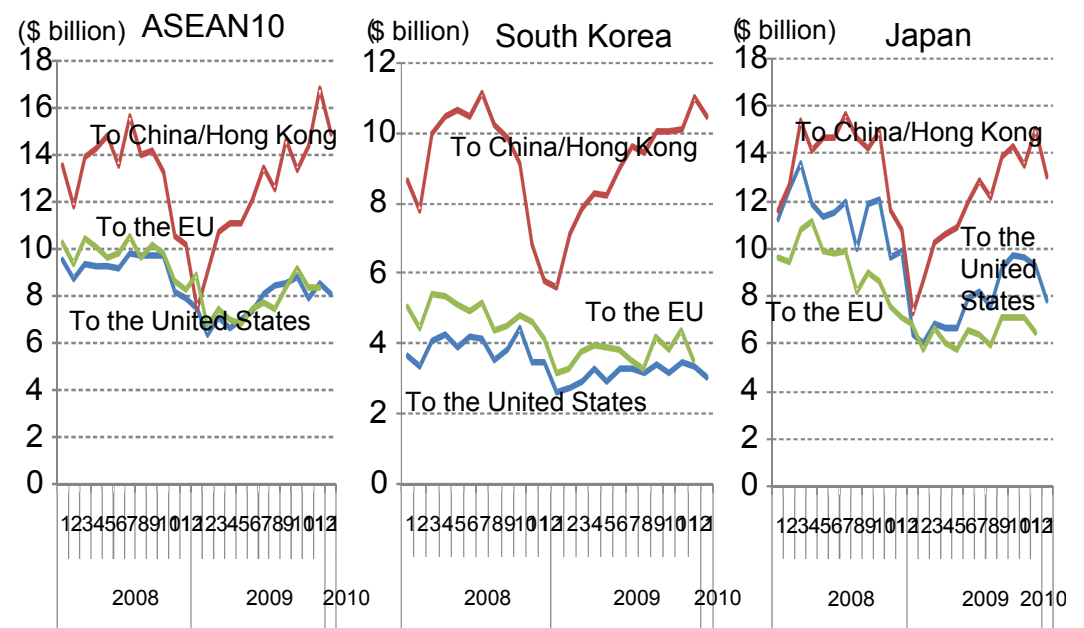


Source: Compiled using data from the National Bureau of Statistics of China and the CEIC Database.

Note: "Imports under general trade" denotes imports (excluding raw materials) that are assumed to be consumed in the Chinese domestic market.

Increased exports to China substantially contributing to Asia's export recovery

Exports by Major Asian Countries/Regions to China, the United States, and the EU

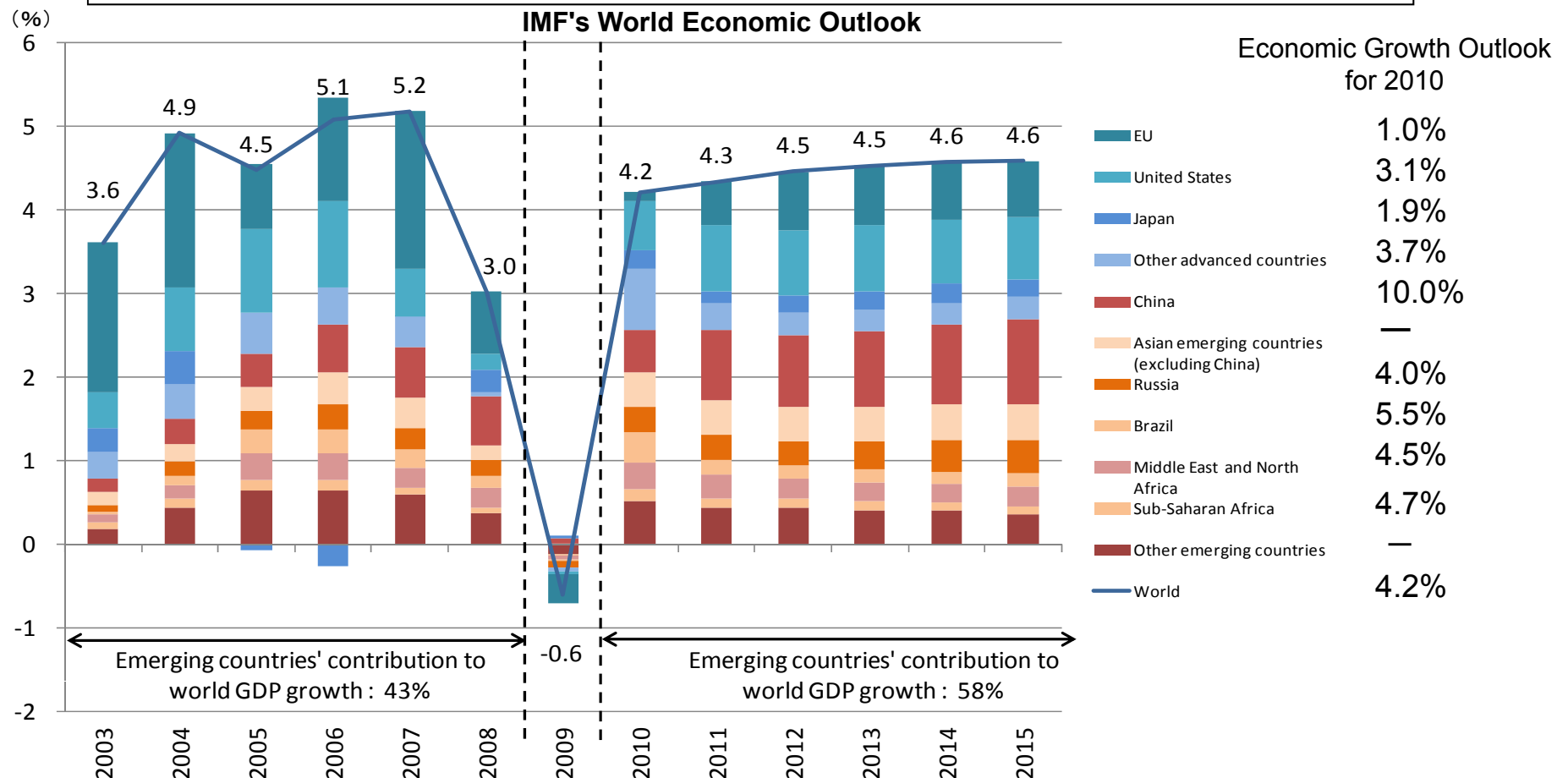


Source: Compiled from the export/import statistics on China, Hong Kong, and the United States in the World Trade Atlas.

1.1.3 Asian and other emerging countries driving the world's economic growth

- In the medium to long term, Asian and other emerging countries are greatly contributing to the world's economic growth.
- Emerging countries' share of contribution to the world GDP growth is expected to reverse with that of advanced countries, rising from about 40% before the world economic crisis to about 60% after the crisis.

Asia and other emerging countries greatly contributing to world's economic growth



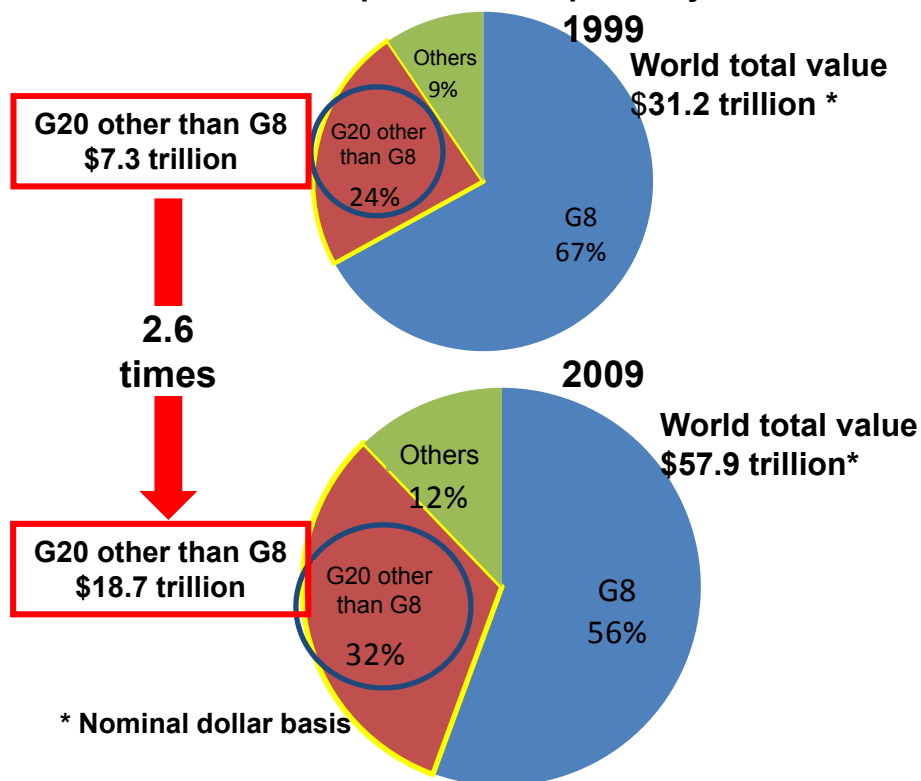
Source: Compiled from IMF "World Economic Outlook," April 2010

1.1.4 World economy at a turnaround: World economy to be more diffuse

- Presence of New frameworks such as G20 are on the rise.
- Economies of emerging countries are expected to further increase their shares in the world economy. The world economy is shifting toward to be more diffuse.

Economy size of emerging countries expanded over the past 10 years.

Economy size of G20 countries not in the G8 has almost tripled over the past 10 years.



Notes: G8 denotes the United States, Japan, the United Kingdom, Canada, Germany, France, Italy, and Russia.

G20 denotes G8 members plus Argentina, Australia, Brazil, China, India, Indonesia, South Korea, Mexico, Saudi Arabia, South Africa, Turkey, and the EU.

Source: Compiled from IMF "World Economic Outlook," April 2010.

Toward a more diffuse world economy

Shares of Major Countries/Regions in the World's Nominal GDP

	2005	2009 (partly estimated)	2015 (estimated)
EU	30.3%	28.4%	23.8%
United States	27.8%	24.6%	22.3%
Japan	10.0%	8.7%	7.6%
Emerging countries	23.7%	30.9%	38.8%
China	4.9%	8.5%	11.5%
Other Asian countries	3.9%	5.0%	6.3%
Brazil	1.9%	2.7%	3.2%
Russia	1.7%	2.1%	3.7%

Note: Converted into real GDP based on Year 2000.

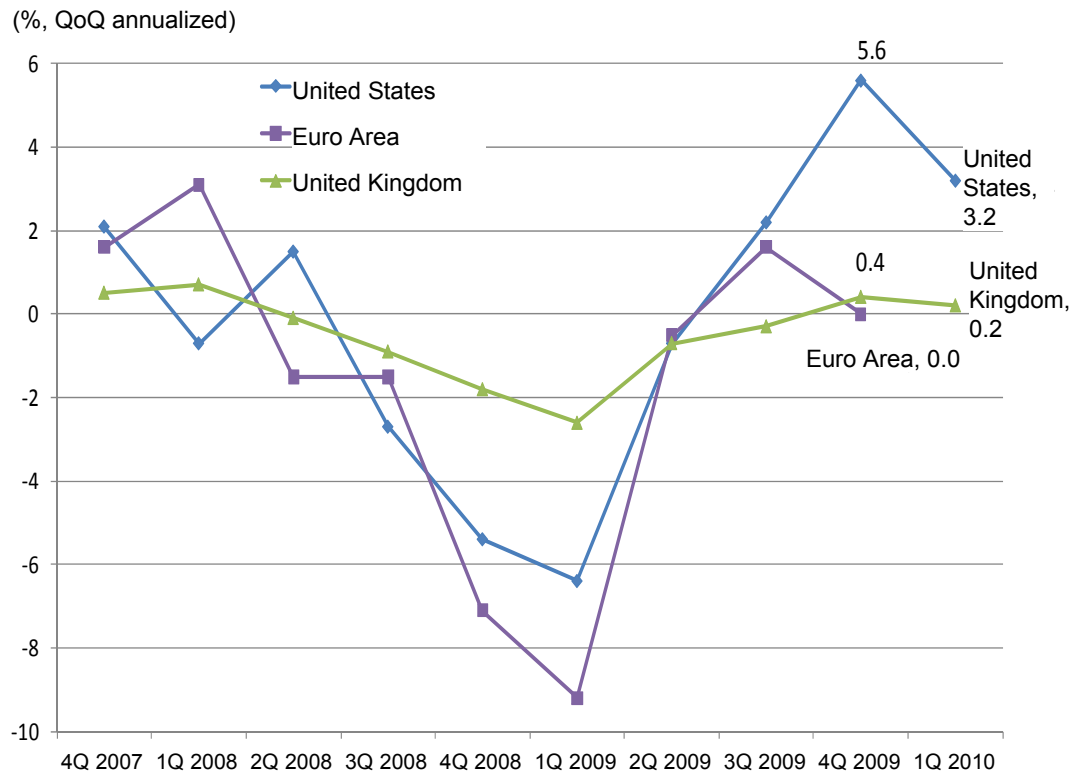
Source: Compiled from IMF "World Economic Outlook," April 2010.

1.2.1 US and European economies are recovering modestly but face various risks (1)

- The US economy is on a recovery trend due to fiscal/financial policies. The number of employees is currently showing signs of recovery, but the unemployment rate remains high.
- The recovery pace of the European economy is slow with very little economic growth.

US economy on a recovery trend, and European economy recovering slowly

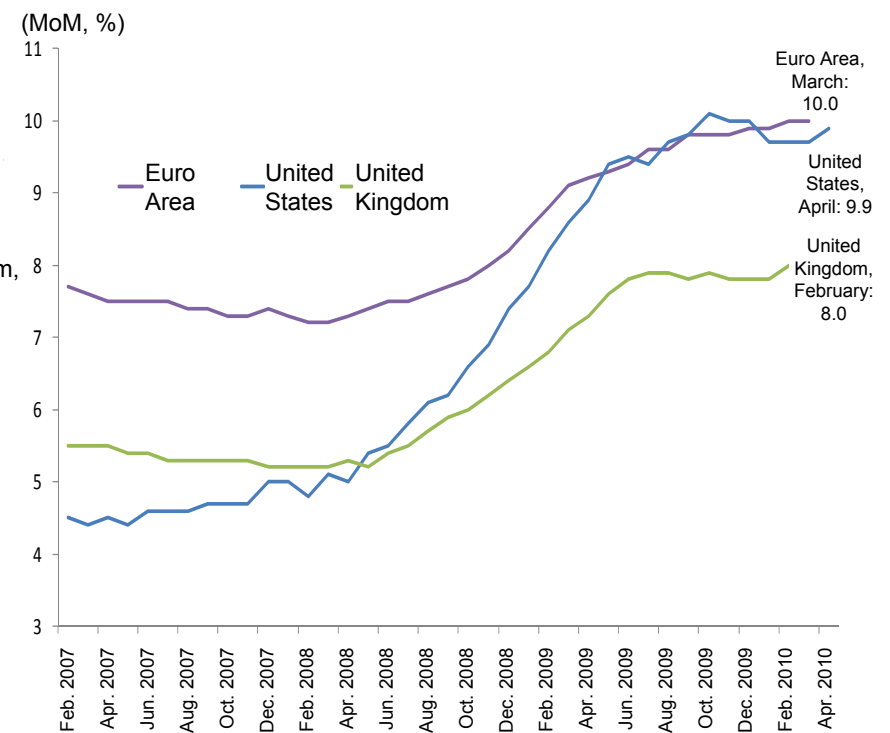
GDP Growth of the United States and Europe



Source: Compiled using data from Bloomberg.

Unemployment rates in the United States and Europe remaining high.

Unemployment Rates in the United States and Europe

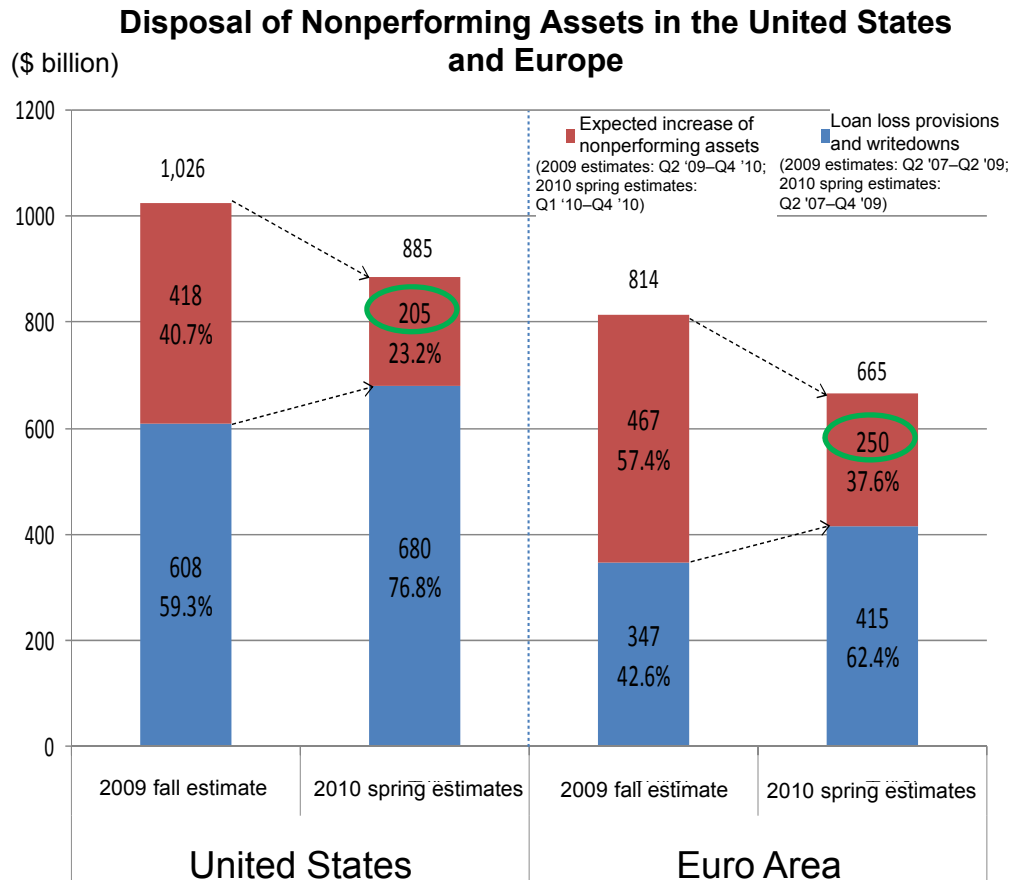


Source: Compiled using data from Bloomberg.

1.2.2 US and European economies are recovering modestly but face various risks (2)

- Nonperforming assets disposal to proceed, but only halfway through. Balance-sheet adjustments may be prolonged.
- In particular, European countries—notably South European countries with serious fiscal deficits—face default risk.

Disposal of nonperforming assets making progress, but the future remains uncertain



Greek financial crisis

Default risk of heavily indebted countries (Response to undermining confidence in the euro)

- GIIPS (Greece, Ireland, Italy, Portugal, and Spain) are facing serious fiscal deficits.
- In early May, decisions were made on financial aid to Greece through cooperation between the Euro Area and the IMF, establishment of a European Stability Fund targeting the Euro Area, and the ECB's purchase of euro bonds.
- Attention should be paid to future efforts and developments toward recovery and maintenance of euro confidence.

Fiscal Status of GIIPS (2009)

(%)	Portugal	Ireland	Italy	Greece	Spain
Fiscal deficit/GDP	9.4	14.3	5.3	13.6	11.2
Government debts/GDP	76.8	64.0	115.8	115.1	53.2

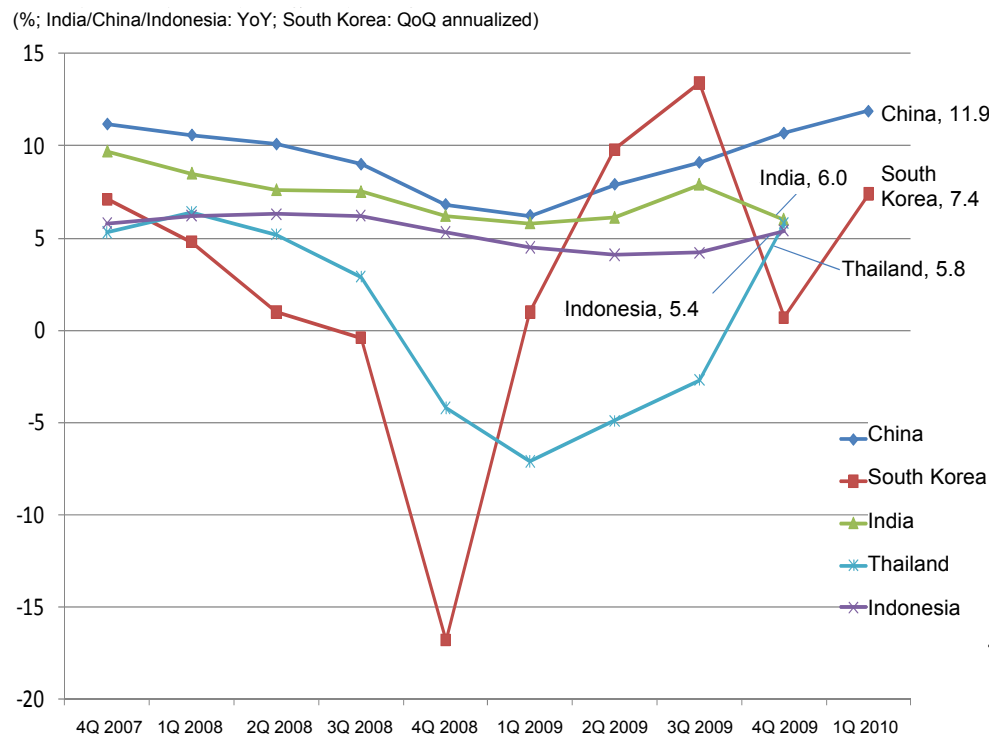
Source: Compiled from IMF "Global Financial Stability Report," April 2010.

1.2.3 Asian economies with robust domestic demand, resource-rich countries recovering due to rise in resource prices

- The Chinese, Indian, and Indonesian economies show robust domestic demand. The export-oriented South Korean and Thai economies which have suffered negative growth, have also been recovering recently.
- The GDP growth of resource-rich countries slipped in 2009 on the back of the world economic slump but are expected to recover in 2010.

Major Asian economies—mainly those with robust domestic demand—show strength

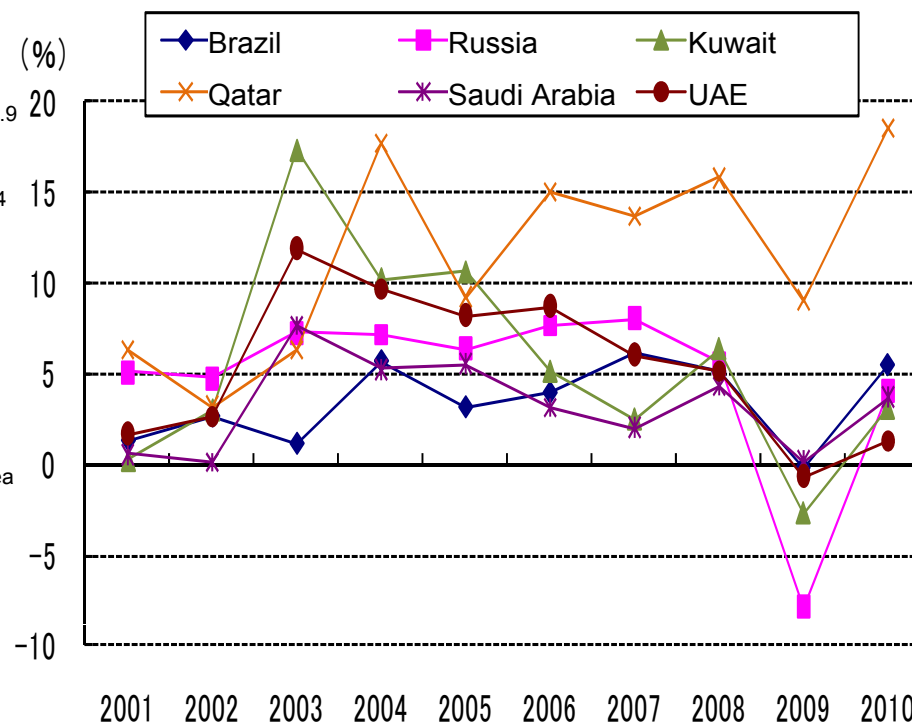
GDP Growth of Major Asian Countries



Source: Compiled using data from Bloomberg.

Resource-rich countries recovering in 2010

GDP Growth of Resource-rich Countries



Source: Compiled from IMF "World Economic Outlook," April 2010.

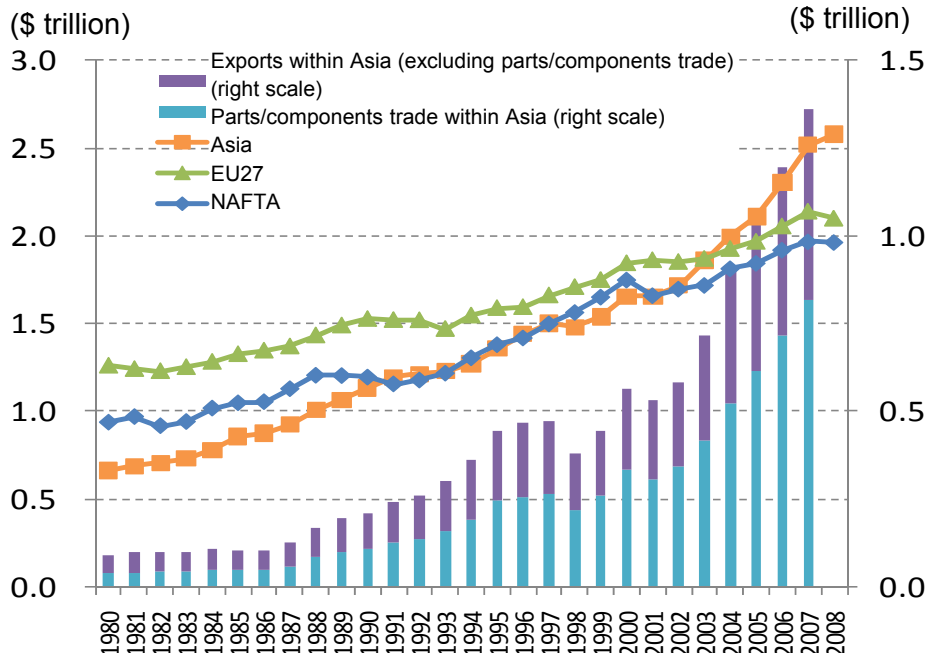
Chapter 2 Japan Growing with Asia's Development —Asia-Pacific Framework Toward Sustainable Growth

2.1.1 Asia establishing status as the "World's Factory" through further integration

○ Asia's manufacturing has become top in the world in added value. Specialized production systems (supply chains) has been established and developed, which enabled production capacity to expand.

High added value in manufacturing in Asia

Exports within Asia and Real Value Added by Manufacturing for Major Countries/Regions in the World

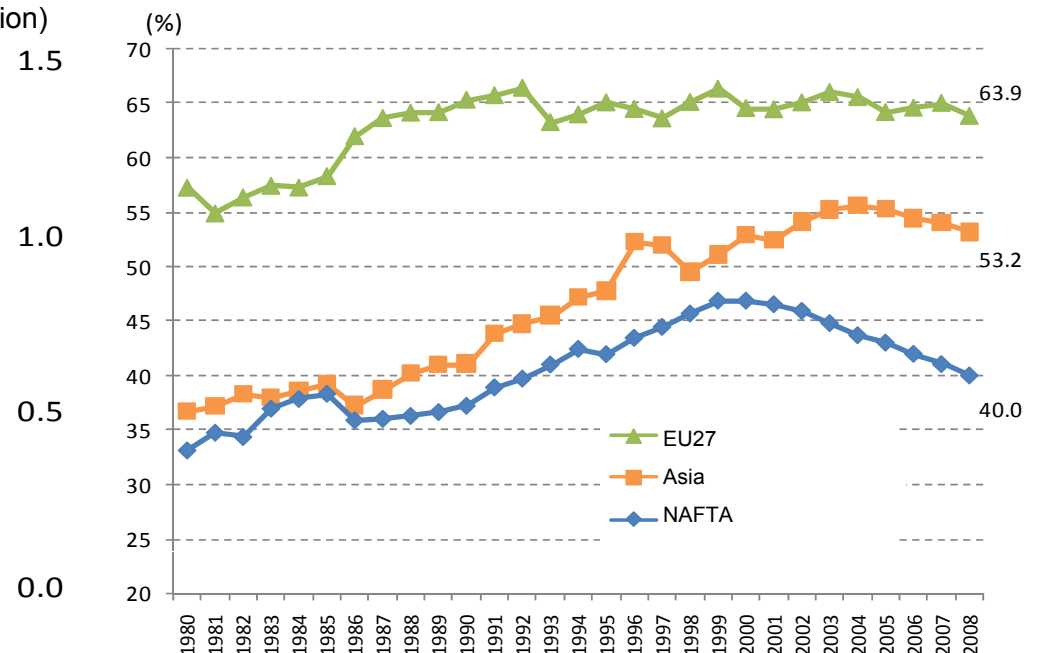


Note: Asia denotes ASEAN+6.

Source: Compiled from the United Nations, "National Accounts Main Aggregates Database."

Intra-regional trade accounting for more than 50% in Asia, indicating progress of intra-regional division of labor

Percentage of Intra-regional Trade in the EU, NAFTA, and Asia



Note: Asia denotes ASEAN+6.

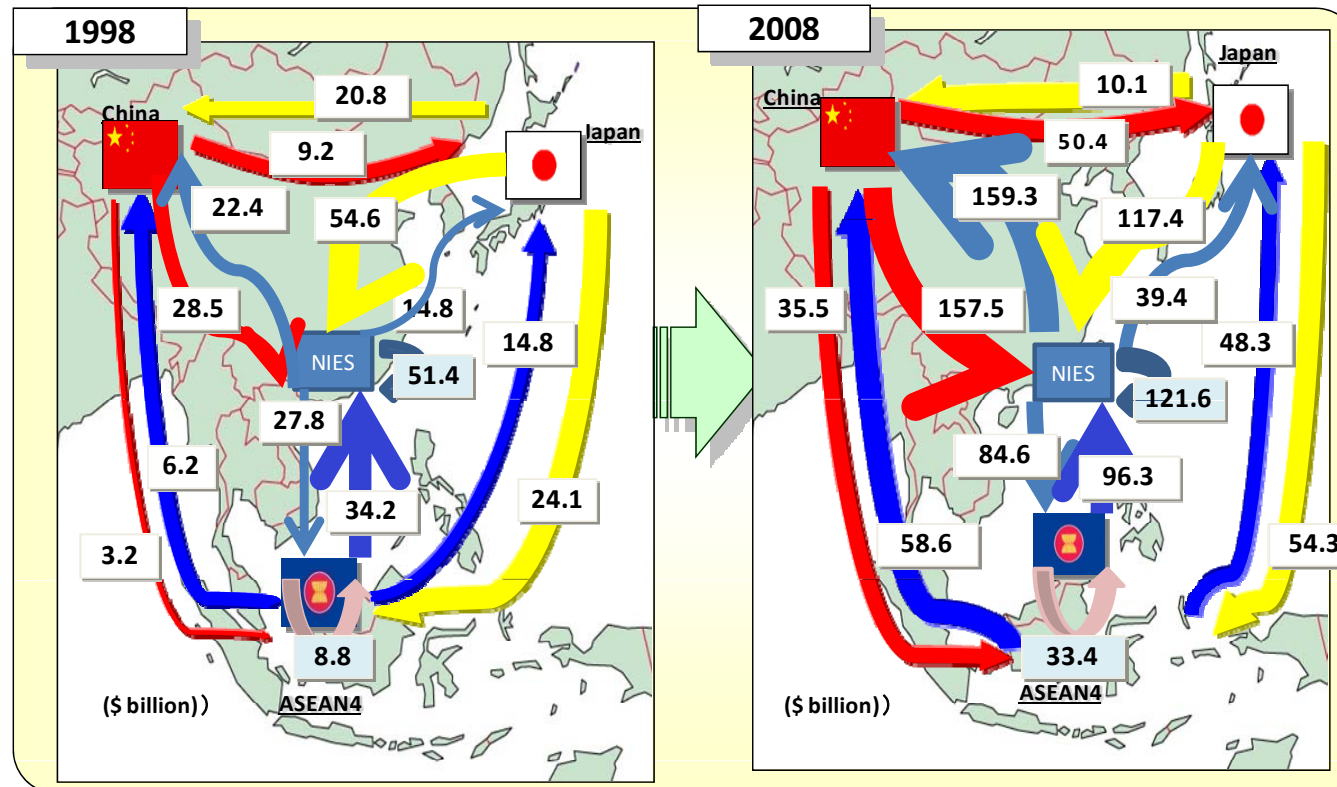
Sources: IMF "DOT" and Board of Foreign Trade, Taiwan Chinese Taipei "Trade Statistics."

2.1.2 China's increased presence in the East Asian production network

○ There has been a dramatic increase in the parts/components imported and exported through China. China's presence as a production base is growing with the development of Asia's intra-regional specialization.

China's increasing presence as a production base

Changes in Trade Values (Parts/Components) Between Japan, China, and ASEAN4



Changes in Values of Trade (Parts/Components) Between Japan, NIES, ASEAN4, and China (1998 → 2008)

(ratio of the 2008 value to the 1998 value)

Japan → China	4.8
NIES → China	7.1
ASEAN4 → China	9.5
China → Japan	5.5
China → NIES	5.5
China → ASEAN4	11.1

Reference: Overall trade increased by a factor of 3.6.

Note: "NIES" denotes South Korea, Taiwan, Hong Kong, and Singapore.

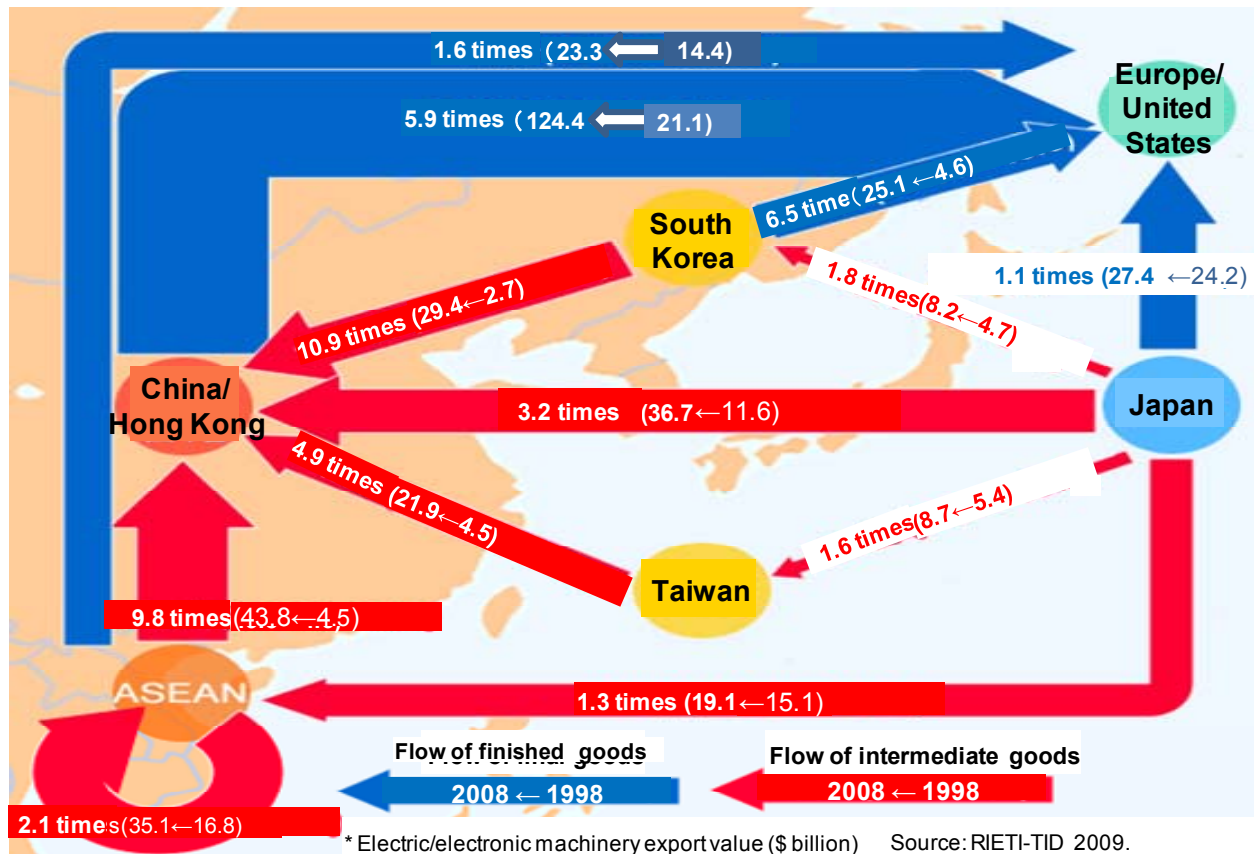
Source: Compiled from the Research Institute of Economy, Trade and Industry, "RIETI-TID 2009."

2.1.3 Presence of China and South Korea increasing in the electrical/electronic fields

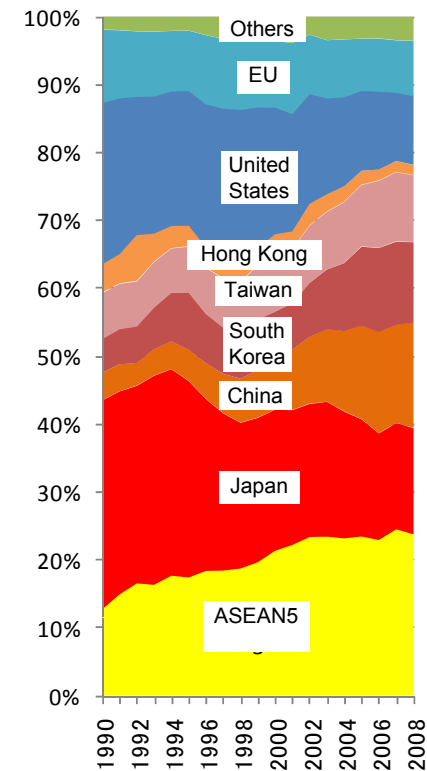
- Division of labor is making particular progress in the electrical/electronic fields. Over the past 10 years, exports of finished goods from China and South Korea to Europe and the United States have increased about 6-fold.
- Japan's exports of intermediate goods have expanded, but its share in the world's intermediate goods exports to East Asia has decreased. There has been an increase in establishment of local production bases.

Model flow of assembling parts in Asia and exporting the finished goods to Europe and the United States

Major Flow of Intermediate Goods and Finished Goods in Asia (Electrical/Electronic)



Regional Shares of the Export Value of the World's Intermediate Goods to East Asia (Major Products) Electrical/Electronic



Japan's share
1990: 30.7%

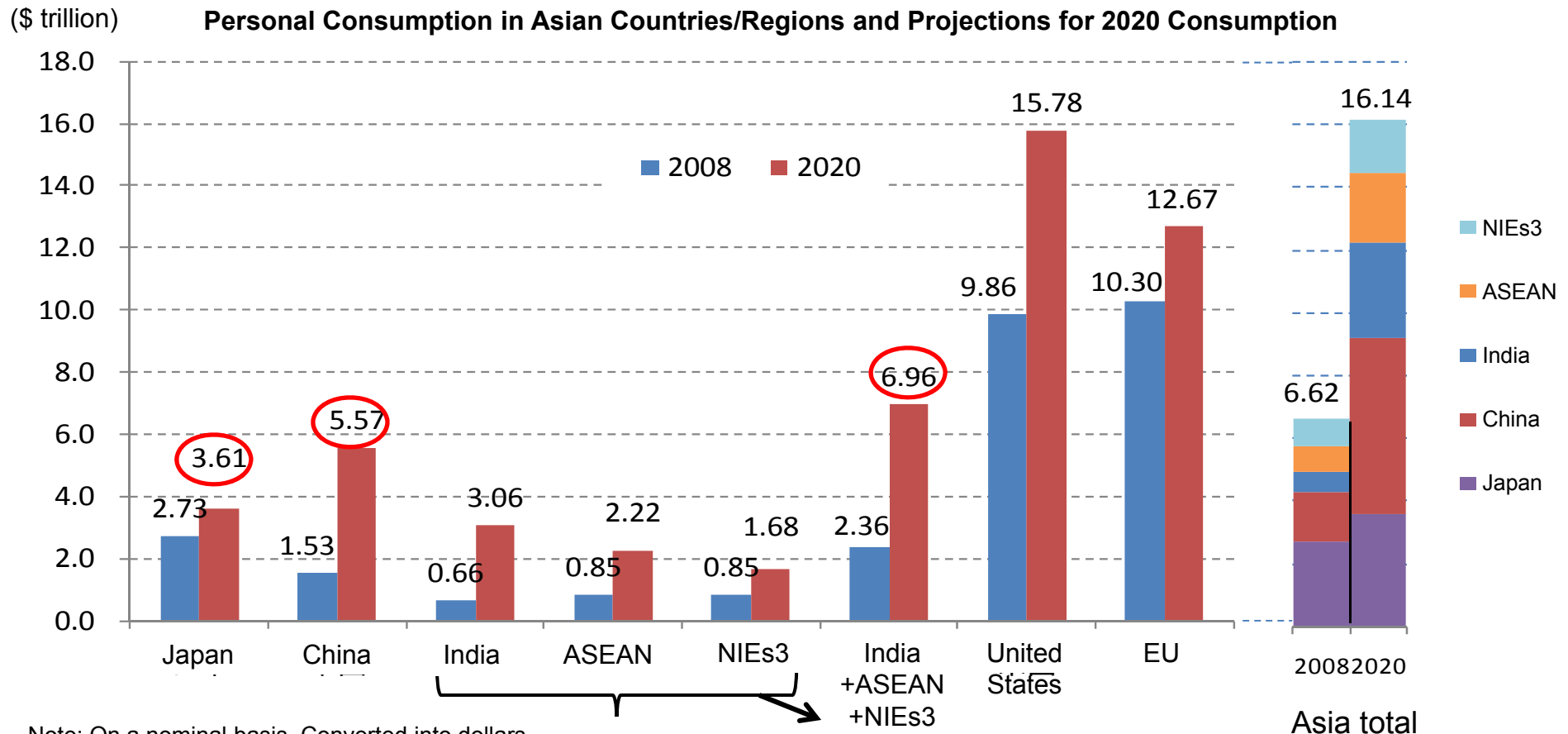
2007: 15.6%

Source: Compiled from RIETI-TID 2009.

2.2.1 Asian region expected to become the "world's major consumer market"

- China is expected to overtake Japan to become Asia's largest consumer market by 2020.
- Asia's overall consumption is likely to expand to about 4.5 times that of Japan, surpassing Europe and leveling with the United States.
- Business opportunities will further increase for the Japanese industry.

Asia's consumption is expected to expand to about 4.5 times that of Japan by 2020.

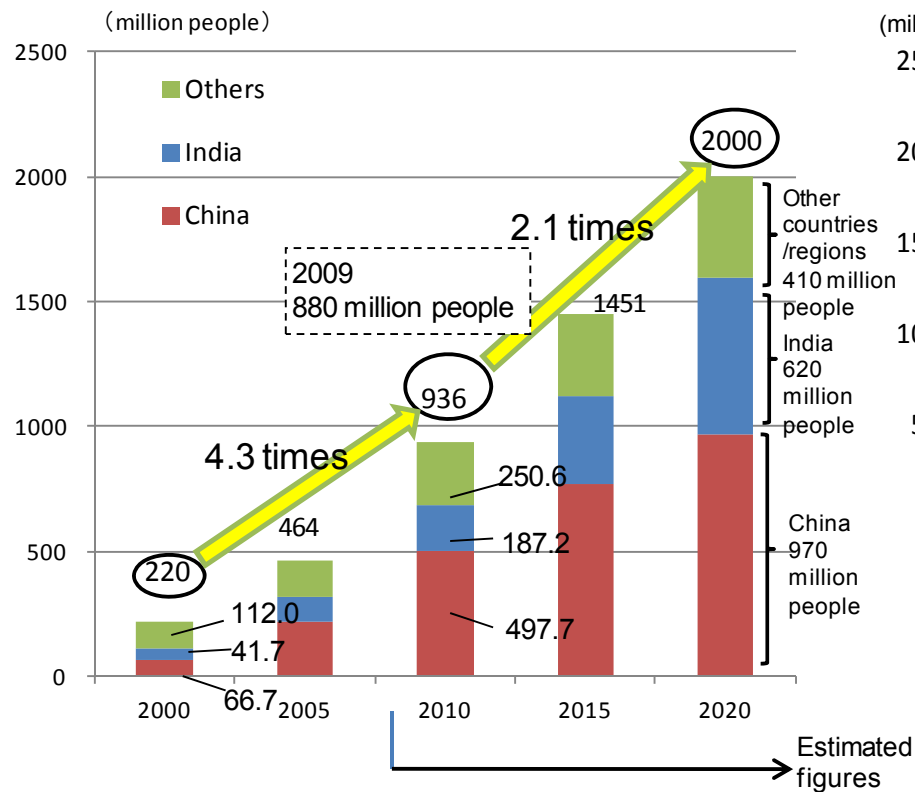


2.2.2 Middle- and high-income segments expanding in Asia

○ Middle-income population in Asia is expected to swell to 2 billion. High-income population in Asia excluding Japan will exceed that of Japan within the next 5 years.

Asia's middle-income population will more than double within the next 10 years.

High-income population in Asia (excluding Japan) to exceed that of Japan within the next 5 years

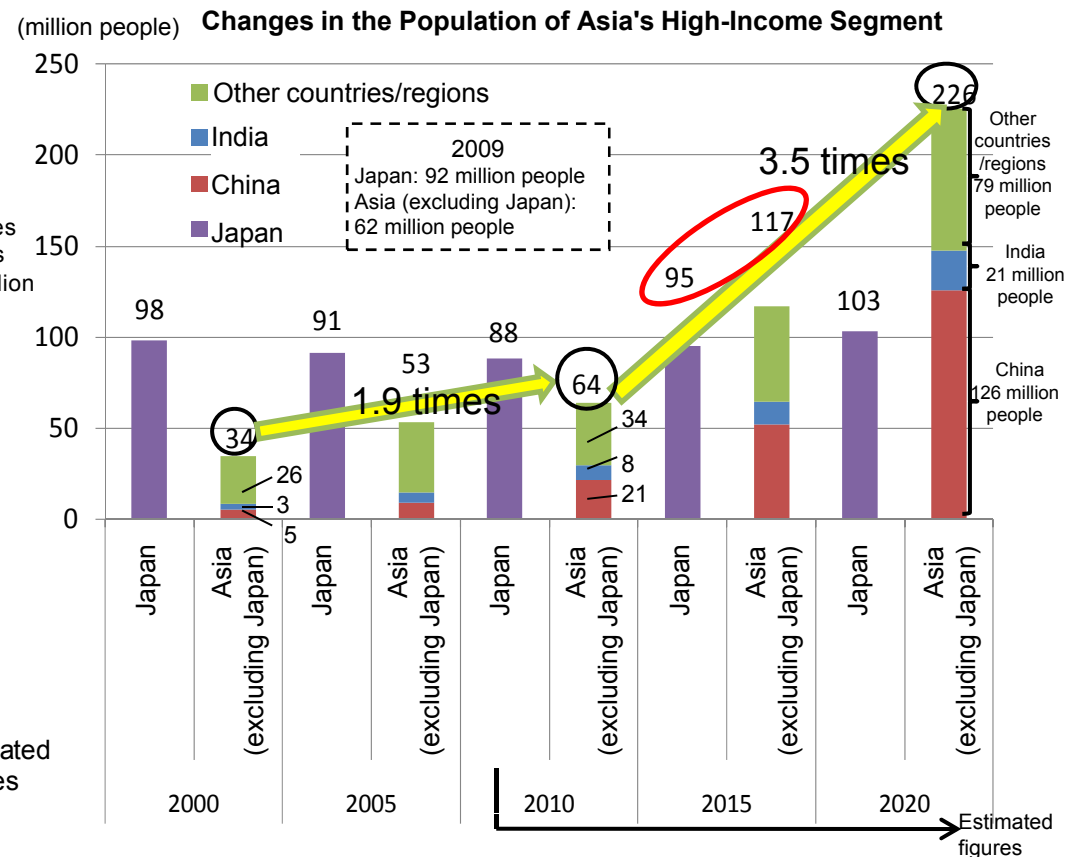


Notes: Number of households by household disposable income. "Asia" denotes China, Hong Kong, Taiwan, India, Indonesia, Thailand, Vietnam, Singapore, Malaysia, and the Philippines. Figures for 2010, 2015, and 2020 are estimates by Euromonitor.

Source: Compiled using data from Euromonitor International 2010.

* Asia's middle-income segment denotes the segment with household disposable income of \$5,000 or more and less than \$35,000.

Asia's high-income segment denotes the segment with household disposable income of \$35,000 or more.



Notes: Number of households by household disposable income. "Asia" denotes China, Hong Kong, Taiwan, India, Indonesia, Thailand, Vietnam, Singapore, Malaysia, and the Philippines. Calculated by multiplying the percentage of households of each income segment by the population.

Source: Compiled using data from Euromonitor International 2010.

2.2.3 Asian consumers increasing expenditure on services for a richer lifestyle

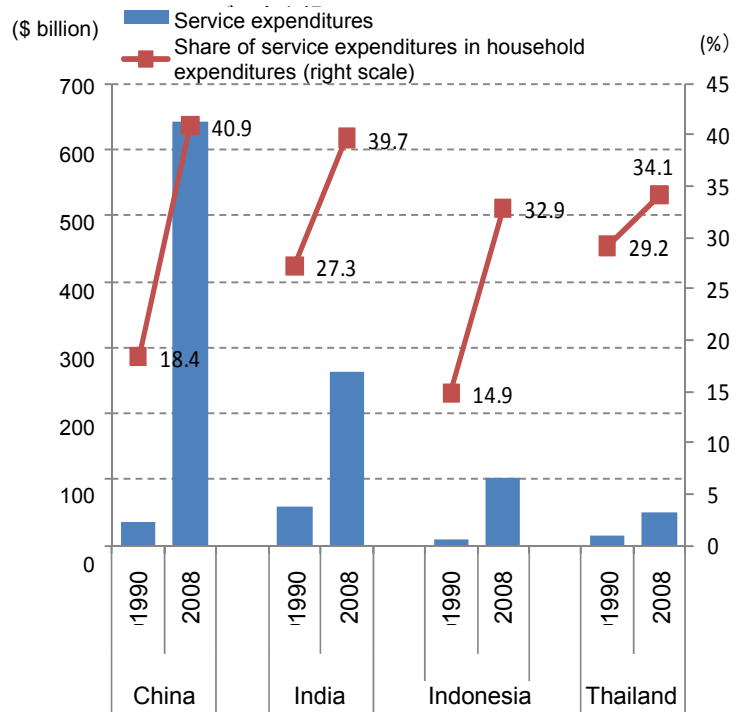
○ In Asia, expenditures on services for safer, more secure, and richer lives, such as traveling, medical services, and education, are increasing.

○ Japan's strength in “appealing products/services, safety, and security”, including culture products and medical services, are expected to contribute to demand expansion in Asia.

Ratio of expenditure on services in households rising in Asia

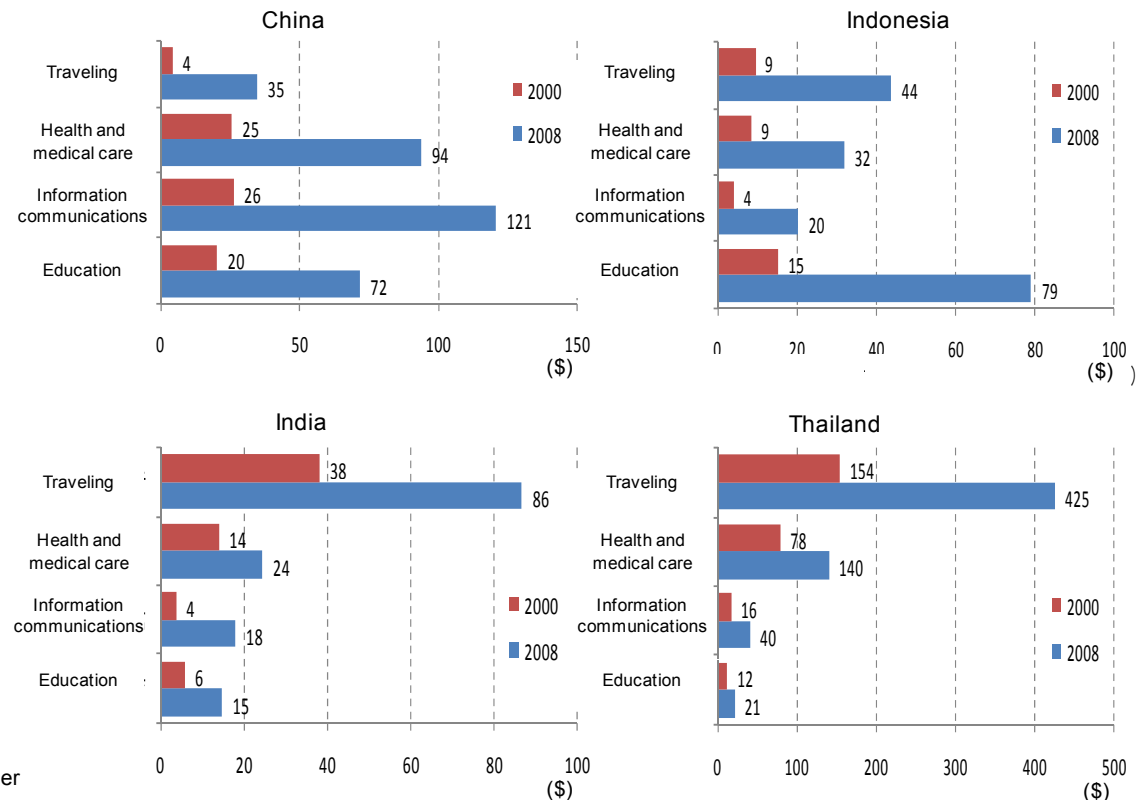
Per capita expenditure on services increasing in Asia

Expenditure on services in Asia and its Share of in Household Expenditures



Source: Compiled from Euromonitor International "World Consumer Spending 2009/2010."

Per Capita Expenditure on services in Asian countries

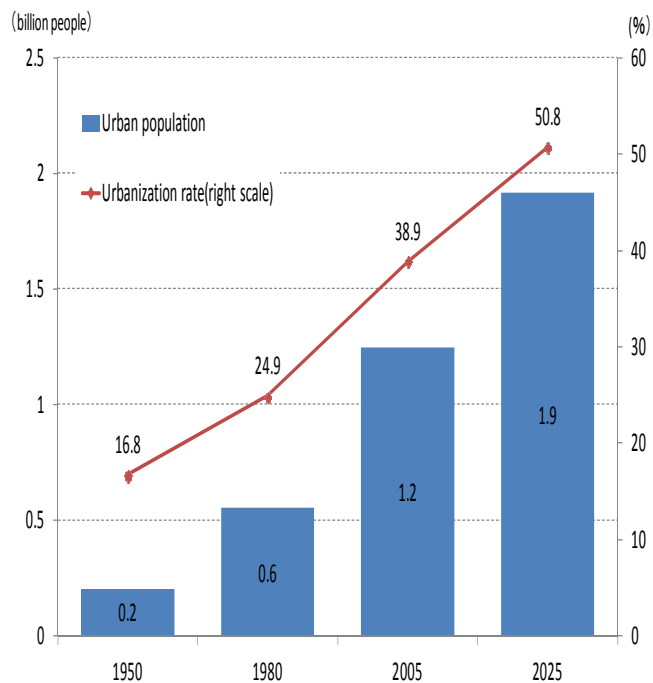


Source: Euromonitor International .

2.3 Infrastructure Development to Promote Growth in Asia

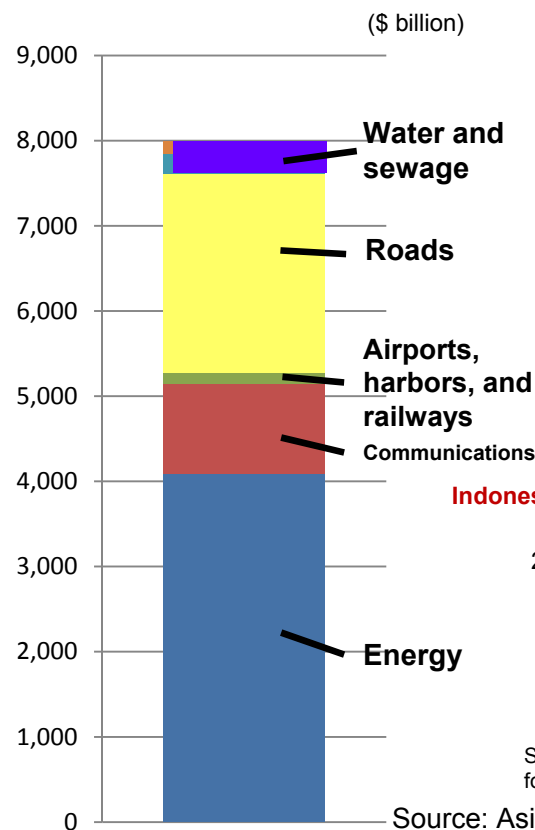
- Infrastructure needs are expected to build up in Asia in line with urbanization (\$8 trillion by 2020).
- Infrastructure development is expected to bring significant economic benefits through upgrading industrial clusters and forming efficient industrial corridors.

Urbanization expanding in Asia



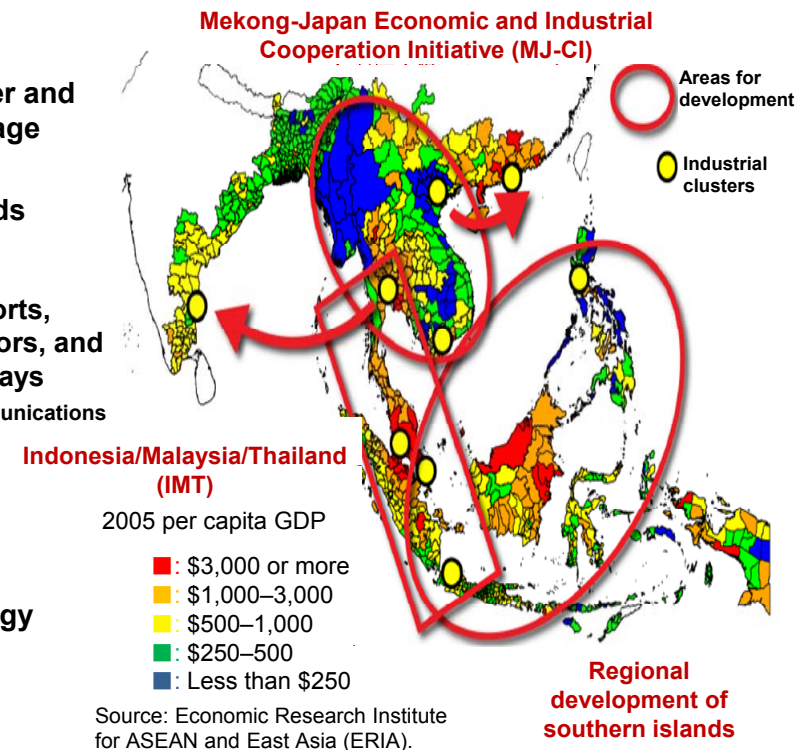
Note: "Urbanization rate" denotes the percentage of urban population in total population.
Source: United Nations "World Urbanization Prospects, The 2007 Revision"

Infrastructure needs to reach \$8 trillion (2010-2020)



Source: Asian Development Bank (ADB).

Infrastructure development contributing to economic growth

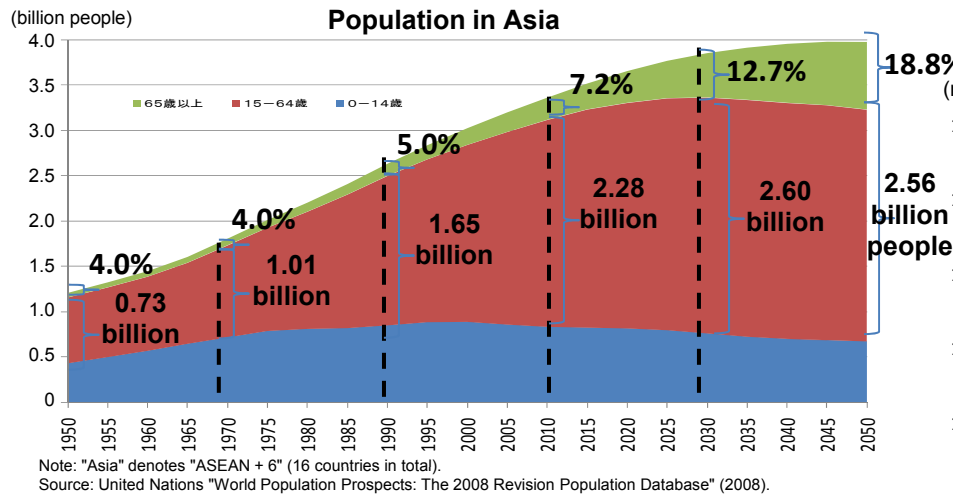


Source: Economic Research Institute for ASEAN and East Asia (ERIA).

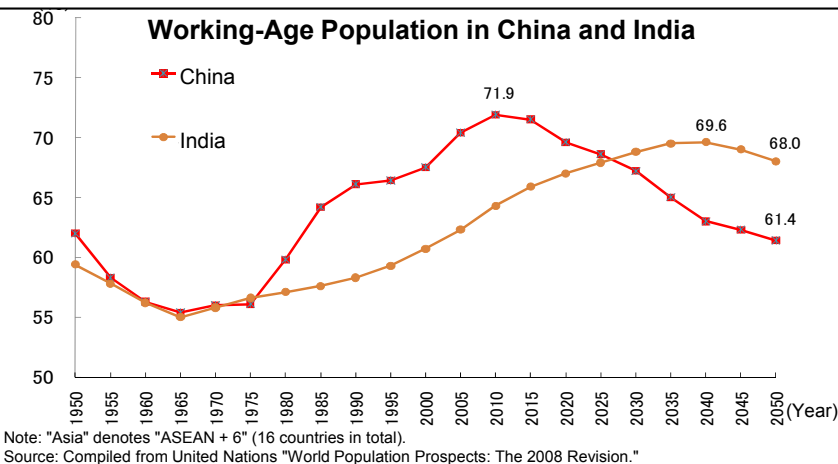
2.4 Common Agendas to be Solved by Asia (Aging society, resource constraints)

- Asia's working-age population is expected to decline from around 2030. The aging society will develop. Energy consumption, mainly in China and India, will continue to increase. Environmental/resource problems will become more serious.
- Frameworks as APEC2010, etc. for addressing these challenges and achieving sustainable growth are required.

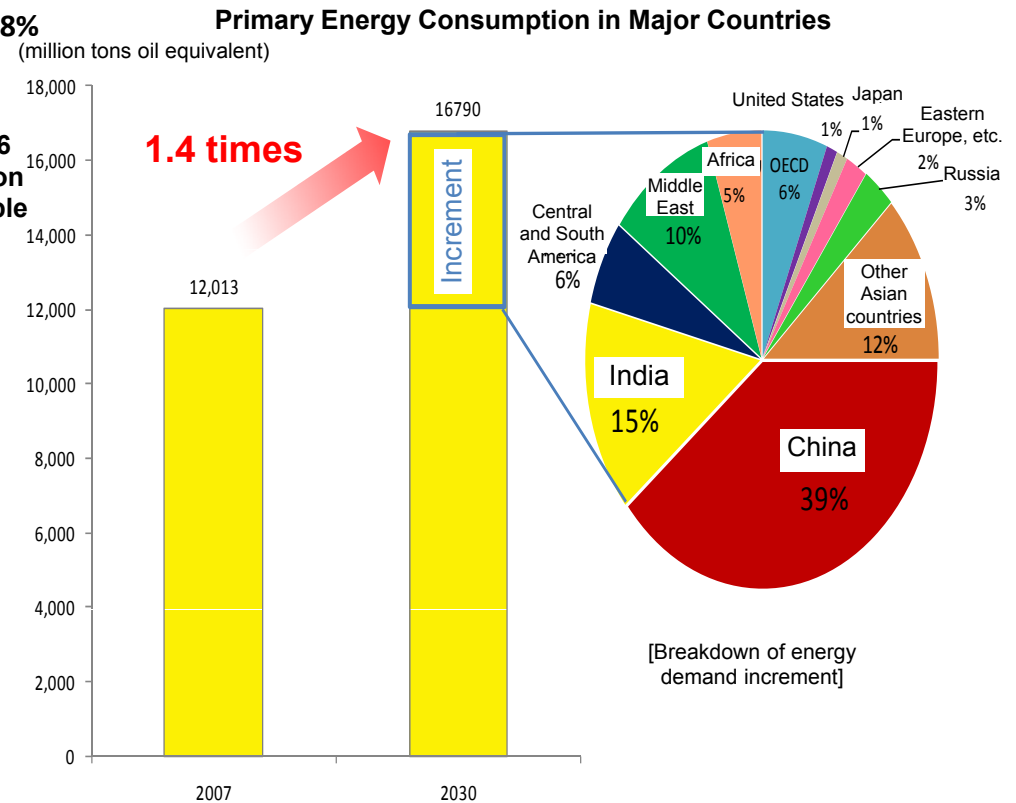
Share of elderly population increasing in Asia



Working-age population to decline from 2015 in China

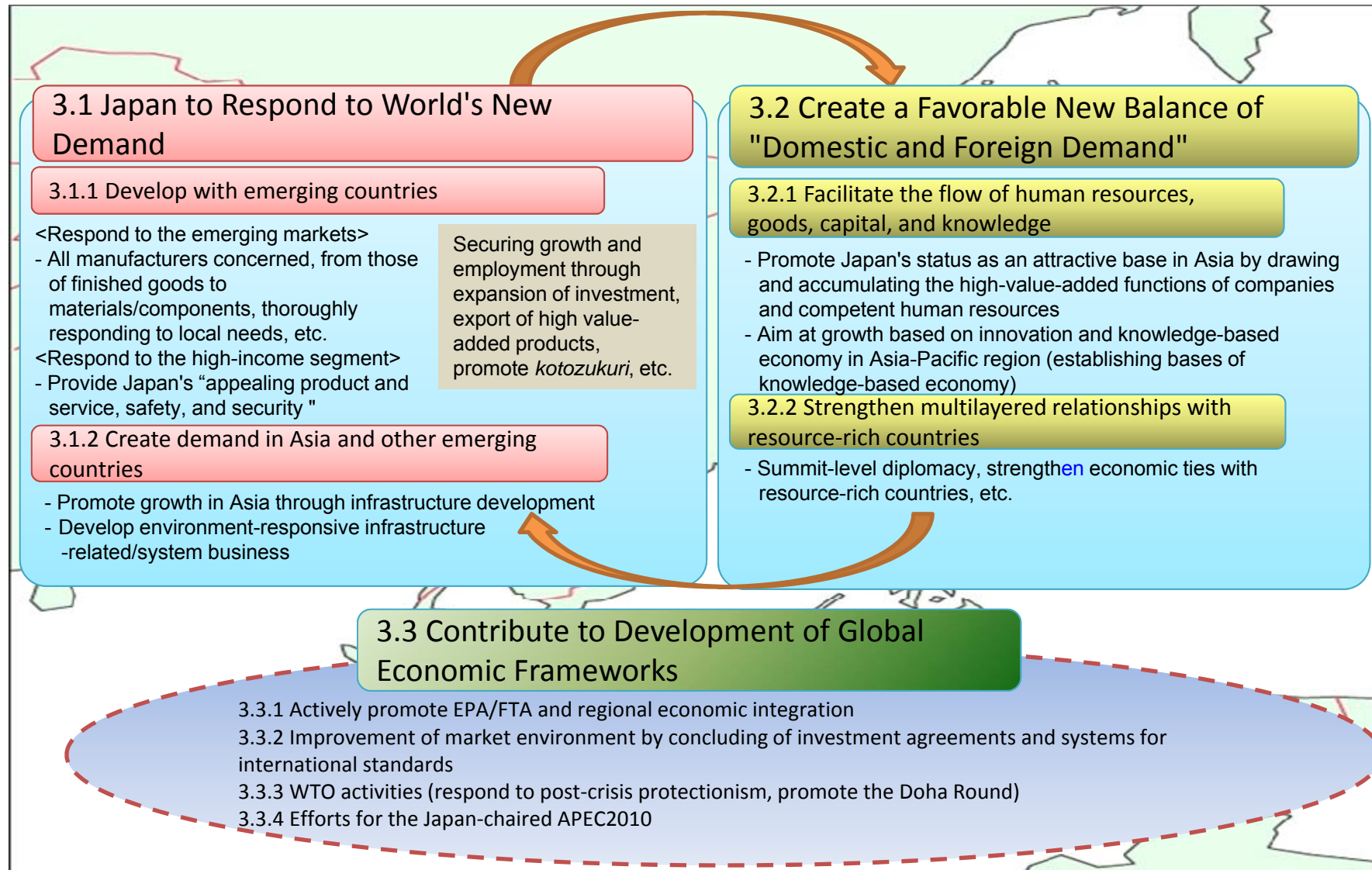


Primary energy consumption is increasing in Asia.



Source: Compiled from IEA "World Energy Outlook 2009."

Chapter 3 Japan's Post-Crisis Situation and Future Direction: Demonstrate Japan's Fundamental Strengths and Making Further Globalization Efforts



3.1 Respond to the World's New Demand Structure

3.1.1 Develop with emerging countries (1)

Developing with emerging countries' markets holds the key to growth

- Emerging countries' markets are growing remarkably. The Chinese and Brazilian markets have become more expansive than the Japanese and German markets.
- Japanese companies not being successful in markets in emerging countries. Thus, Japanese companies, including SMEs, are expected to further expand their businesses overseas.
- Development/provision of products and services that respond to local needs are important.

Presence of Chinese and Brazilian markets is increasing.

Ranking of Market Size by Type of Major Goods

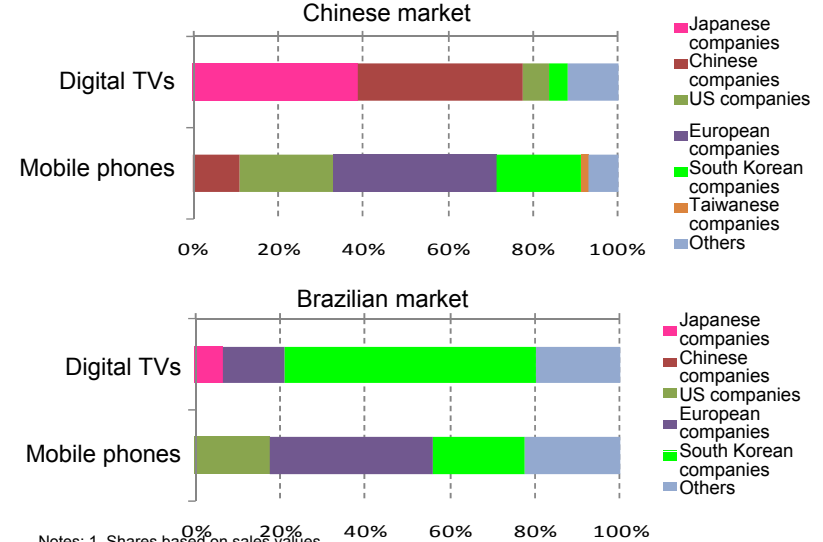
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Automobiles	China	United States	Japan	Germany	Brazil	France	Italy	India	United Kingdom	Canada
Desktop PCs	China	Brazil	United States	France	United Kingdom	Japan	Spain	Poland	Australia	Russia
Digital TVs	United States	China	United Kingdom	Germany	France	Italy	Japan	Spain	Brazil	Canada
Mobile phones	United States	China	Japan	France	India	Russia	Mexico	South Korea	Brazil	Germany
Toiletry products /cosmetics	United States	Japan	Brazil	China	Germany	France	United Kingdom	Italy	Spain	Russia

Notes: The ranking for "automobiles" is based on the number of cars, and that for other goods is based on the retail sales value. Values for "toiletry products/cosmetics" and "automobiles" are those for 2008, and the values for other goods are those for 2009. The shaded cells indicate BRICs countries.

Source: Compiled using data from MarkLines, Co., Ltd. (automobiles) and Euromonitor International 2010 (other goods).

Japanese companies have not succeeded in securing a large share in the expanding consumer goods markets of emerging countries.

Companies' Shares by Nationality in Emerging Countries' Markets for the Respective Products



Notes: 1. Shares based on sales values.
 2. Companies with a share of less than 1% are included in "Others."
 3. Companies' nationality is classified according to the country/region where the company or its parent company is based.

Source: Euromonitor International 2010.

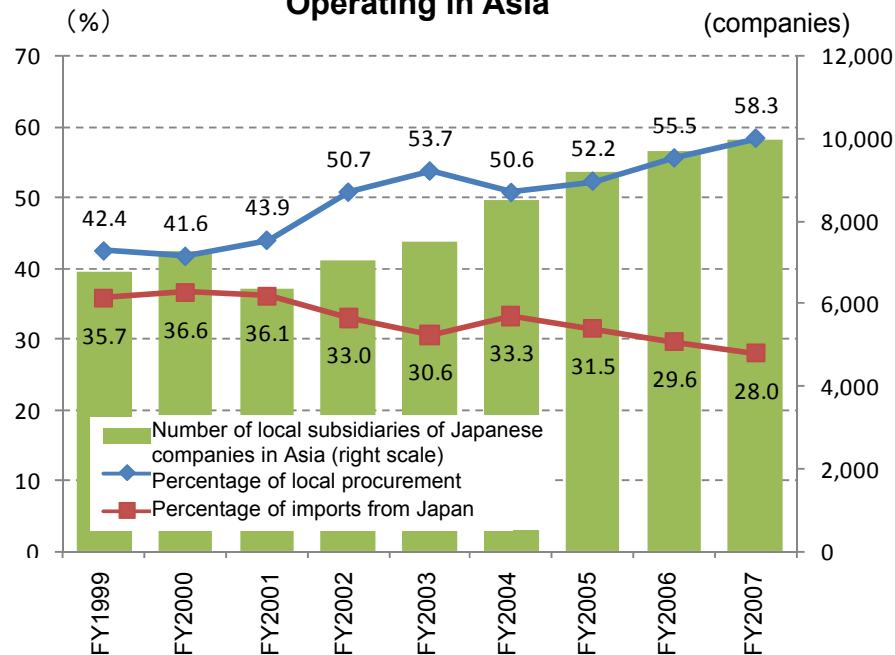
3.1.1 Develop with emerging countries (2)

In the emerging countries, companies must respond to local needs including components /materials manufacturers.

- With an increasing number of Japanese companies establishing local bases overseas, the percentage of local procurement by such local subsidiaries has increased.
- As the assemblers, it is also essential for components /materials manufacturers to analyze and respond to local needs. Measures as establishment of local bases/strategic review of product specifications are necessary.

Local subsidiaries of Japanese companies tending to switch to local procurement

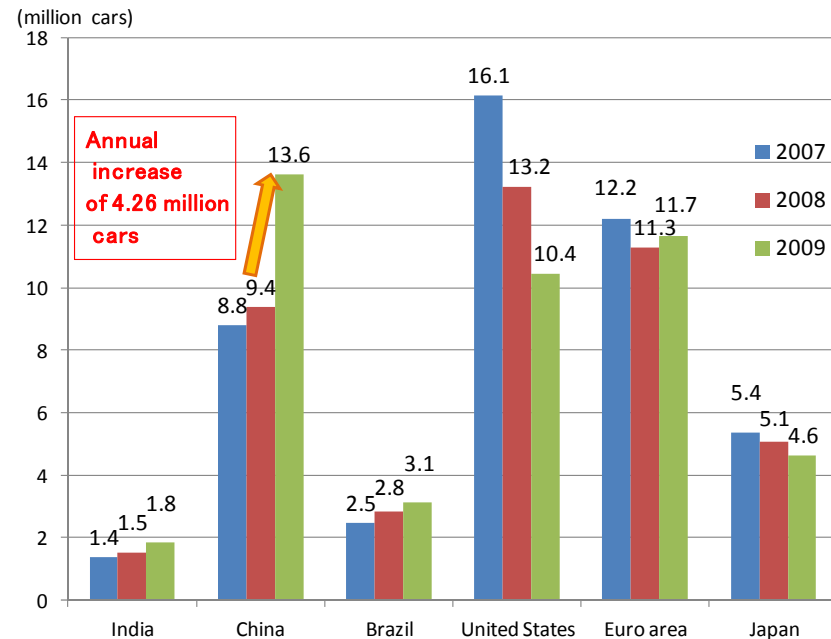
Procurement of Japanese Companies Operating in Asia



Note: Percentage of local procurement = local procurement amount / total procurement amount
 Percentage of imports from Japan = amount of imports from Japan / total procurement amount

Source: Compiled from "Survey of Overseas Business Activities" for the respective fiscal years.

Annual demand of automobiles created in China is equivalent to the annual volume of automobiles sold in Japan



Note: Figures for Mexico include those of light trucks.
 Source: Bloomberg.

3.1.1 Develop with emerging countries (3)

Cultivating new demand through *kotozukuri*

- *Kotozukuri* is a process not only for manufacturing high-performance and high-quality products, but also creating new systems by combining goods and services beyond business categories, and meeting potential needs.
- Through *kotozukuri*, Japan should increase its international competitive strength, and cultivate new demand among the high-income segment in Asia and other consumers around the world. It is important to effectively use *kotozukuri* to increase exports of high-value-added products and to expand high-quality employment opportunities.



Walkman
(1979)



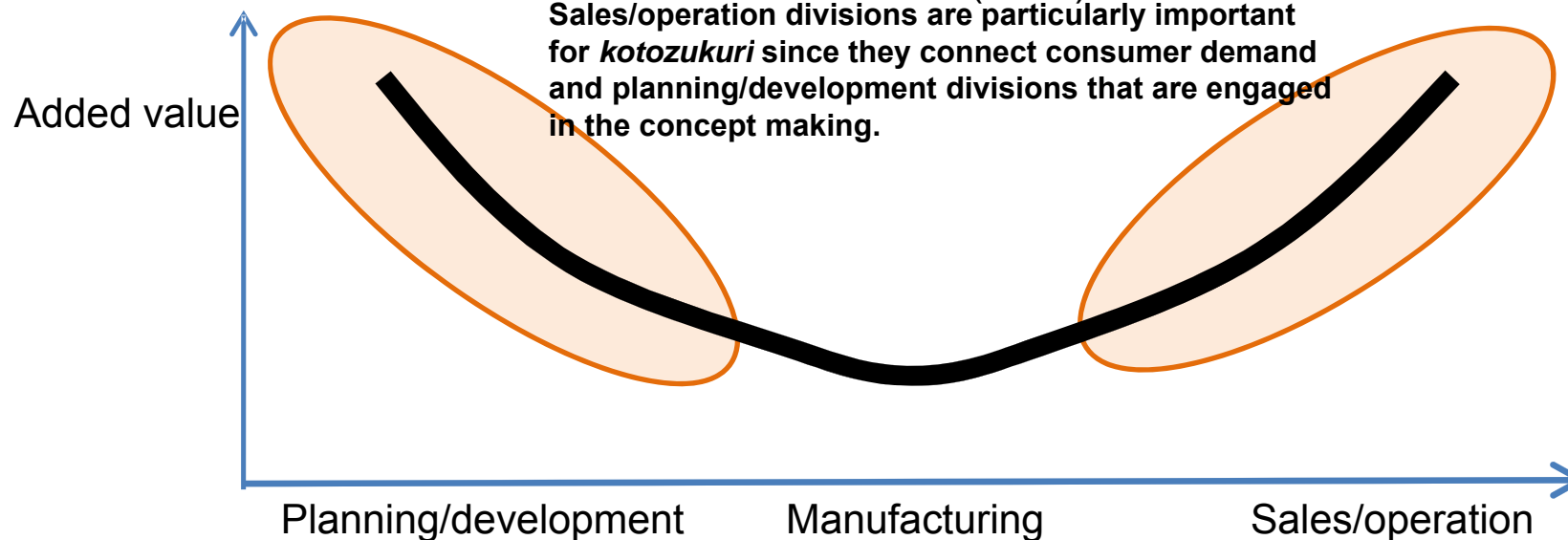
iTunes Store (2003)
and iPhone (2007)



Mobile Suica
(2006)



Kindle (electronic book)
(2007)



3.1.1 Develop with emerging countries (4)

Using the image of “appealing, safe, and secure” of Japanese products and service as a source of competitive strength

- Overseas consumers perceive Japanese products as "high quality," "cool/stylish," and "original."
- It is important to maintain and strengthen the brand power ("Made in Japan") which Japanese products and content have earned over the years, and to use it to acquire demand among Asia's high-income segment in particular. Japan should export its cultural products (creative content, fashion, tourism, etc.) to the world.

Japanese products earning the best perception among foreign products in emerging countries

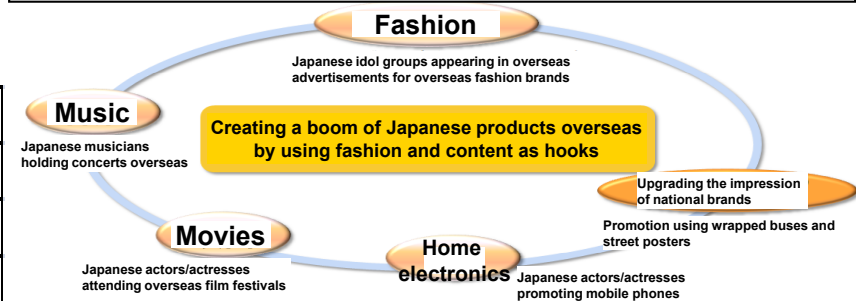
Comprehensive evaluation of Images of Foreign Products in 14 Cities in Asian and Other Emerging Countries/Area

	Japanese products	European products	US products	South Korean products	Chinese products
Average for six items	(1) 43.0	(2) 34.3	(3) 33.4	30.4	21.2
- High quality	(1) 70.0	(2) 46.9	(3) 41.7	26.7	17.9
- Cool/stylish	(1) 43.6	(3) 39.6	(2) 41.3	35.3	17.5
- Original and characteristic	(1) 39.7	(2) 35.3	(3) 33.6	23.5	16.3
- Fun	(1) 35.0	(2) 27.4	(3) 26.6	25.8	17.9
- Lively and vigorous	(2) 35.5	31.4	(3) 31.6	(1) 41.5	(3) 31.6
- Fairly priced	(1) 34.1	25.4	25.3	(2) 29.3	(3) 26.0

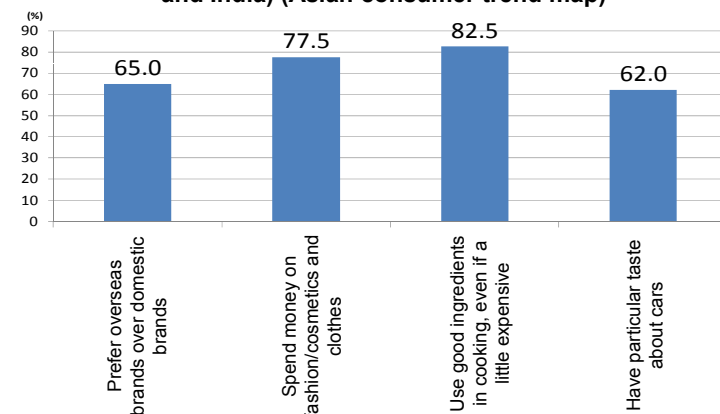
Note: 1. (1), (2), and (3) show the top three ranks for each item.
 2. Values are the average values of the 14 cities.
 3. Target countries/regions: China (Beijing, Shanghai), Hong Kong, Taiwan (Taipei), South Korea (Seoul), Singapore, Thailand (Bangkok), Indonesia (Jakarta), Malaysia (Kuala Lumpur), Philippines (Metro Manila), Vietnam (Ho Chi Minh City), India (Delhi, Mumbai), and Russia (Moscow).

Source: Hakuodo, "Emerging markets drawing attention in the world: Survey on impressions of Japanese products in 14 cities" (January 15, 2009).

Kotozukuri optimizing the “appealing” feature of cultural products



Lifestyle Awareness in Asia (Thailand, Singapore, Hong Kong, and India) (Asian consumer trend map)



3.1.1 Develop with emerging countries (5)

Provision of "safety and security" and export Japan's medical related products and services

- Medical service demand is expanding in emerging countries.
- It is possible to provide Japan's "safety and security" to the world by attracting foreign patients and exporting medical equipment.

Pharmaceutical market rapidly growing in emerging countries

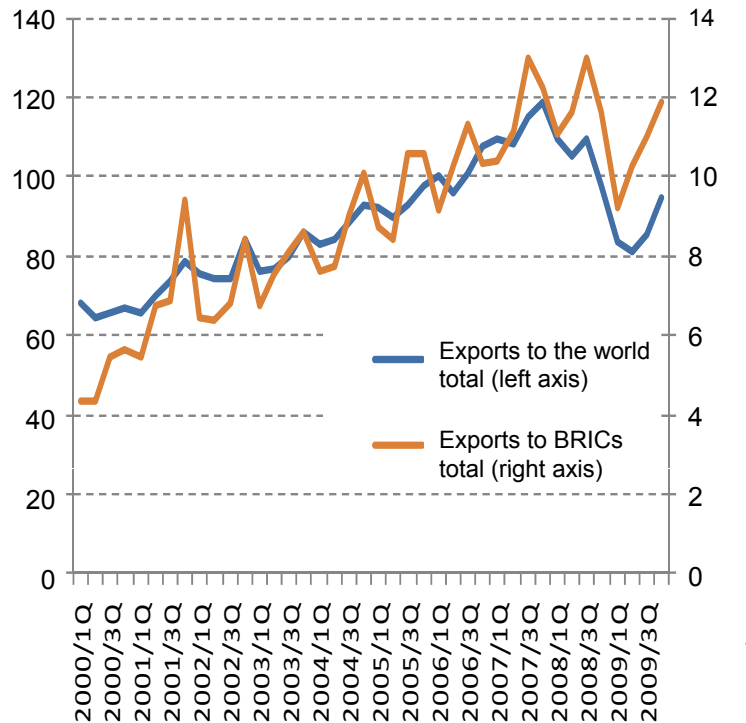
Top 20 countries with the largest pharmaceutical markets (2008)

Rank	Country	Sales (million USD)	Growth (%)
1	United States	290,980	1.1
2	Japan	77,041	2.6
3	France	42,200	2.2
4	Germany	41,291	4.9
5	Italy	26,644	4.0
6	China	24,543	27.0
7	United Kingdom	22,323	3.2
8	Spain	20,966	7.8
9	Brazil	19,181	12.0
10	Canada	18,723	6.0
11	Mexico	11,031	1.8
12	Turkey	10,624	11.1
13	South Korea	9,823	10.5
14	India	9,697	11.2
15	Australia	9,311	9.9
16	Poland	7,748	9.0
17	Greece	7,520	10.0
18	Belgium	6,353	6.5
19	Russia	6,247	10.4
20	Netherlands	5,917	-3.5

Source: IMS World Review 2009.

Demand in the medical care field expanding in emerging countries

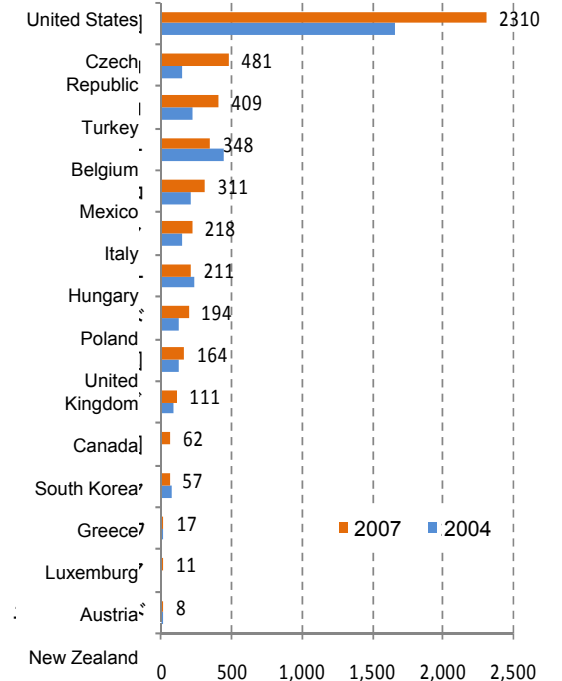
(Y billion) Japan's Exports of Medical Equipment (Y billion)



Note: Figures for HS Code 9108.
Source: World Trade Atlas.

The United States commanding a large share in the medical tourism market

Exports of Medical Services (acceptance of patients)



(million USD)

Source: OECD "Health at a glance 2009."

3.1.2 Create demand in Asia and other emerging countries (1)

Promote of growth in Asia through infrastructure development

- Various broad-area development projects are under way, aimed at promoting industrial development and raising living income standards in Asia.
- It is important to organically implement infrastructure development (roads, harbors, industrial parks, etc.), industrial promotion, and institutional development (customs clearance, investment system, etc.). Japan is currently promoting the "Comprehensive Asian Development Plan" in cooperation with ERIA, ADB, etc.

High-speed freight railway of the Delhi-Mumbai Industrial Corridor

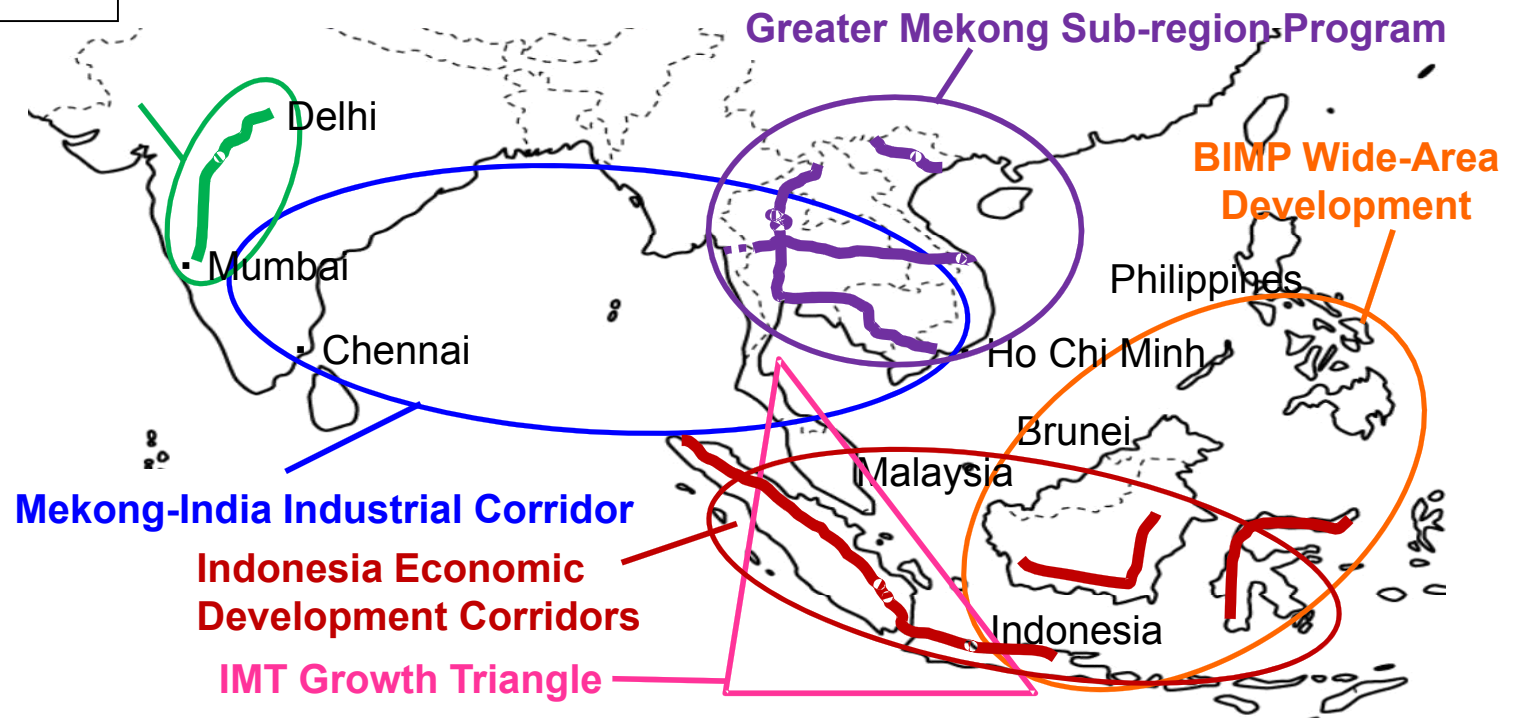
Before development
Average speed:
24 km/hour



After development
Average speed:
75–80 km/hour



Wide-area development projects under way in Asia



3.1.2 Create demand in Asia and other emerging countries (2)

Contribute to solve challenges facing the world by developing environment-responsive infrastructure-related/system business.

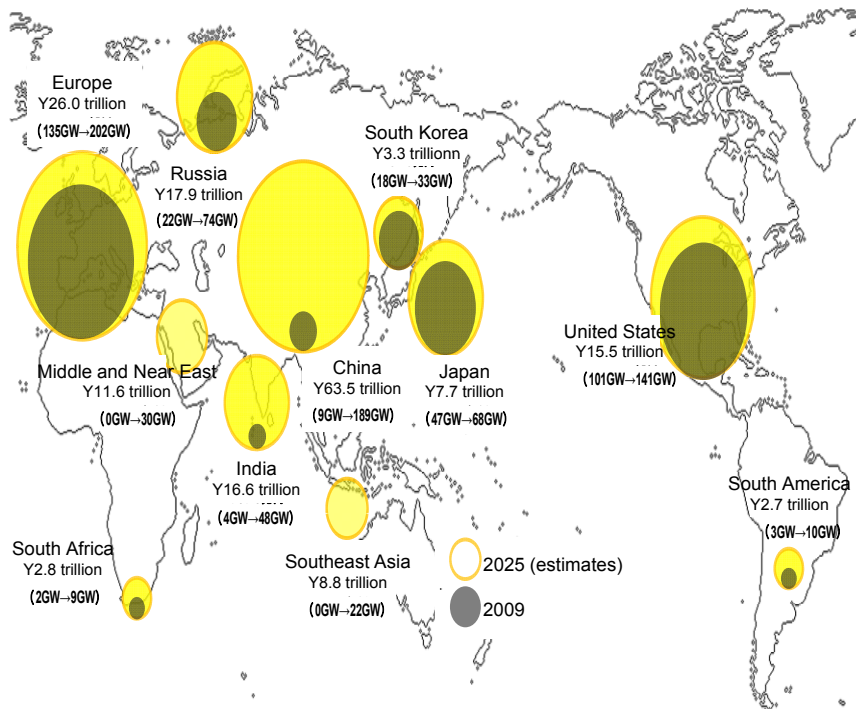
○ Japan should contribute to overseas development of infrastructure-related/system businesses.

Taking advantage in Japan's superior environmental technology in fields as water, nuclear power, railway, etc. with united efforts of the public and private sectors, such as summit-level diplomacy is important.

Demand for nuclear power generation is expected to expand rapidly in the future in China and India.

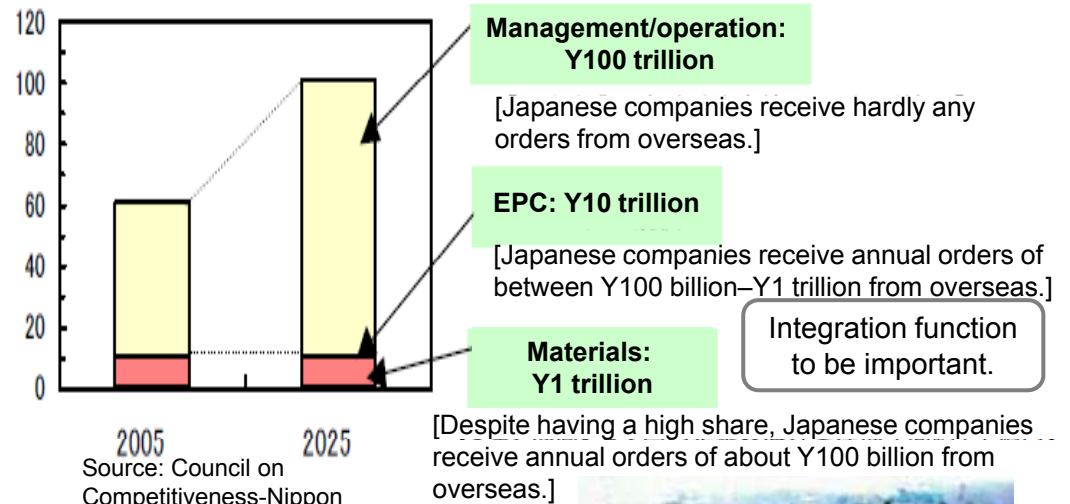
Demand for Nuclear Power Generation Expected by 2025

Development of system-type business is the key to gain share in water business market in the future.



Note: Upper figure is the value of the market that is expected to newly arise by 2025, which is estimated by METI on the assumption of Y400 billion/1GW (excluding plants under construction). Lower figures in parentheses are the expected installed capacity in 2025 and the current installed capacity (GW).
Source: Compiled using data for January 2010, World Nuclear Association (WNA).

Prospects for the Size of the World's Water Business Market



3.2 Create a Favorable New Balance of "Domestic and Foreign Demand"

3.2.1 Facilitate the flow of human resources, goods, capital, and knowledge (1)

○ Amid the economic globalization trend, Japan's relative status in terms of "human resources," "industrial infrastructure," etc. has declined. It is important to facilitate the flow of competent human resources, physical logistics, and investment.

Japan ranks 137th in the world in TOEFL scores.

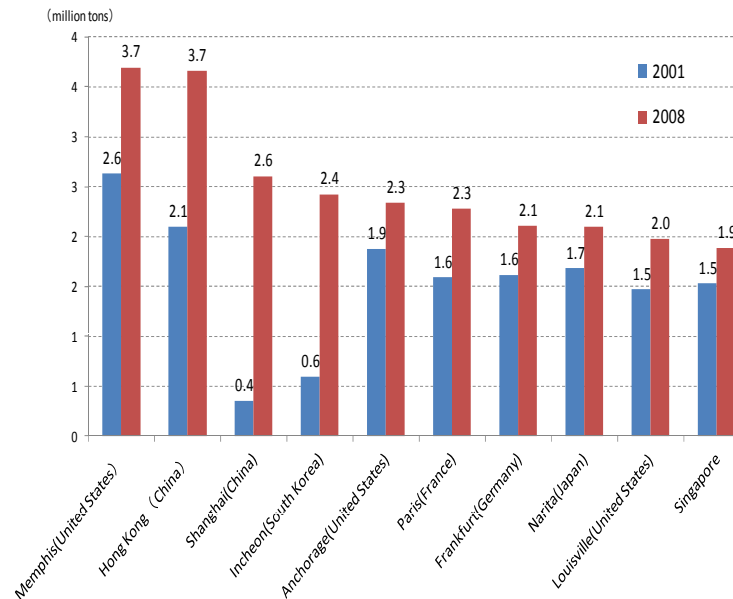
World TOEFL Score Ranking

Rank	Country	Score
1	Denmark	102
2	Netherlands	102
3	Austria	100
4	Singapore	100
5	Belgium	98
6	Slovenia	98
7	South Africa	98
8	Finland	97
9	Germany	97
10	Portugal	97
93	South Korea	78
99	China	76
137	Japan	66

Source: Compiled from ETS reports.

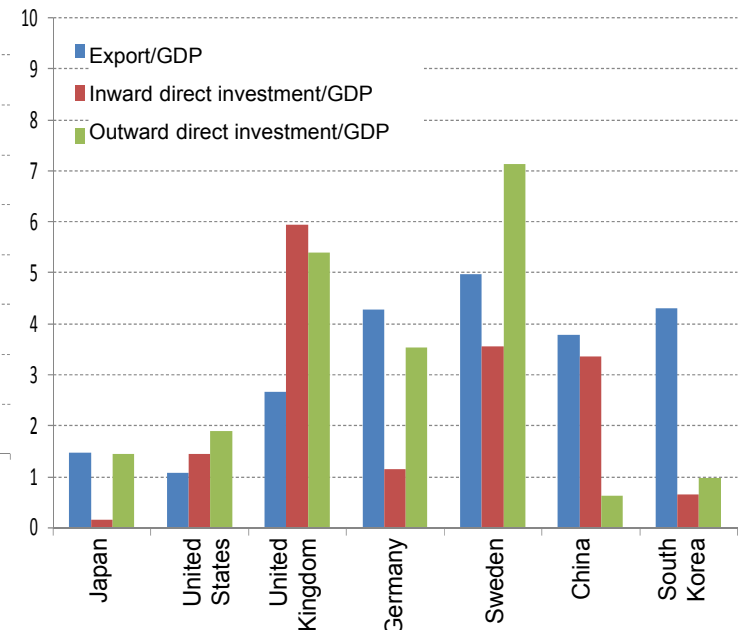
Hong Kong, Shanghai, and Incheon International Airports are handling more freight volume than Narita International Airport.

Freight Handling Volumes in International Airports



Japan's inward direct investment and outward direct investment are both low.

Exports and Direct Investment as a Percentage of GDP (Average for 2004 to 2008)



Source: Compiled from World Bank "World Development Indicators."

3.2.1 Facilitate the flow of human resources, goods, capital, and knowledge (2)

- Japan should raise its status as Asia's high value-added base by increasing incentives for site location and drawing in momentum from overseas.
- It is important to increase incentives to locate in Japan (corporation tax rate, etc.).
- Also, efforts should be made to achieve growth based on innovation and knowledge-based economy by further developing intellectual property infrastructure, etc. (APEC Growth Strategy).

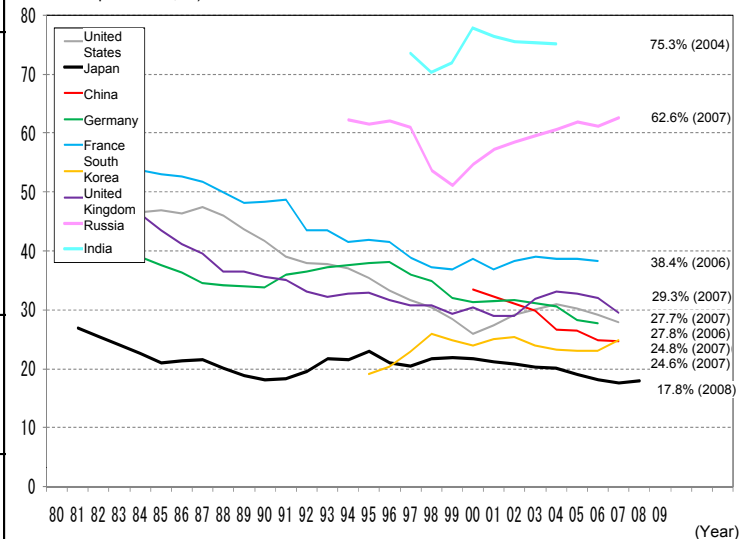
South Korea and Singapore are powerfully implementing activities to attract foreign companies.

Share of government burden in R&D expenditures is low in Japan.

	South Korea	Singapore	Japan
Corporation tax	24.2% (22% from FY2012)	17%	40.69%
Preferential tax treatment (other than for R&D)	<ul style="list-style-type: none"> ○ Exemption of foreign companies in strategic fields from corporation tax (for five years after earning income: 100%; for two years: 50%) :Applied to foreign companies with advanced technology and investments in foreign investment zones. ○ Exemption of foreign engineers from income tax (for two years: 50%) * Until FY2009, the exemption was 100% for five years. 	<ul style="list-style-type: none"> ○ Exemption of technology innovation companies from corporation tax for up to 15 years (pioneer status) ○ Exemption of headquarters from corporation tax <Regional headquarters>: A 15% corporation tax rate applied for three years. <International headquarters>: A 0-10% corporation tax rate applied through individual consultation with the Singapore Economic Development Board (EDB). ○ Those with special resident tax status are only taxed for the salary income portion during the stay in Singapore. 	<ul style="list-style-type: none"> ○ No tax incentives for attracting foreign companies.
Subsidies	<ul style="list-style-type: none"> ○ Subsidies for attracting foreign companies (cash support system) :Granted to foreign companies satisfying certain requirements; Grant negotiated between the granting organization and the company for investments having a large economic effect 	<ul style="list-style-type: none"> ○ Subsidies for human resources development, etc. of target companies :Subsidies are granted to companies conducting R&D, companies headquartered in Singapore, etc. on such conditions as a plan to increase employment of engineers. 	<ul style="list-style-type: none"> ○ 2009 amendment: subsidies for programs to promote siting of low-carbon job-creating industries
Immigration procedure such as visa	<ul style="list-style-type: none"> ○ High-level engineers can acquire permanent residence status in three years. ○ Online visa procedure (issued within one week) 	<ul style="list-style-type: none"> ○ Acceptance of foreign-nationality nannies ○ Business managers can accompany their parents. 	<ul style="list-style-type: none"> ○ Permanent residence status can be acquired in ten years. ○ Requirements for accepting domestic workers are strict. ○ Only dependent spouse and children can stay in Japan as family members.

Share of Government Burden in R&D Expenditures

(Share of government burden in R&D expenditures, %)



Source: Ministry of Internal Affairs and Communications "Survey of Research and Development" (figures for Japan); OECD "Main Science and Technology Indicators" (January 2009) (figures for India); and UNESCO Institute for Statistics S&T database (figures for other countries).

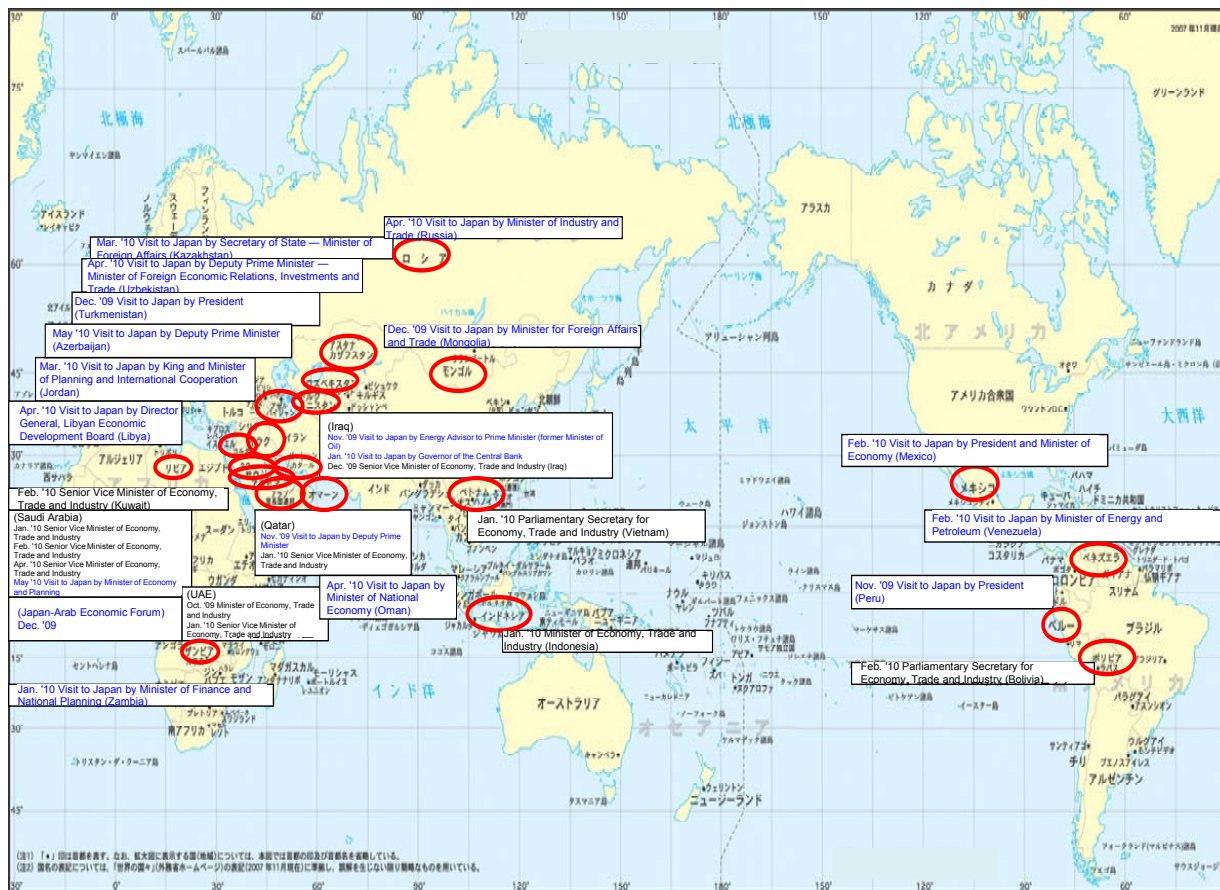
Note: Figures for South Korea exclude R&D in the fields of humanities and social science. The 2007 figures for the United States and the United Kingdom, and the 2006 figures for France are provisional.

3.2.2 Strengthen multilayered relationships with resource-rich countries

- Develop a growth basis that extends to fields beyond resources needed by resource-rich countries .
- Public-private collaborative efforts should be promoted toward building multilayered cooperative relationships by responding to the resource-rich countries' needs, by such means as industrial cooperation, including human resources development and educational and cultural interchanges.

Summit –level diplomacy with resource-rich countries

Japan-Arab Economic Forum



Note: Indications in black denote visits by Japan, and those in blue denote visits to Japan.
Source: Compiled by METI.



- Japan and Arab countries held the first meeting in December 2009 with the aim of deepening a mutual partnership through business promotion and strengthening of economic ties.
- About 1,200 participants attended the meeting from the public and private sectors of the respective countries.
- In business sessions, active discussions were made on specific cooperation measures in the fields of water resources and photovoltaic generation.

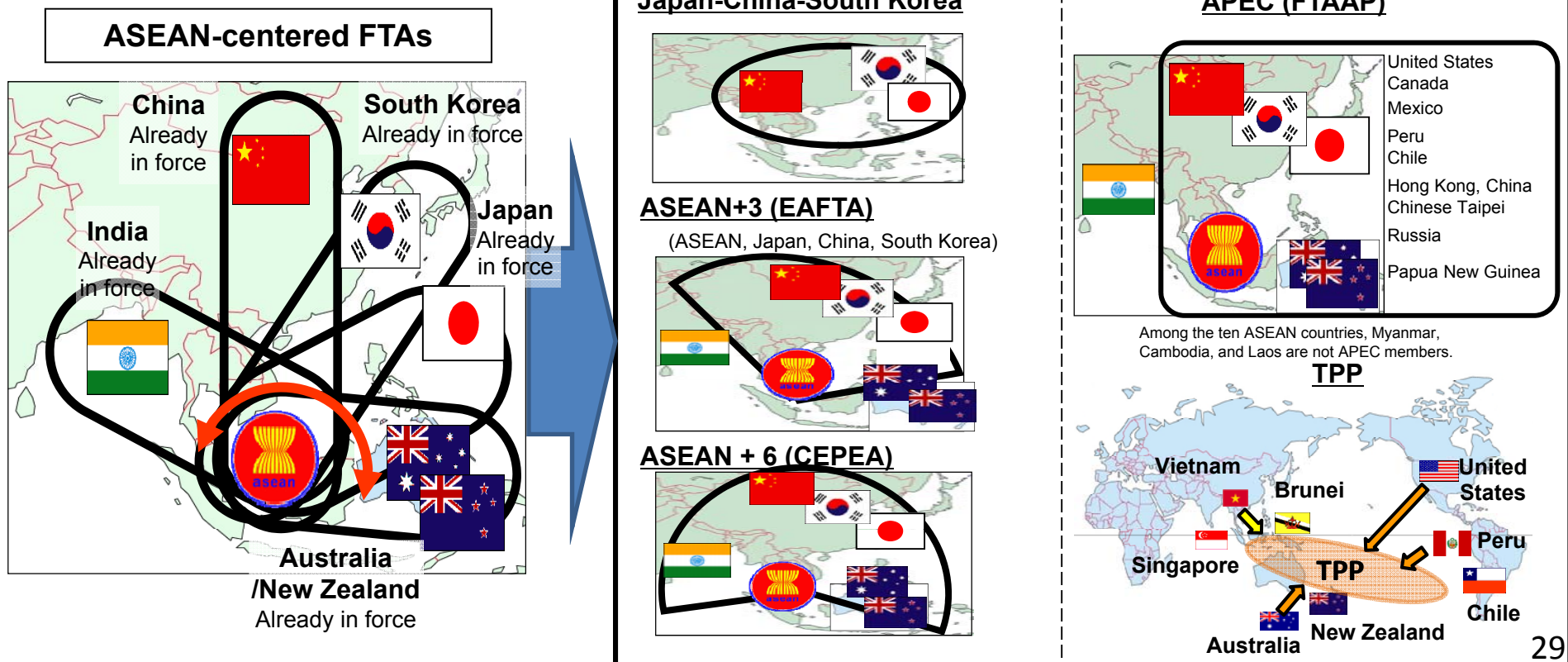
3.3 Contribute to Development of Global Economic Frameworks

3.3.1 Actively promote of EPA/FTA and regional economic integration

○ East Asia is developing as the world's factory as well as the market. East Asian economic integration, which would further promote regional specialization and expand the market, is the key to future growth.

○ Important to open up Japan by actively promoting EPA/FTA (Japan-China-South Korea, CEPEA [ASEAN+6], etc.), while giving consideration to domestic industries.

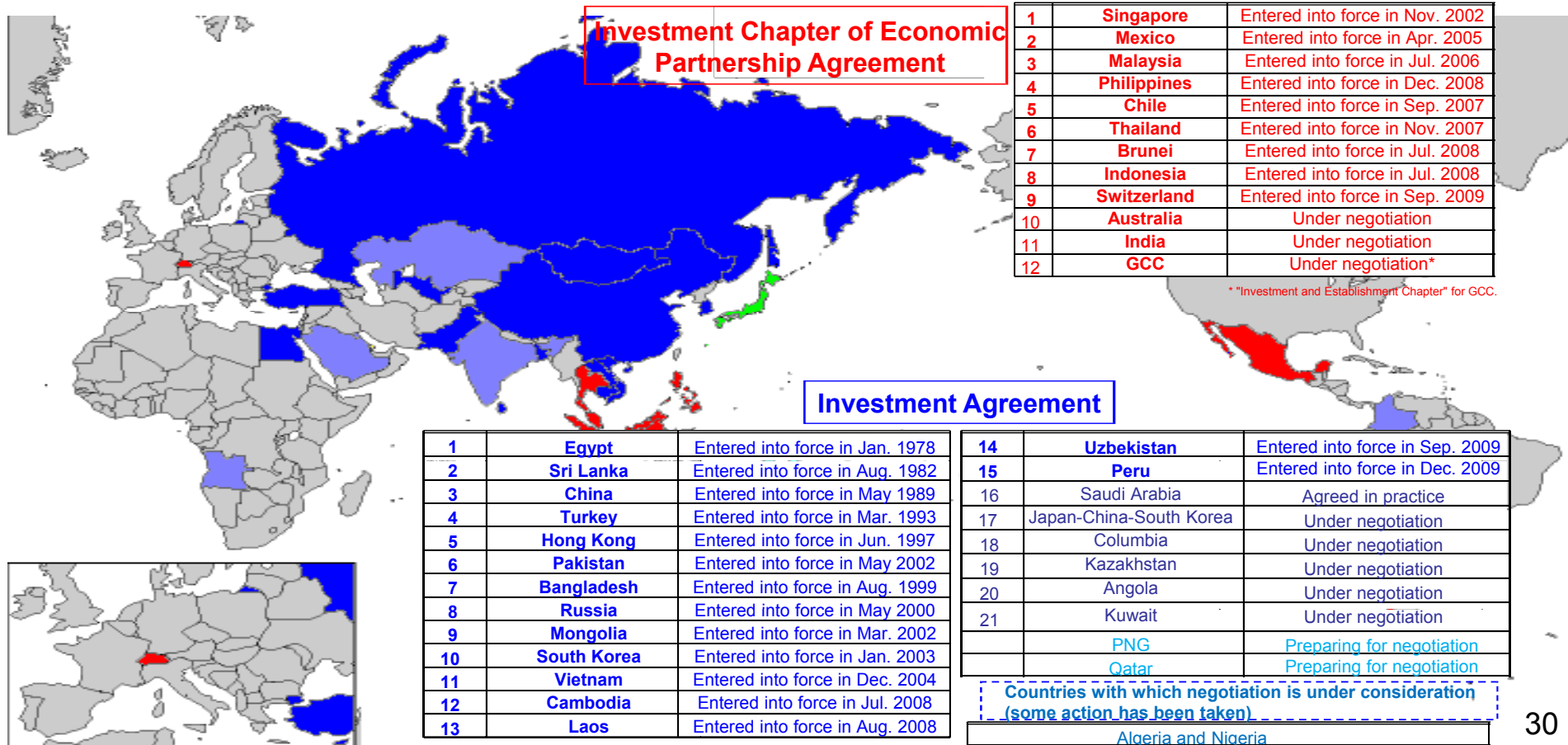
Wide-area economic integration efforts



3.3.2 Improvement of market environment through conclusion of investment agreements, tax agreements, and social security agreements

- For global business expansion of Japanese companies, developing appropriate business environment is essential.
- To promote Japanese companies' expansion to overseas, conclusion of investment agreements, tax agreements, social security agreements, etc. is important.

Current status of Japan's investment agreements



3.3.3 WTO's activities

(Respond to post-crisis protectionism, promotion of the Doha Round)

- The WTO is effectively functioning against movements toward protectionism after the world economic crisis.
- It is important to counter protectionism by using the dispute settlement system and other systems of the WTO, and to promote Doha Round negotiations toward trade liberalization.

Recent progress in Doha Round negotiations

Jul. 9, 2009 L'Aquila G8 Summit

- Commitment was made to an ambitious and balanced conclusion of the Doha Round by 2010.



Sep. 3 and 4 India-hosted informal WTO ministerial meeting

- Participants agreed on the need to conclude the Doha Round by 2010.

Sep. 24 and 25 G20 Pittsburgh Summit

- Participants agreed to seek an ambitious and balanced conclusion by 2010.
- The status is to be evaluated by early 2010.

Nov. 14 and 15 APEC Economic Leaders Meeting (Singapore)

- Participants reaffirmed the need for an ambitious and balanced conclusion by 2010 based on the progress achieved to-date, including a regard toward modalities.

Nov. 30 to Dec. 2 Seventh WTO Ministerial Conference (Geneva)

- Participants reaffirmed conclusion of negotiations by 2010. The current status is to be evaluated in the first quarter of next year.

Jan. 30, 2010 Informal Ministerial Meeting (Davos)

- Commitment is to be made on what is presently on the negotiation table.
- Senior officials are to work on preparation for evaluation of the progress.

Meetings of senior officials are held every month in Geneva.



Example of rectifying foreign governments' policies and measures that violate the WTO Agreement

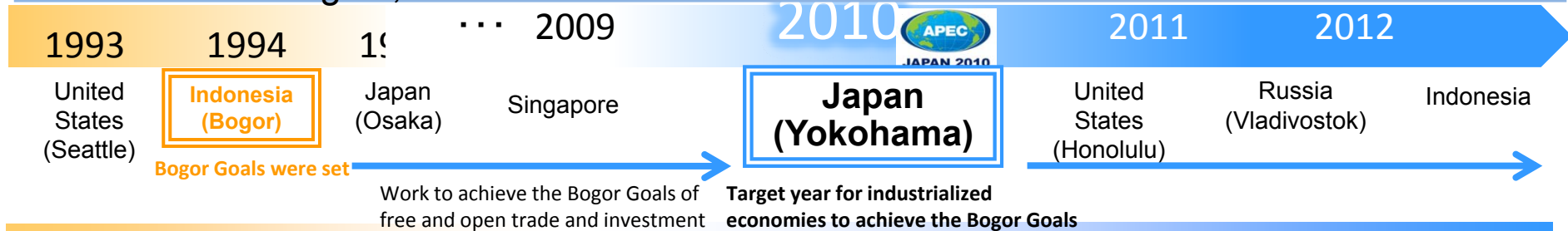


Abolition of special additional duty on import goods (India)

- The Indian government had imposed a "special additional duty" on all import goods.
- Japan announced its concerns that the duty violated the WTO Agreement in EPA negotiations and various conferences.
- In December 2009, the Japan-India Business Co-operation Committee submitted a written demand to the Indian Minister of Finance.
- On February 27, 2010, India announced that it would abolish the special additional duty on major items for which Japan demanded the abolition. Most of the problems were resolved.
- Japan is still demanding the Indian government to abolish the duty for those items including automobiles that are still subject to the duty.

3.3.4 Efforts for the Japan-chaired APEC2010

○By effectively using this year's APEC meetings, for which Japan serves as the host economy, Japan should link its own growth strategy with the growth strategy of the Asia-Pacific region, and aim to realize an Asia-Pacific free trade area.



Globalization accelerates

- International trade and investment expand
- Asia's trade surplus expands



Trade friction intensifies

- Asian-Western confrontation
- Growing concern that the world economy may be divided into blocks



Long-Term Vision is adopted

“The Bogor Goals”

: Achieve free and open trade and investment in the Asia-Pacific (Industrialized economies by 2010, developing economies by 2020)



Interdependence increases

- Emerging economies' rapid growth increases their global stature.
- Global crisis emerges from growing global imbalances.



The public questions globalization's role as the growth engine

- Political and other movements to buy domestic products increase
- Energy and environmental constraints, various disparities weigh in



Assignments for 2010

- (1) Assess the progress towards the Bogor Goals
- (2) NEW VISION
 - Deepen Regional Economic Integration
 - Formulate the Growth Strategy
 - Enhance Human Security



(Reference) APEC Japan 2010 Meetings

○ Japan is chairing APEC meetings in 2010.

(for the first time in 15 years since APEC Osaka; the United States will chair in 2011)

○ In addition to the APEC Economic Leaders Meeting, ministerial meetings on trade, energy, SMEs, and ICT will be held.

APEC Japan 2010 Symposium
(Dec. 9-10 2009, Tokyo)

ISOM
(Dec. 11 2009, Tokyo)

SOM I and Related Meetings
(Feb. 22-Mar. 7, Hiroshima)

Extraordinary SOM
(Apr. 20-21, Tokyo)

SOM II and Related Meetings
(May 26-Jun. 4, Sapporo)

Meeting of Ministers Responsible for Trade
(Jun. 5-6, Sapporo)

Energy Ministerial Meeting
(Jun. 19-20, Fukui)

Growth Strategy High-Level Policy Round Table
(Aug. 7-8, Beppu)

SOM III and Related Meetings
(Sep. 15-26, Sendai)

Tourism Ministerial Meeting
(Sep. 22-23, Nara)

SME Ministerial Meeting
(Oct. 2-3, Gifu)

Ministerial Meeting on Food Security
(Oct. 16-17, Niigata)

Ministerial Meeting on Telecommunications and Information Industry
(Oct. 30-31, Nago)

Finance Ministers' Meeting
(Nov. 6, Kyoto)

CSOM
(Nov. 7-8, Yokohama)

APEC Ministerial Meeting
(Nov. 10-11, Yokohama)

APEC Economic Leaders' Meeting
(Nov. 13-14, Yokohama)

(ABAC)
(Nov. Yokohama)
(CEO Summit)
(Nov. Yokohama)
(SME Summit)
(Nov. Yokohama)

