

White Paper on International Economy and Trade 2013 [Outline]

June 2013

Ministry of Economy, Trade and Industry

White Paper on International Economy and Trade 2013 [Outline]

1. White Paper on International Economy and Trade

- A non-statutory white paper published as an annual report concerning Japan's external economic policy
- This year's white paper is the 65th annual report since the first publication in 1949.

2. Major points and composition of the white paper

- Analyze the effects of initiatives to acquire foreign demand from rapidly growing emerging markets (outbound initiatives) and initiatives to attract excellent human resources and companies to Japan (inbound initiatives) in improving Japan's productivity, and indicate the future course of Japan's international business development

《Composition》

Part I Productivity Improvement and International Business Development

Chapter 1 Japan's Current Productivity in Comparison with Other Countries

Chapter 2 Roles of International Business Development in Improving Productivity

Part II Future Course of Japan's International Business Development

Chapter 1 Promotion of Economic Partnerships

Chapter 2 Acquisition of Growing Markets (Emerging Market Development)

Chapter 3 Support for Industries and Companies with the Potential to Expand Business Overseas

Chapter 4 Acceptance of Excellent Human Resources and Companies from Overseas

Part III Trends in the World Economy

Chapter 1 Outline—World Economy still Showing Fragile Recovery despite the Mitigation of Serious Risks—

Chapter 2 Trends in Major Countries and Regions

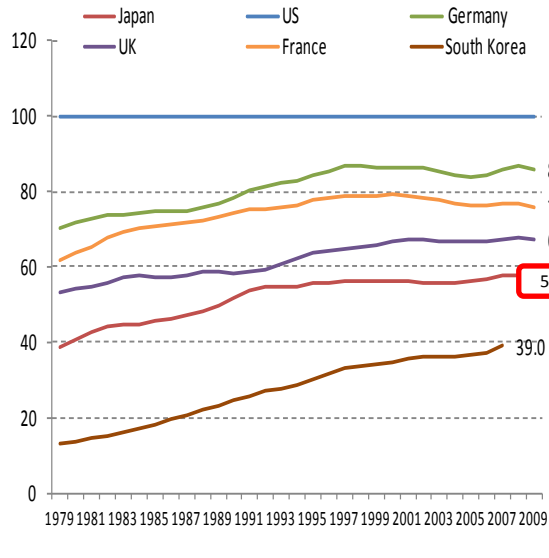
Chapter 3 Trends in Japan's International Trade and Investment

Japan's Current Productivity in Comparison with Other Countries (1)

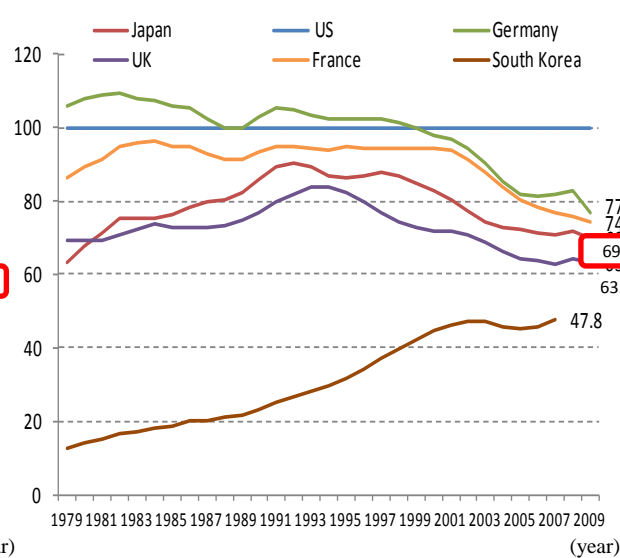
- In comparison with other countries, Japan's productivity, which is one of the significant factors for attaining medium- and long-term economic growth, is as low as around 60% of that in the United States and is also lower than that in Germany, France, and the United Kingdom.

Comparison of labor productivity (US=100)

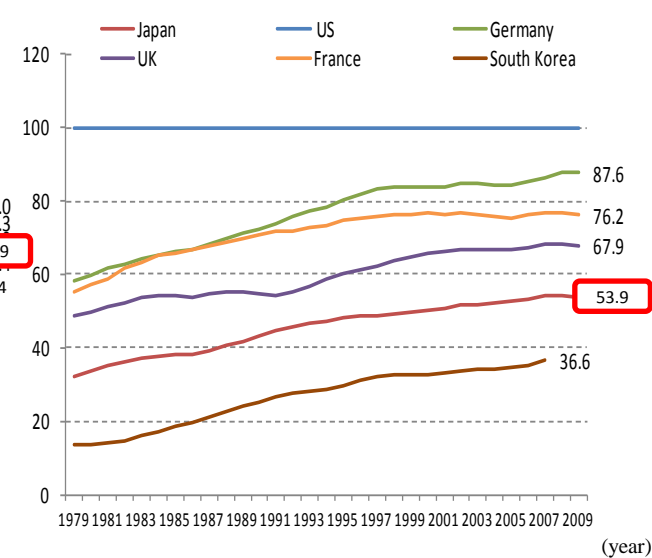
(All industries)



(Manufacturing)



(Non-manufacturing)



Note: Figures are 3-year backward moving averages.

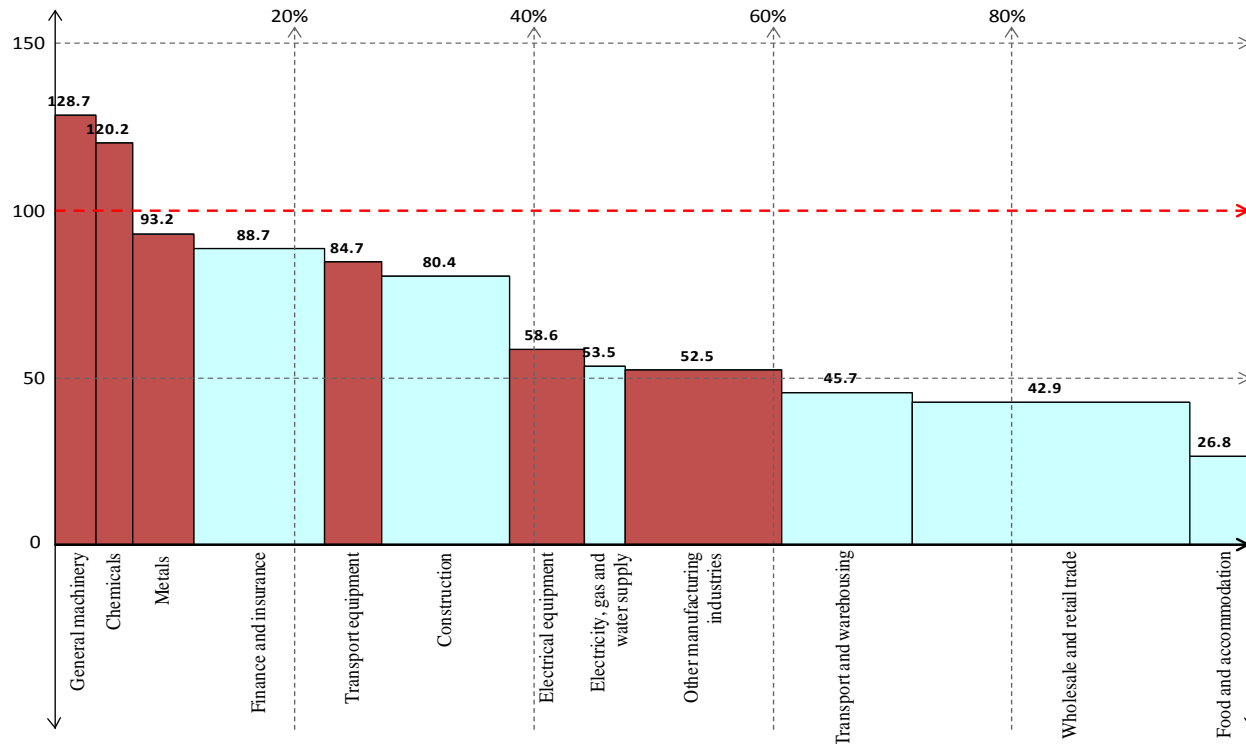
Source: Created based on "EU KLEMS"

Japan's Current Productivity in Comparison with Other Countries (2)

- In Japan, sectors with high productivity account for only a small portion in the overall economy, while those with low productivity account for a much larger portion.

Japan's productivity and value-added share by industry

Vertical axis: Labor productivity level (US=100)
(Average between 2003 and 2007)



*Transport equipment includes airplanes, ships, and train cars. Only comparing the automobile industry, the labor productivity level improves to 106.1 against the US level.

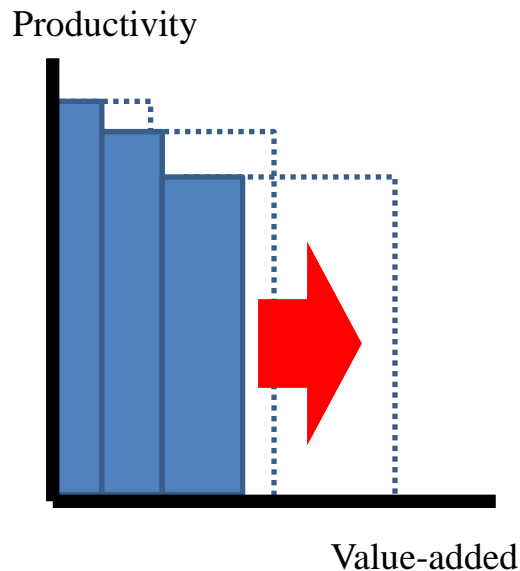
Horizontal axis: Added value share
(Average between 2003 and 2007)

Note: Manufacturing industries are shown in red and non-manufacturing industries in blue.
Source: Created based on "EU KLEMS"

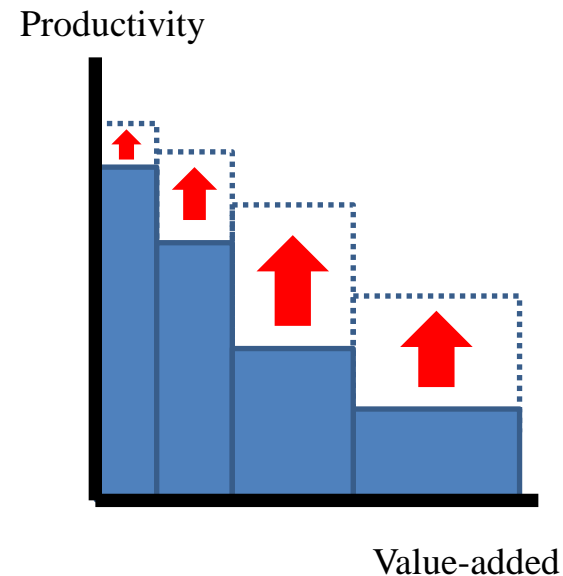
Japan's Current Productivity in Comparison with Other Countries (3)

- The overall productivity may be improved by (i) expanding economic activities of the sectors with relatively high productivity and (ii) having all sectors comprising the Japanese economy improve their productivity.
- In order to expand economic activities of highly-productive sectors, it is important to promote economic partnerships and strategically approach emerging countries to attract overseas demand. Furthermore, promoting innovation in Japan by actively incorporating excellent overseas human resources and companies is also vital for improving productivity in each sector.

Expansion of economic activities of highly-productive sectors



Increase in productivity in each sector

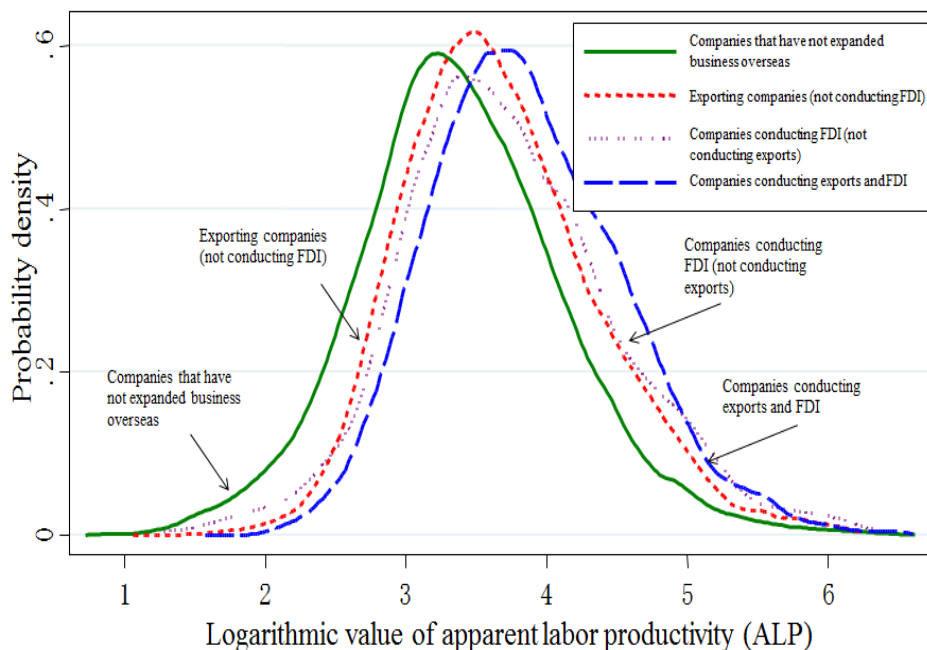


Roles of International Business Development in Improving Productivity

(Roles of Overseas Business Expansion in Improving Productivity (1))

- If highly-productive companies that have already expanded business overseas (conducting exports and/or FDI) and those that are highly-productive but have yet to expand business overseas make further efforts to improve and maintain their high productivity and expand business size by attracting foreign demand, such efforts will surely contribute to pushing up Japan's productivity as a whole.

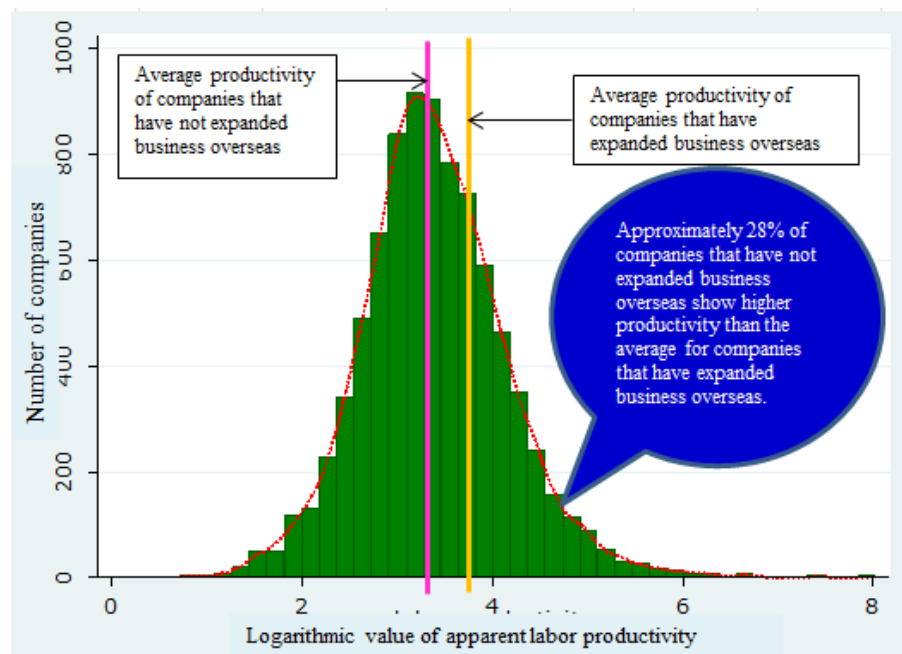
Expansion of business sizes of highly-productive companies that have expanded business overseas will push up Japan's productivity as a whole



Note: Apparent labor productivity (ALP) stands for sales per worker. This chart shows the respective distribution of ALP for companies that have not expanded business overseas, exporting companies (not conducting FDI), companies conducting FDI (not conducting exports), and companies conducting both exports and FDI.

Source: Created based on "Basic Survey of Japanese Business Structures and Activities," Ministry of Economy, Trade and Industry

Labor productivity of companies that have not expanded business overseas (manufacturing companies with 50 or more employees)



Note: Labor productivity is calculated as sales per worker.

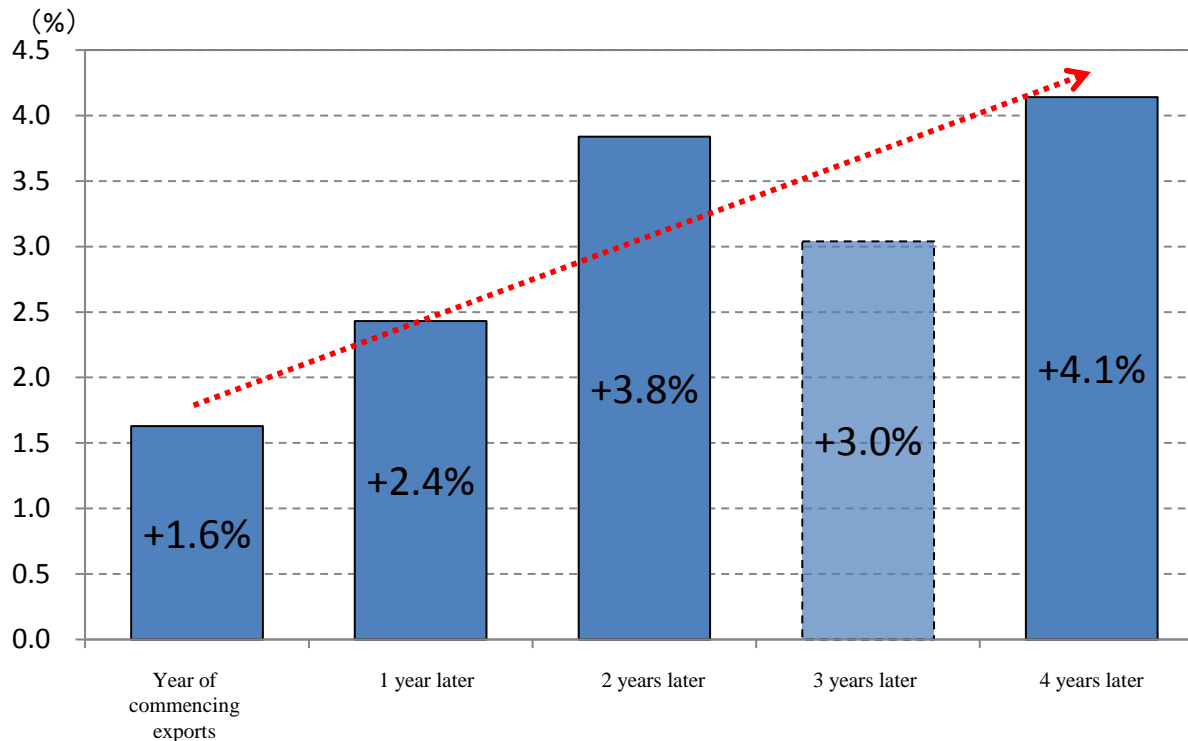
Source: Created based on "Basic Survey of Japanese Business Structures and Activities," Ministry of Economy, Trade and Industry

Roles of International Business Development in Improving Productivity

(Roles of Overseas Business Expansion in Improving Productivity (2))

- Companies that commenced exports to North America and Europe generally continue to show improvements in their productivity for four years after commencing exports due to the learning effect in highly-sophisticated markets.
- As emerging markets become more and more developed, companies may be able to learn from exports to those emerging markets as well.

Positive effects of commencement of exports to North America and Europe on growth of total factor productivity (TFP)



Note: The coefficient for “3 years later” is not statistically significant.

Source: Created based on “Analysis of Learning-by-Exporting Effects: Interaction between Commencement of Exports and Innovative Activities,” (in Japanese)Keiko Ito, 2011

Roles of International Business Development in Improving Productivity (Roles of Overseas Business Expansion in Improving Productivity (3))

- The following is an example of a company that could have successfully improved its productivity due to learning effects through competition in overseas markets.

OOPTOELECTRONICS Co., Ltd.

- OPTOELECTRONICS manufactures and sells bar code readers. In 1984, eight years from its foundation, the company established a local subsidiary in the United States, the home of bar code technology, and commenced overseas business expansion in earnest.
- At that time, major bar code readers in Japan were CCD scanners, while laser scanners were common in Western countries. Through business expansion to the United States, the company succeeded in specializing in laser scanners.
- In the United States, while competing with Symbol Technologies, Inc. (Motorola, Inc. at present), which held overwhelming market shares at that time, OPTOELECTRONIC made efforts to understand customers' needs, promoted research and development, and increased value-added through improving technologies and the quality of the laser module scan engine, thereby having succeeded in improving productivity.
- Then, in 1989, the company commenced business in Europe and developed even higher value-added products. The company succeeded in further improving productivity and achieved the level to match Symbol Technologies, Inc. in European markets.
- As a result, the company's laser module scan engine now has the second largest share in the world market and the top share in the domestic market (over 90%).

Photo: Handy laser scanner

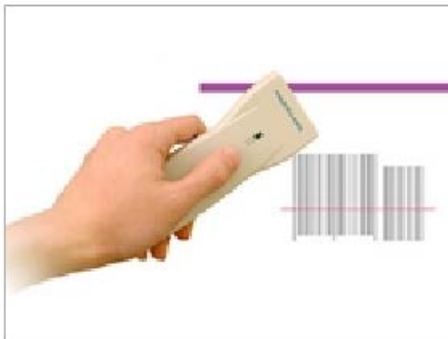


Photo: Laser module scan engine

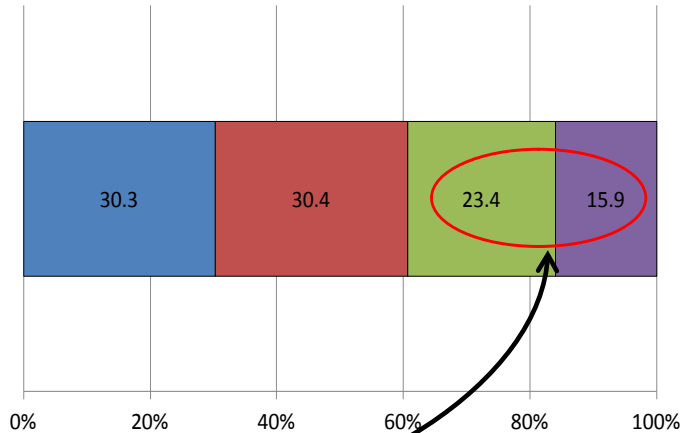


Roles of International Business Development in Improving Productivity (Potential of SMEs (1))

- Out of the leading medium-sized and small and medium-sized enterprises (hereinafter SMEs) that have not expanded business overseas, 40% are positive about overseas business expansion. Furthermore, around 60% of SMEs consider that their own products would be accepted in world markets.

Evaluation of forecast of overseas sales in five years among the total sales (on a consolidated basis) (SMEs that have not expanded business overseas)

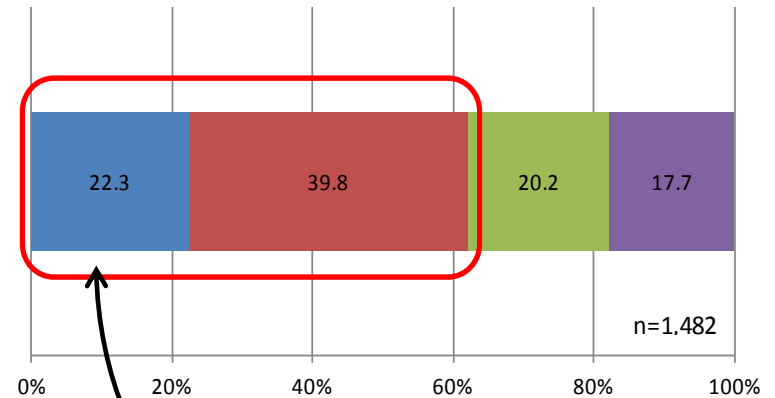
■ Satisfied ■ Somewhat satisfied ■ Somewhat dissatisfied ■ Dissatisfied



40% of SMEs are positive about overseas business expansion.

Do you think that your company's own products and services are accepted in world markets? (SMEs)

■ Positive ■ Somewhat positive ■ Somewhat negative ■ Negative



Around 60% of SMEs consider that their own products would be accepted in world markets.

Source: Created based on "Questionnaire Survey on Japanese Companies' Overseas Business Strategy for Discussing Trade Policy" (2013), Teikoku Databank, Ltd.

Source: Created based on "Questionnaire Survey on Japanese Companies' Overseas Business Strategy for Discussing Trade Policy" (2013), Teikoku Databank, Ltd.

➤ Japan also has SMEs that hold excellent technology and business models.

(i) Nippon Kodoshi Corporation

The world's top manufacturer of condenser separators (approx. 60% of the world-market share) with 431 employees

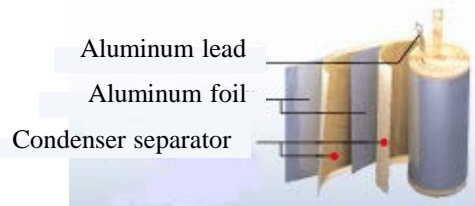
<Overseas business expansion>

- The company was founded in 1941 and commenced exports in 1963, delivering its products to famous Japanese-affiliated manufacturers as well as to Chinese, Korean and European manufacturers. The company has its overseas subsidiary only in Malaysia.

<Specialization of products and R&D>

- The company specializes in manufacturing condenser separators. During the era of high growth in Japan, other paper manufacturers started mass production of cardboard and other paper products, but Nippon Kodoshi Corporation focused on separators, a niche area with small market size, specializing in the manufacture of special separators in response to requests from home appliance manufacturers.
- Under the principle advocated by the former chairman, "Do not compete with rival companies. Compete with customers," the company has developed high-quality products exceeding customers' expectations. Through such product specialization strategy and steady R&D activities, the company has grown to boast an overwhelming share in the manufacture of condenser separators.

Photo: Condenser separator



(i) MAYEKAWA MFG. Co., Ltd.

A company whose major business is cooling engineering, engaged in the manufacture and sale, etc. of refrigerators for industrial use, with 2,200 employees

<Overseas business expansion>

- The company was founded in 1924 and commenced exports in 1961. The company established a plant in Mexico, which was its first overseas business base, and now has 86 bases in 34 countries.

<High-quality products and high-value added services>

- Mayekawa provides high-quality refrigerators for industrial use to a wide range of customers, including seafood processing companies, low temperature distributors, agriculture and livestock companies, beverage companies, and dairy companies, having the world's top share (approx. 35%) in this field and boasting over 80% of the world-market share in the manufacture of cooling equipment for refrigerated ships.
- The company's products are high-quality, long-lasting and extremely strong, showing high durability.
- The company also places importance on high-value added services, not only providing prompt after-sales services to deliver parts swiftly by deploying service staff to numerous locations, but also investigating causes of troubles and presenting improvements to prevent recurrences of troubles.

Photo: Highly-efficient natural coolant refrigerator



Roles of International Business Development in Improving Productivity (Potential of SMEs (3))

- German SMEs, called Mittelstand, are representative examples of leading medium-sized enterprises. They are succeeding in the world market with their excellent business models ((i) specializing in specific goods and services, (ii) positively attracting overseas demand, and (iii) meeting customer's needs through after-sales services).

<Strategic characteristics of Mittelstand>

○Specialization of products

- Companies avoid competition in competitive fields, but specialize in a specific field and aim to be the leader in that field.

“Don't dance where the elephants play.”

(Slogan liked by Mittelstand)

“We only focus on one thing, but we do it better than anyone else.”

(Flexi (dog lead manufacturer))

○Globalization

- Companies try to ensure business size in specialized markets by positively exporting products and expanding business overseas.
- Exporting companies account for a large portion in SMEs in Germany.

○Emphasizing direct sales and after-sales services

○Emphasizing brands and quality

○Innovation and R&D investment

○Long-term relationship with employees

Rational

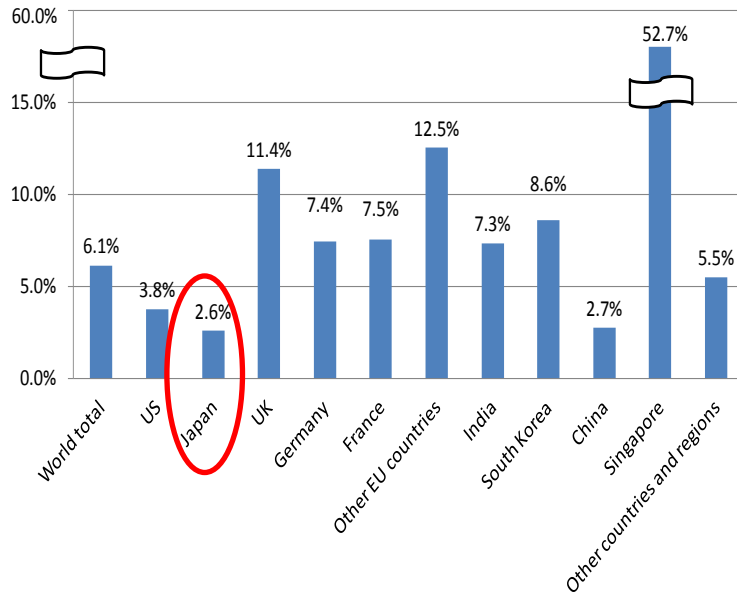
- Rational AG is a German company that manufactures and sells cooking ovens for business use. The company commenced overseas business in around 1991 and now sells products in over 100 countries around the world, having 54% of the world-market share.
- In order to fully understand customers' needs, the company employs 250 staff who have worked as chefs and has them engage in marketing, application study, and consulting activities, thereby providing services from the customer's viewpoint and ensuring prompt responses through such service network when any problem occurs.
- The company succeeded in developing differentiated products by adopting requests from chefs across the world and manufactures many of its products in various versions covering 56 languages, accompanying recipes.
- Production and development are carried out in Germany.



Roles of International Business Development in Improving Productivity (Potential of the Services Industry (1))

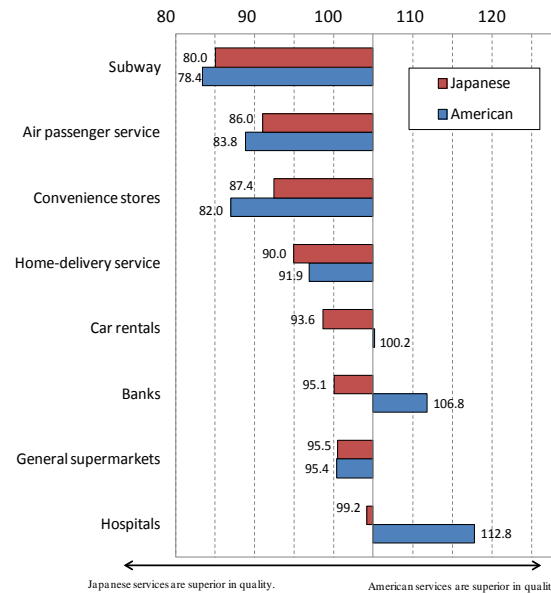
- The service industry is relatively delayed in overseas business expansion.
- A questionnaire survey comparing the quality of services provided in Japan and the United States shows that the quality is generally higher in Japan but that some fields of Japanese service industry are comparatively costly. As there are some fields where companies are providing highly evaluated services both in terms of quality and price, the Japanese service industry may successfully attract overseas demand in such fields.

Nominal GDP ratio of service exports around the world (2010)

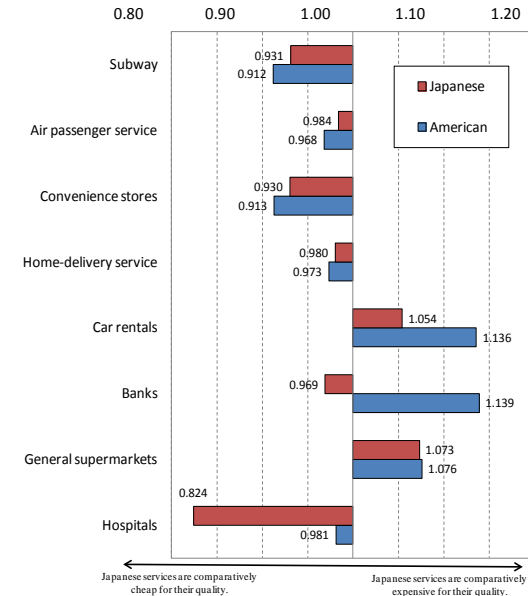


Source: Created based on “World Development Indicators (WDI),” the World Bank

Comparison of service items between Japan and the US (Japan =100)



Comparative service prices in terms of quality



Note: Left chart: Survey on scores of the quality of services provided in the United States, assuming the quality of Japanese services to be 100 [Valid responses: 555 (Japanese) and 500 (Americans)]
 Right chart: Calculate the differences in prices to be paid for receiving services of the same level in Japan and the United States [below 1.00: Japanese services are comparatively cheap; 1.00: Japanese services are about the same price; above 1.00: Japanese services are comparatively expensive]
 Source: Reprinted from “Results of Japan-US Comparison on Quality Differences in the Same Service Field,” Service Productivity & Innovation for Growth (March 31, 2009)

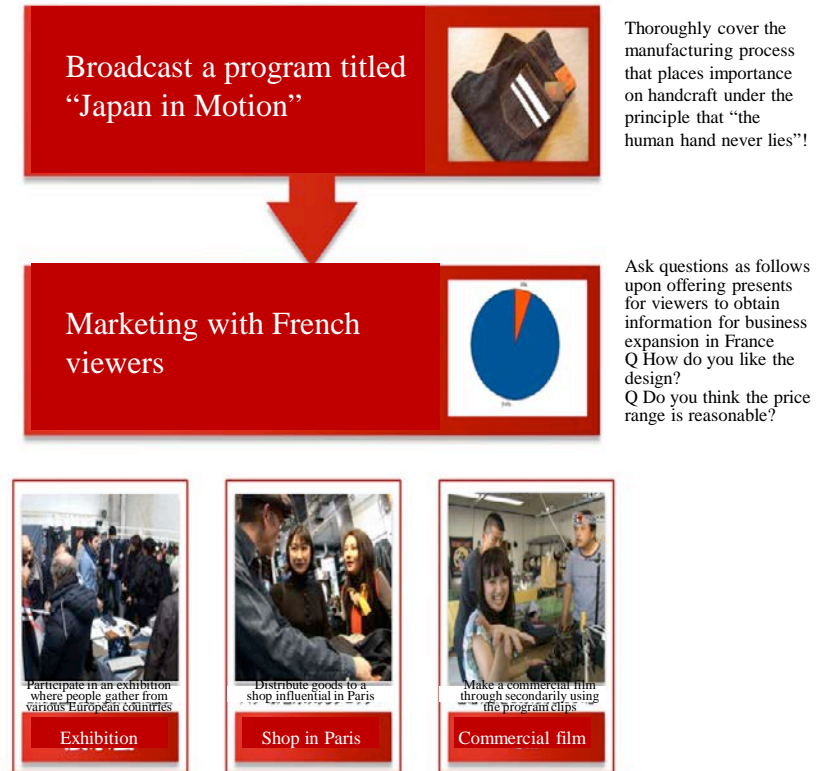
- As a case of a service industry that has increased export of goods and has also affected overseas business expansion of other industries, there is a company that has succeeded in increasing sales by providing information on Japanese traditional culture, popular culture and cuisine on an overseas TV show.

OTSS Production, Inc. “Japan in Motion”

— Contributed to increasing overseas sales of Momotaro Jeans, etc. —

- A film production company, TSS Production, in Hiroshima obtained a 30-minute broadcast time (from 19:30 to 20:00 every Tuesday) on a French TV station, NOLIFE, and broadcasts a program introducing Japan, titled “Japan in Motion.”
- The program consists of three slots all approximately nine minutes long: an introduction to various sightseeing spots, cuisine, and festivals across Japan by Japanese idols; an introduction to J-pop album charts in France; and an introduction to Japanese popular culture and traditional culture.
- As a scheme, the company introduces goods in the program, conducts marketing on the program’s website by asking viewers about design, price, and other matters concerning goods, selects goods with strong potential, and makes improvements based on such opinions, and sells the goods at shops and exhibitions with the cooperation of the program.
- The company succeeded in having two major famous shops in Paris carry Momotaro Jeans that are newly developed based on questionnaire results and also presented them at exhibitions held in Paris. Through such efforts, sales channels for Momotaro Jeans expanded not only in France but also in other European countries and further in Asian countries.
- The company significantly contributed to increasing overseas sales of Momotaro Jeans and Otafuku Sauce through the program.

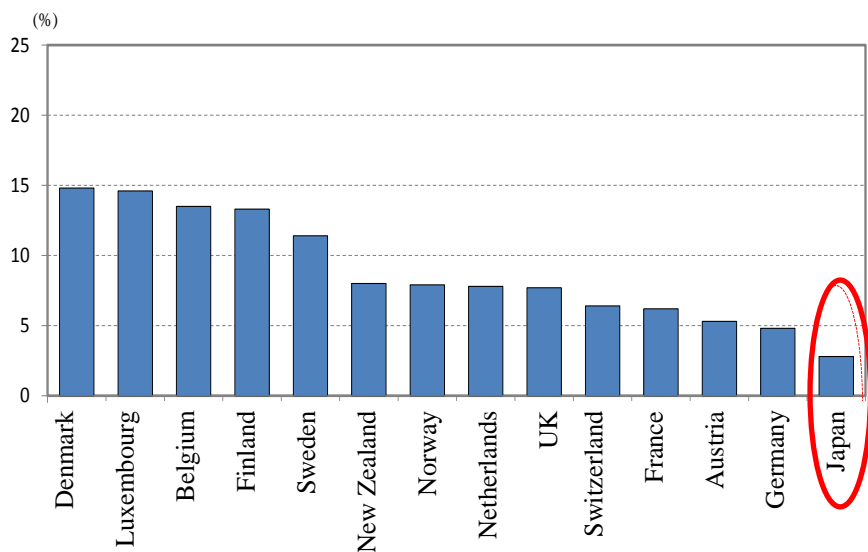
Scheme to increase sales of Momotaro Jeans



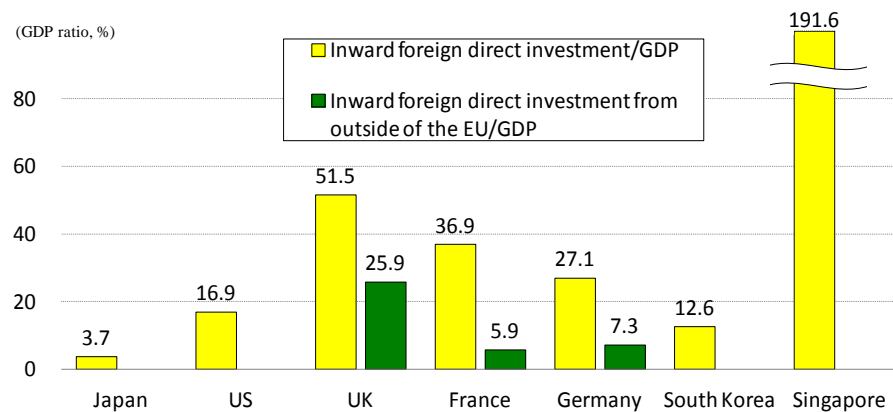
Roles of International Business Development in Improving Productivity (Acceptance of Excellent Human Resources and Companies from Overseas)

- It is important to positively accept excellent companies, human resources, and technologies from overseas to activate innovation in Japan with the aim of improving productivity.
- Only a small percentage of Japanese companies have adopted a strategy to cooperate on innovations jointly with foreign partners.
- Japan's inward foreign direct investment balance (against GDP) is low internationally, and Japan needs to make further efforts for attracting excellent companies, human resources, and technologies from overseas.

Only a small percentage of Japanese companies have cooperated on innovation activities with foreign partners.



Japan's inward foreign direct investment balance (against GDP) is low internationally



Note: Data for Singapore and for "Inward foreign direct investment from outside of the EU/GDP" are all those as of the end of 2010. Data for others are all those as of the end of 2011.

Source: Created based on the following data
 <FDI (book value)> Japan: "Statistics on Foreign Assets and Liabilities," Ministry of Finance; UK, Germany, South Korea, and Singapore: "International Financial Statistics," IMF; US: "Survey of Current Business," Department of Commerce; France: "French Balance of Payments and International Investment Position," Bank of France
 <GDP and exchange rate> "International Financial Statistics," IMF

Note: 1. Data are for 2006 to 2008 for Japan, 2003 to 2005 for Switzerland, 2003 to 2005 for New Zealand, and 2002 to 2004 for the others.

2. The used data are the Second Innovation Survey for Japan, and the OECD report, "Innovation in Firms (2009)," for the others.

3. The above surveys, which are the sources of the used data, define the term "innovation activities" as activities for achieving production innovation and process innovation.

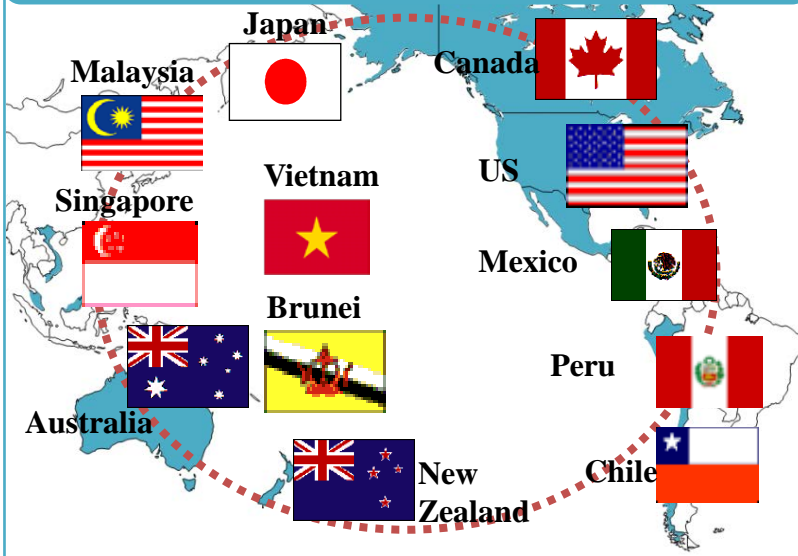
Source: Created based on "Current Status of Innovation in Japan through International Comparison," Kohei Nishikawa and Hiroshi Ohashi (2010), Discussion Paper No. 68, September 2010, National Institute of Science and Technology Policy, Ministry of Education, Culture, Sports, Science and Technology

- Japan's international business development, consisting of outbound and inbound efforts, needs to be promoted, focusing on the following.
 1. Promotion of economic partnerships
 2. Strategic approaches to emerging countries
 3. Acceptance of excellent human resources and companies from overseas

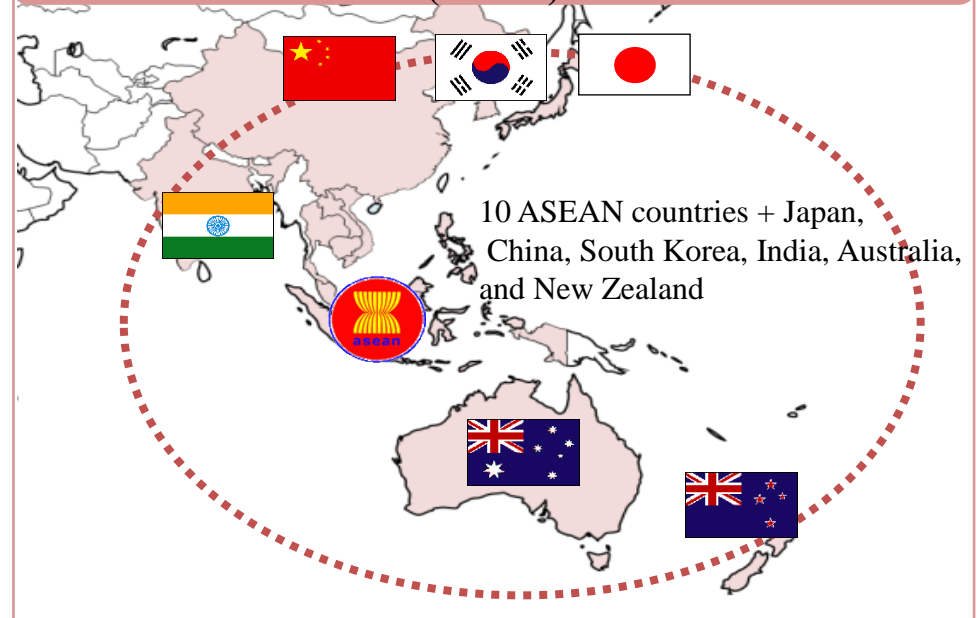
Promotion of Economic Partnerships (1)

- On the premise of ensuring national interests, the government of Japan will multilaterally promote negotiations on TPP, RCEP, Japan-China-South Korea FTA, Japan-EU EPA and other economic partnerships, aiming to build a network of economic partnerships that covers most of the trade partners.

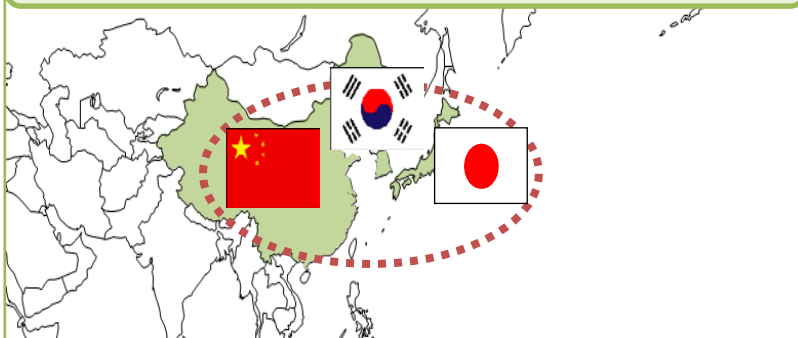
TPP



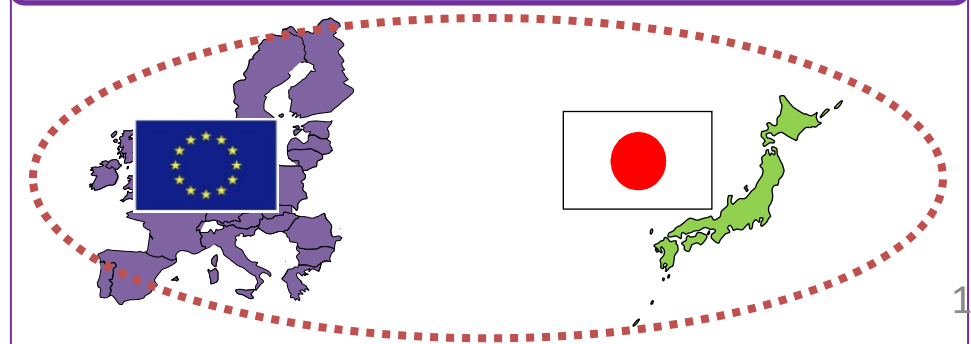
Regional Comprehensive Economic Partnership (RCEP)



Japan-China-South Korea FTA



Japan-EU EPA



Promotion of Economic Partnerships (2)

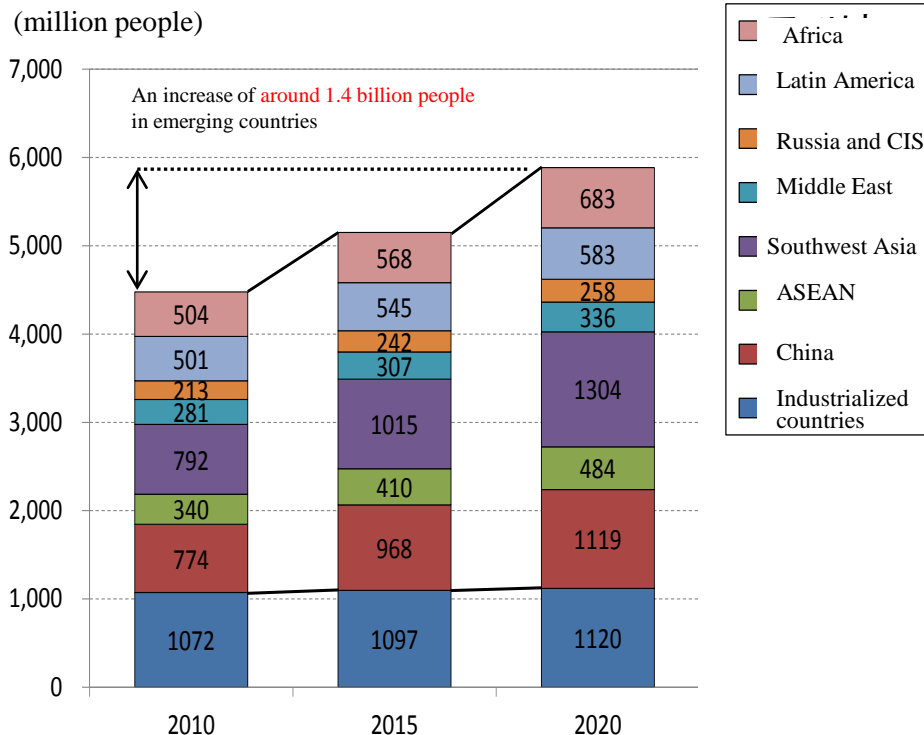
- By promoting economic partnerships, the following effects can be expected.
 - (1) Liberalization of goods and services trade
 - Elimination of tariff barriers and non-tariff barriers
 - (2) Protection and liberalization of investment
 - Easing of investment permits and restrictions on foreign investment in business activities after making initial investment and further clarification of related procedures
 - Ensuring of liberty in transferring investment earnings, etc.
 - (3) Liberalization of the movement of persons
 - Facilitation of approval for visas to business persons
 - (4) Protection of intellectual property rights
 - Protection of intellectual property rights by cracking down on counterfeit products and pirated copies
 - (5) Facilitation of trade
 - Acceleration of customs clearance procedures by strengthening cooperation among customs authorities
 - Enhancement of transparency in regulations and rules relating to trade

- When the promotion of economic partnerships leads to elimination of tariff barriers and non-tariff barriers, and enhances the stability of the business environment, it is expected that the promotion of exports and building of efficient supply chains will further activate economic activities of highly productive sectors and this will contribute to improving the productivity of the Japanese economy as a whole.

Strategic Approaches to Emerging Countries (1)

- In emerging countries, middle-class people and rich people will increase by around 1.4 billion from 2010 to 2020 and market size is expected to expand.
- Looking at each country's share among imports of emerging countries (India, Russia, and Brazil), Japan falls below such countries as the United States, Germany, China, and South Korea.

Population of middle-class people and rich people

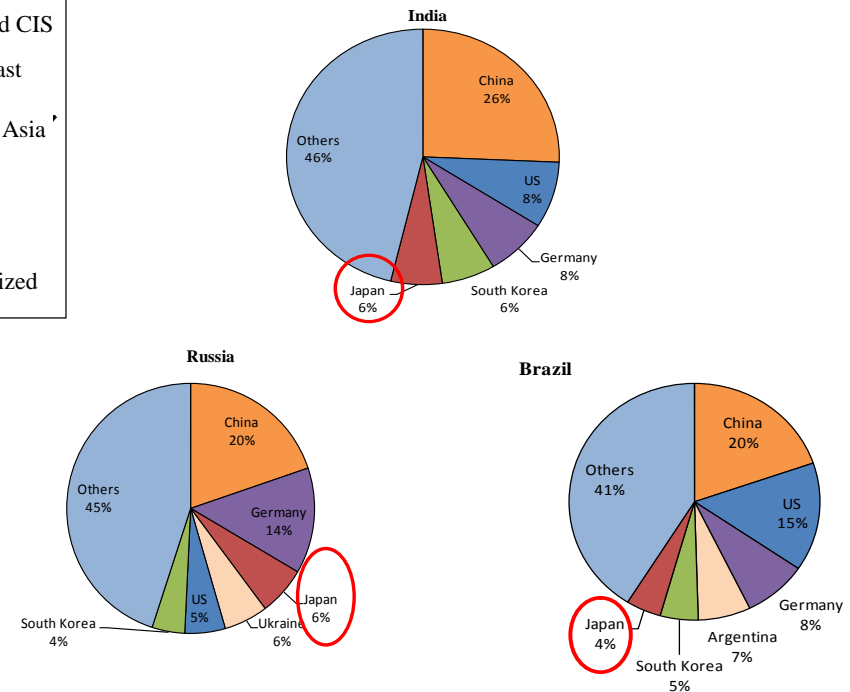


**“Middle-class people” refers to households with annual disposable income of between 5,000 US dollars and 35,000 US dollars, and “rich people” refers to households with annual disposable income of 35,000 US dollars or more.

Note: Population based on household budgets by household disposable income, calculated by multiplying the household budget ratio for each income bracket by the population. The household budget ratio for each income bracket for 2015 and 2020 is estimated by Euromonitor.

Source: Created based on “Euromonitor International 2013”

Each country's share among imports of emerging countries (excl. food, mineral fuel, and precious metals) (2012)

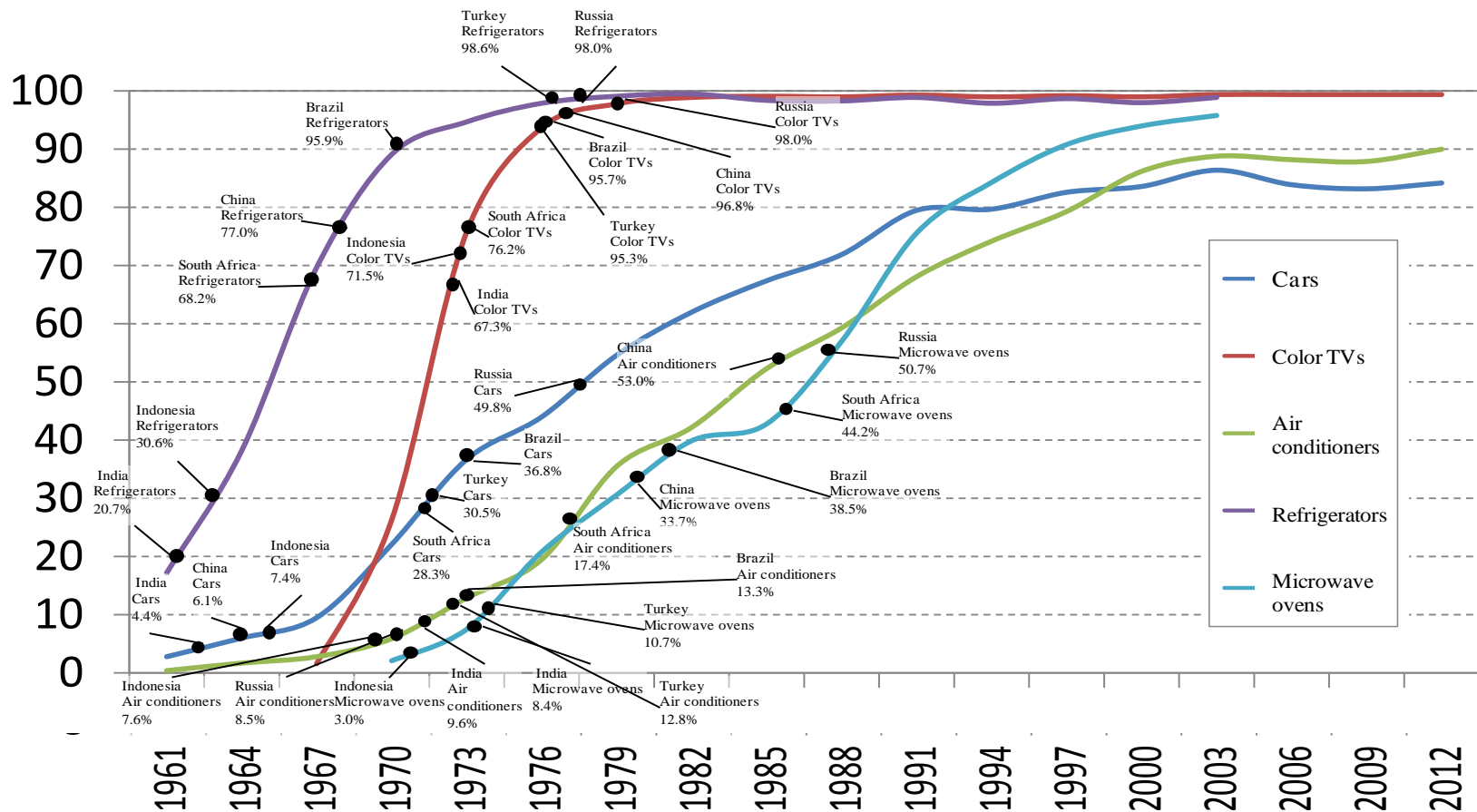


Note: Food: HS codes 1 to 24; Mineral fuel: HS codes 25 to 27; Precious metals: HS code 71
Source: Created based on “Global Trade Atlas”

Strategic Approaches to Emerging Countries (2)

➤ The following chart shows each country's penetration rates of durable consumer goods (cars, TVs, refrigerators, etc.) as of 2012 and around what year Japan reached the relevant levels. It is important to understand the timing when penetration rates of durable consumer goods rise sharply in emerging countries. For example, the penetration rate of refrigerators in Indonesia, that of microwave ovens in Turkey, and that of cars, etc. in South Africa are immediately prior to an inflection point, and they are highly likely to increase significantly in the near future.

Changes in penetration rates of durable consumer goods in general households in Japan and penetration rates of durable consumer goods as of 2012 in other countries

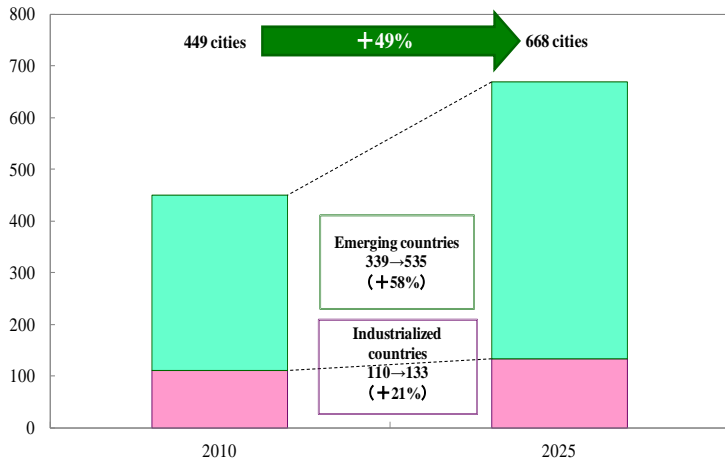


Source: Created based on "Consumer Confidence Survey," Cabinet Office and "Euromonitor International 2013"

Strategic Approaches to Emerging Countries (3)

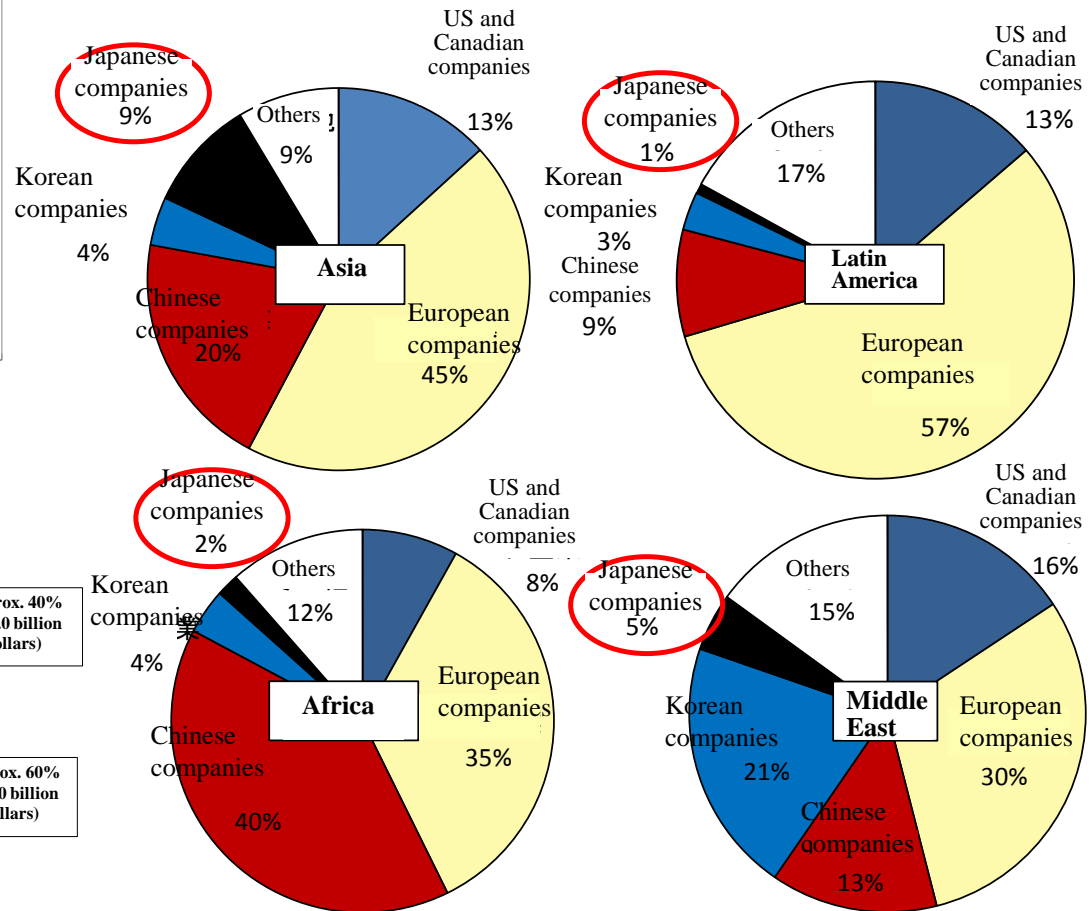
- Cities with a population of over one million are expected to increase, mainly in emerging countries, and demand for infrastructure will be boosted accordingly. However, Japan has lagged behind overseas competitors in receiving infrastructure orders in various areas.

Changes in the number of cities with a population of over one million

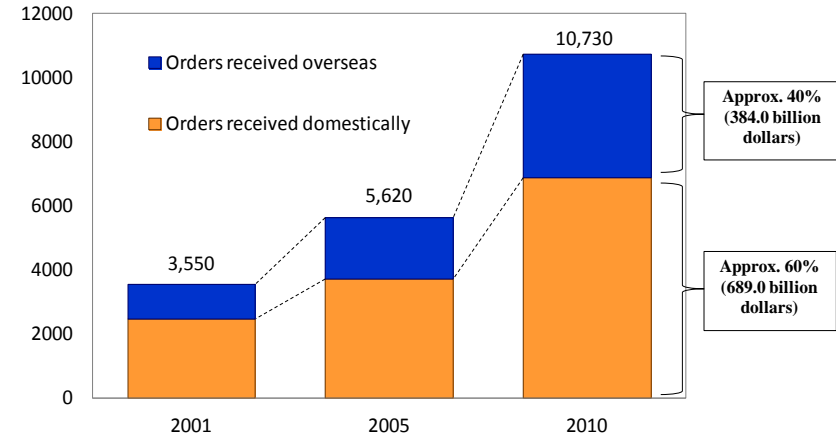


Source: "World Urbanization Prospects, the 2011 Revision," United Nations

Shares in each region of companies receiving infrastructure orders by their nationality (2011)



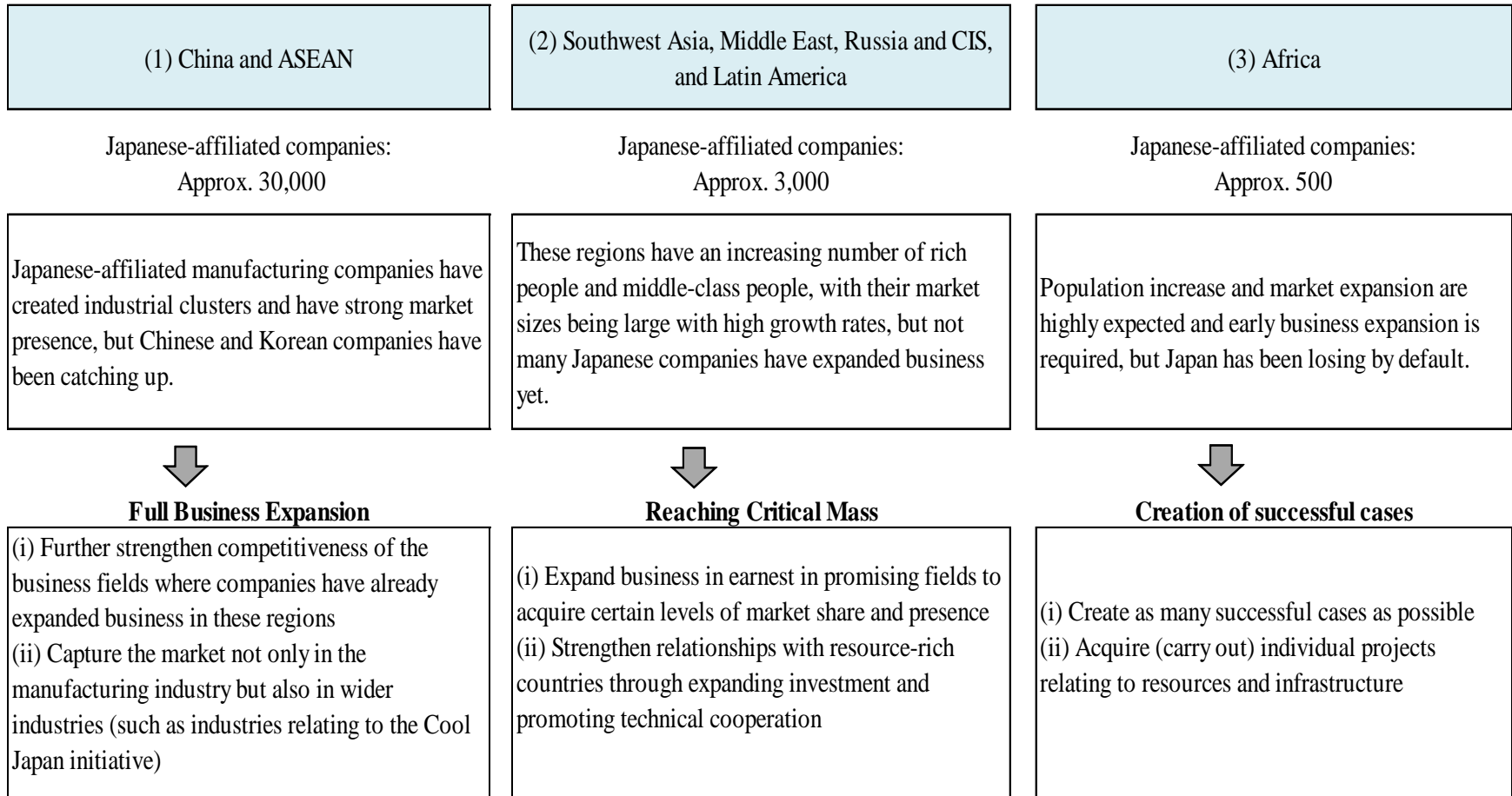
Sales of the world's top 225 contractors from orders received overseas and orders received domestically



Source: "Top 225 International Contractors 2011," ENR

Strategic Approaches to Emerging Countries (3 Categories of Emerging Markets)

➤ Efforts for market development need to be made strategically by classifying emerging markets into three categories as follows.



Support overseas business expansion of Japanese companies (excellent SMEs and the services industry)

Support for export of infrastructure systems and strategic economic cooperation

Ensuring supply of resources from partner countries

Strategic Approaches to Emerging Countries (Basic Policy for Supporting Overseas Business Expansion)

- Efforts for attracting demand of rapidly growing markets in emerging countries should be made strategically for each country by classifying them into three categories based on levels of economic development, status of Japanese companies' business expansion, and the environment for competition with foreign rival companies in respective countries, while taking into consideration local needs for infrastructure and the perspective of ensuring the supply of resources.

(1) China and ASEAN

○ Strengthen Japanese companies' production system through the reinforcement of supply chains

- Reduction of tariffs and facilitation of trade by establishing the RCEP
- Analysis of problems in regional integration and recommendations by ERIA
- Development of major distribution routes and power networks (across ASEAN countries)
- Support for facilitation of distribution and customs procedures (across ASEAN countries)
- Involvement in the development of an industrial complex (in Myanmar) and the capital sphere (in Indonesia)
- Support for fostering supporting industries (cooperation for industrialization, etc.) in less-developed countries in the region

○ Promote Japanese companies' acquisition of emerging markets through the introduction of energy conservation standards

- Support for the establishment of standards and systems for ecologically-friendly cars and home appliances (in Vietnam, Indonesia, etc.)
- Support for the development of legal systems concerning sales finance

○ Develop a favorable business environment

- Response to labor problems and intellectual property-related problems, and development of the cyber security environment

(2) Southwest Asia, Middle East, Russia and CIS, and Latin America

○ Specify promising fields (such as cars and daily necessities) for each country and provide support for full-fledged business expansion

- Strengthening of networks with local industrial circles, etc.

○ Strengthen economic relationships and back up business expansion through offering cooperation for making development plans or in energy-related fields

- Cooperation for making regional development plans and development of industrial complexes (for example, in India)
- Holding of energy forums (for example, in India)

○ Develop a favorable business environment through such means as concluding economic partnership agreements

- Conclusion of economic partnership agreements (in Turkey and Columbia)

(3) Africa

○ Initiate the interest of companies, create opportunities for business expansion, and support such efforts

- Enhancement of JETRO's local systems
- Hands-on support for individual projects

○ Develop an environment where companies can make investment at ease

- Conclusion of investment agreements (at present, concluded only with Egypt)

Strategic Approaches to Emerging Countries (Ensuring Supply of Resources)

- Strategies for ensuring resources need to be established in accordance with the characteristics of each of the three categories of emerging countries.

(1) China and ASEAN

(2) Southwest Asia, Middle East, Russia and CIS, and Latin America

(3) Africa

Oil and natural gas

Diversify supply sources, ensure own interests, and maintain relationships with major supplying countries

• Strengthening of a relationship with Indonesia
<ensuring of own interests>

• Strengthening of a relationship with Russia in the energy field, etc. <diversification of supply sources>
• Strengthening of a relationship with UAE in wide-ranging fields <ensuring of own interests>
• Strengthening of a relationship with Saudi Arabia in wide-ranging fields <largest oil producing country>

• Strengthening of a relationship with Mozambique in the energy field
<diversification of supply sources>

Mineral resources

Diversify supply sources <in particular, rare earths and rare metals> and ensure supply from Africa, the last frontier

• Strengthening of relationships with Vietnam, Myanmar, etc. in the field of mineral resources

• Strengthening of relationships with Kazakhstan, etc. in the field of mineral resources <diversification of supply sources>

• Strengthening of relationships with African countries at the Japan-Africa Ministerial Meeting for Resources Development (May 2013)

Coal

Diversify supply sources <in particular, ensure excellent coking coal>

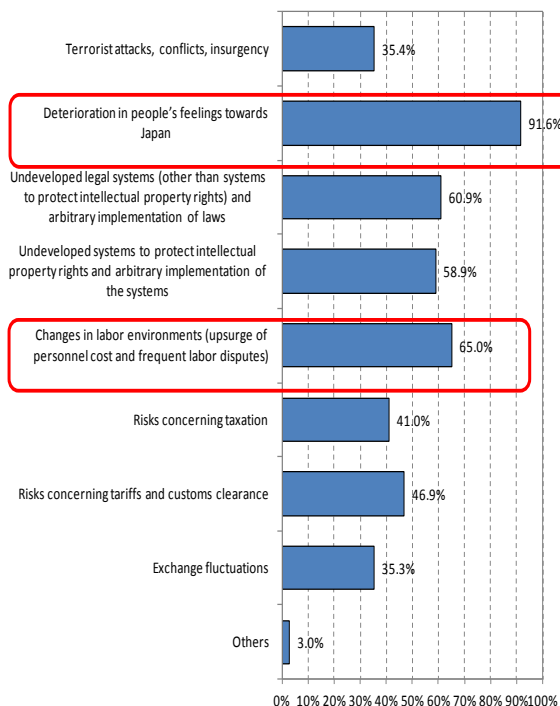
• Strengthening of a relationship with Mongolia in the coal field and ensuring of infrastructure

• Strengthening of a relationship with Russia in the energy field, etc.

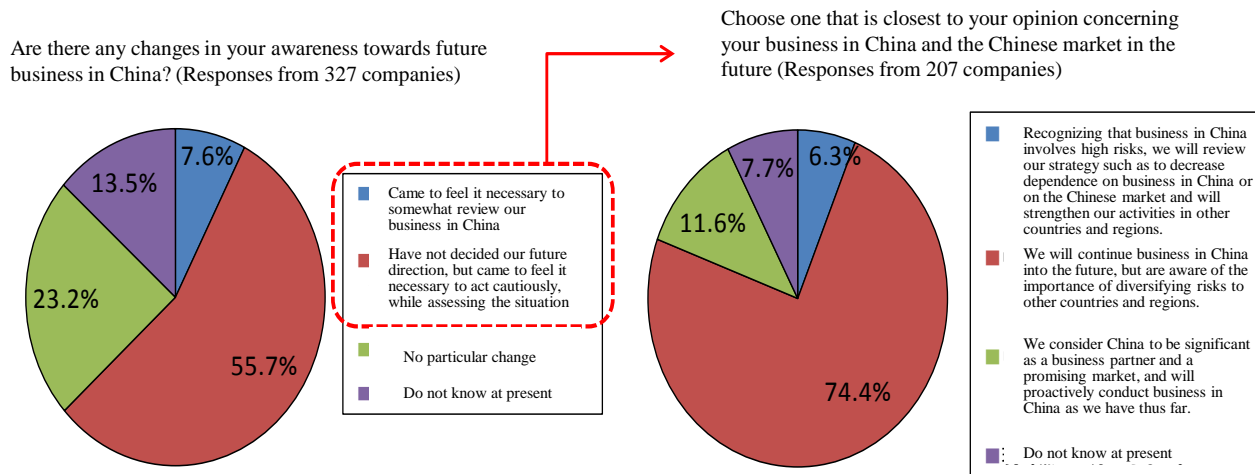
• Strengthening of a relationship with Mozambique in the coal field and ensuring of infrastructure

- According to a questionnaire survey on risks that Japanese companies consider problematic in conducting business overseas, the most common answer for China was the “deterioration in people’s feelings towards Japan” (91.6%), followed by “changes in labor environments (upsurge of personnel cost and frequent labor disputes)” (65.0%).
- According to a questionnaire survey conducted after the protests against Japan that occurred in China in September 2012, 63.3% responded that they need to review their business in China or to act cautiously. Out of these companies, 74% consider it important to diversify risks to other countries and regions, while continuing business in China into the future.

Risks that Japanese companies consider problematic in conducting business overseas (China)



Forecast of business in China and the Chinese market in the future, and changes in awareness towards business in China



Source: Created based on “Report on Japanese Manufacturing Companies’ Overseas Business Development—Results of FY2012 Survey: Outlook for Japanese Foreign Direct Investment (24th Annual Survey),” JBIC

Strategic Approaches to Emerging Countries (Africa TICAD V)

- Sub-Saharan Africa (the Sahara and southward), where people have suffered from ethnic conflicts and poverty, is expected to sustain a high growth rate into the future. For Japan, African countries are no longer targets of assistance but are attractive investment destinations.
- The Tokyo International Conference on African Development (TICAD), which started in 1993, is an international conference led by the government of Japan, holding a summit meeting once every five years. At the fifth meeting held in May 2013, Japan presented the following measures in order to continue our contribution to the further development of Africa as a reliable business partner.
- Measures for contribution unique to Japan, which consider Africa as an investment destination, respect the region's self-reliance and independence, and prioritize growth, are expected to produce a synergy effect on economic growth in both Africa and Japan.

1. Promotion of Japanese companies' business expansion to and investment in Africa

- Hold business exchange events (such as the J-SUMIT (finished) and African Fair)
- Double the number of JETRO offices in Africa (from five to ten)
- Offer 2 billion-dollar financial support by JOGMEC (presented at the Ministerial Meeting for Resources Development)
- Ease policies for underwriting trade insurance (19 countries)

2. Promotion of infrastructure development

- Focus on fields where Japan has an advantage (power supply, railway systems, water supply, and ports and harbors)

3. Job creation and human resource development

- Resource development (1,000 jobs in five years; presented at the Ministerial Meeting for Resources Development)
⇒ Japanese companies have created 200,000 jobs in Africa. The number will be doubled to 400,000 by the next TICAD meeting.

4. Cooperation in the environmental field and co-existence with local communities

- Support for countermeasures against climate change by fully utilizing Japanese technology (establishment of a bilateral offset credit system in Kenya and Ethiopia)



Catch up with
China and
European countries

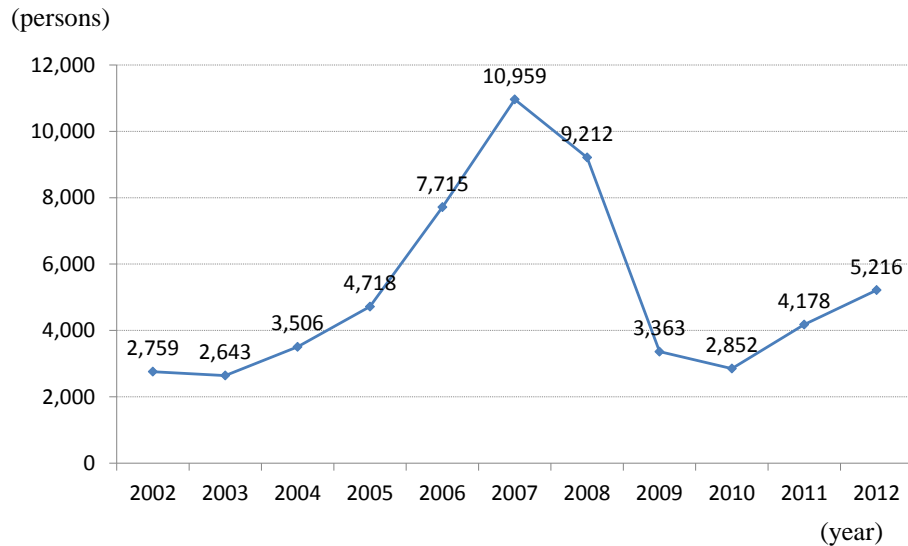
Differentiate Japan
from China
and European
countries



Acceptance of Excellent Human Resources and Companies from Overseas

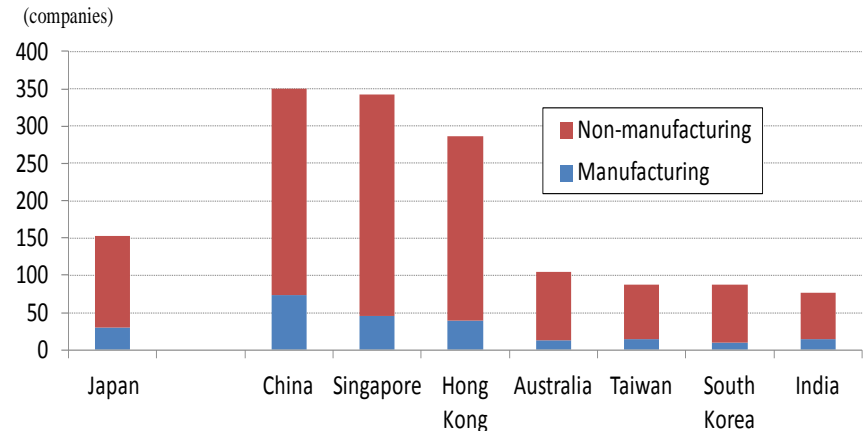
- The number of foreign nationals newly entering Japan with a status of residence of “Engineer” declined sharply after the Lehman Shock and has yet to recover to the prior level.
- Looking at the number of foreign-affiliated companies’ bases for governing the Asia and Oceania regions, the number of those established in Japan is only 152, significantly falling short of the numbers in China (350), Singapore (343), and Hong Kong (286).
- In order to attract excellent human resources and companies from overseas, Japan needs to develop a better business environment through strengthening and utilizing a preferential immigration system and International Strategic Comprehensive Special Zone system, and through promoting regulatory reform.

Number of foreign nationals newly entering Japan with a status of residence of “Engineer”



Source: Created based on data released by the Ministry of Justice

Number of foreign-affiliated companies’ bases for governing the Asia and Oceania regions



Source: Created based on “2011 Survey of Trends in Business Activities of Foreign Affiliates (FY2010 performance),” Ministry of Economy, Trade and Industry