Section 3 Japan's potential for contributing to East Asia

In Chapter 1, we looked at the economic fundamentals in emerging economies in the 2000s and learned that the gap in fundamentals between the countries was generally growing narrower. This trend is considered to be a result of many of the countries that we covered in the analysis being integrated into the globalization of trade and investment. In particular, the East Asian region has developed a sophisticated production network, which has been developing in line with the expansion of world trade. (Figure II-3-3-1)

In Chapter 2, we analyzed reforms and their effects, as well as major industrial development measures, which were performed following financial crises and that predated the collapse of Lehman Brothers. Although major shocks such as financial crises provided opportunities for countries to reform their economic and trade policies, the scope and degree of domestic economic structural reforms differed from country to country. This suggests the possibility that such differences may have resulted in the different effect of the reform efforts between the countries. The countries covered by the analysis have consistently prioritized the development of domestic industry, while they progressively advanced the liberalization of external economic policy; however, it was suggested that the reinforcement of economic partnerships with neighboring countries could strengthen growth fundamentals in a more efficient manner.

The external economic policies of emerging economies have a great influence on Japanese companies' trade and investment behaviors. The overseas expansion of Japanese companies in the East Asian region after the signing of the Plaza Accord was mainly aimed at the reduction of production costs.[247] However, in recent years, companies have been expanding their business overseas with an eye to increasing demand in Asia. As pointed out in Sections 1 and 2, in East Asia, the portions of overseas procurement and sales derived from Japanese overseas subsidiaries are growing, although procurement from Japan has not decreased. According to a questionnaire survey by JETRO that asked respondents to assess which functions of their business operations were going to expand overseas from FY2007 to FY2013, a great majority chose sales, while a growing percentage also chose production (high-value-added products). (Figure II-3-3-2)

Looking at aspects of business that Japanese companies intend to expand domestically and overseas by region, they appear to prioritize the manufacturing of high-value-added products and the development of new products in their domestic operations, while in overseas operations they also proactively strive to expand manufacturing of high-value-added products and adjust specifications to suit the local market (Table II-3-3-3).

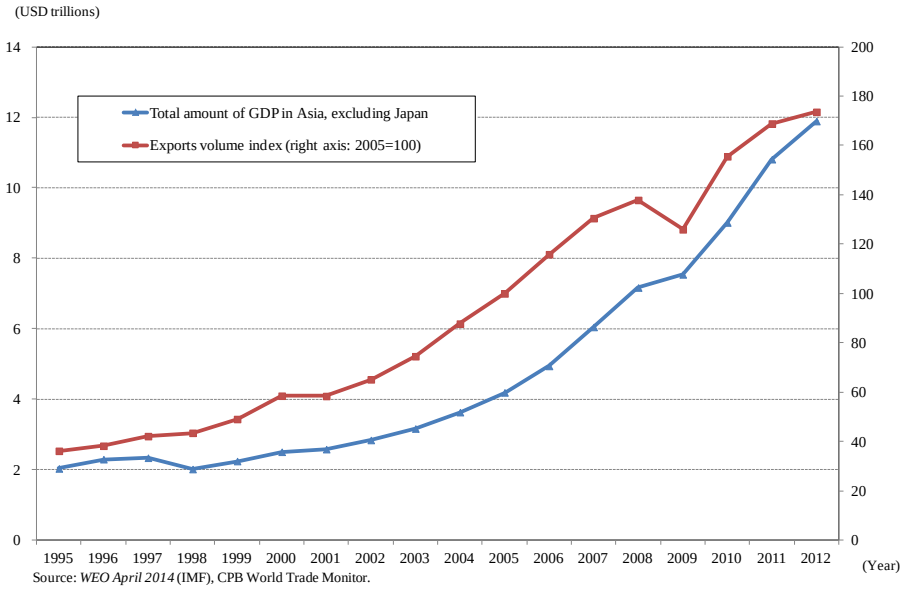
In the shift to new growth models which countries are now seeking in order to achieve long-term development, an improvement of the business environment which would allow companies to operate to their full potential will play an important role. Such improvements would include: the development of high-level human resources for the development of overseas supporting industries and the enhancement of overseas companies' capacity; the promotion of structural and non-structural infrastructure, and; the reduction of trading costs through the abolition of non-tariff barriers. We

[247] *White Paper on International Economy and Trade 2006*, p. 154.

consider that the deepening of business expansion by Japanese companies in Asia described above will make a contribution to the improvement of the business environment through the provision of technologies, business models, and know-how, while also accommodating consumers' needs, which are becoming more sophisticated.

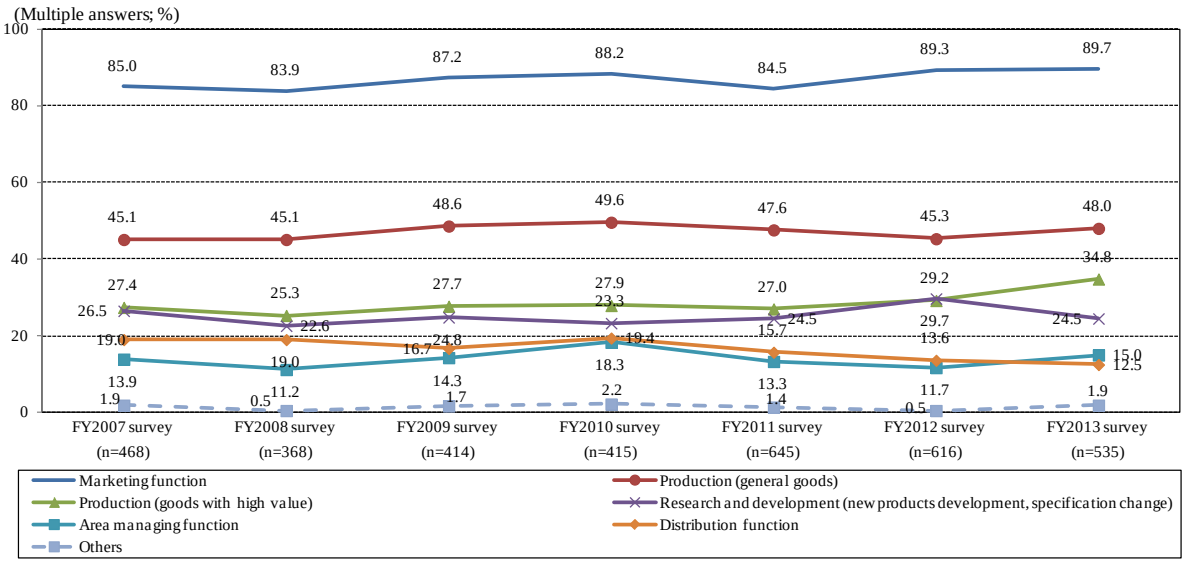
From this point of view, we will present specific cases where Japanese companies and the government have sought to improve the business environment and address consumer needs.

Figure II-3-3-1 Trends in Asia's GDP and exports



Source: *WEO April 2014* (IMF), CPB World Trade Monitor.

Figure II-3-3-2 Business aspects companies intend to expand overseas



Note 1. The values for "R&D (development of new products and adjustment of specifications)" are the total of the values for "R&D (development of new products)" and those for "R&D (adjustment of specifications for the local market)."
Note 2. For the purpose of comparative consistency over time, we tallied the responses from the "manufacturing industry," "trading companies and trading industry," and "wholesale/retail industry" for 2008 and 2009; the "manufacturing industry," "trading companies," and "wholesale and retail industry" for 2010; and the "manufacturing industry," "trading companies," and "wholesale/ retail industry" for 2011 to 2013.
Note 3. The parameters for 2008 to 2012 surveys are the number of companies that were "intending to expand the size of their business," excluding those that did not respond which part of the business they were intending to expand. The parameter for the 2013 survey is the number of companies that "currently have a business base overseas and are intending to further expand the business overseas," excluding those that did not respond which part of the business they were intending to expand.
Source: *FY2013 Survey on the International Operations of Japanese Firms* (JETRO).

Table II-3-3-3 Business function companies intend to expand domestically and overseas (by region and country)

	Sales	Production (general-purpose products + high-value-added products)			R&D (development of new products + adjustment for local market)			Regional management	Logistics	Other
			Production (general-purpose products)	Production (high-value-added products)		R&D (Development of new products)	R&D (Adjustment of specifications for the local market)			
Domestic (manufacturing industry)	80.5	60.2	22.0	54.0	52.4	51.5	14.8	3.9	7.5	-
Domestic (non-manufacturing industry)	79.6	21.9	8.4	18.2	19.4	18.6	4.2	1.8	15.4	7.8
Overseas (total)	80.3	53.9	39.9	30.6	20.5	10.9	16.5	11.1	13.4	4.7
Asia and Oceania	73.4	49.0	36.2	27.3	17.2	8.6	13.9	9.1	10.7	3.8
North and Latin America	28.5	10.5	7.0	6.0	4.6	2.1	3.8	2.9	2.2	1.2
the U.S.	20.6	6.3	4.1	4.3	4.1	2.1	3.1	2.6	1.2	0.5
Mexico	5.5	2.9	2.2	1.0	0.2	-	0.2	0.1	0.7	0.4
Western Europe	13.1	2.1	1.2	1.5	2.3	1.3	1.5	2.2	0.4	0.3
Central and Eastern Europe	2.9	0.6	0.5	0.4	0.4	0.1	0.4	0.1	0.3	0.1
Middle East and Africa	6.7	1.1	0.7	0.6	0.4	0.1	0.3	0.2	0.8	0.4

Notes: The parameters are 1,566 companies for the domestic tabulation, and 1,119 companies for the overseas tabulation.
Source: *FY2013 Survey on the International Operations of Japanese Firms* (JETRO).

1. Thai-Nichi Institute of Technology

As we described in Section 4, Chapter 1, Thailand is a production base for the automotive and electrical/electronics industries. Based on the idea that the development of skilled engineers and core industrial human resources is essential for further development, various researches have been conducted since 2003, and the Thai-Nichi Institute of Technology came to be established in 2007. The parent organization of this university is the Technology Promotion Association (Thailand-Japan), which was established with the aim of building a friendly relationship between Japan and Thailand and developing human resources for Thailand's industry sector. This institute contributes to the development of human resources for industry in Thailand, with the curricula focusing on the following points: (i) areas with high demand in Thai industry (in particular, motor vehicles, electrical/electronics, ICT, and production technologies); (ii) the educating of students to impart pragmatic, practical skills and knowledge that are directly connected with manufacturing in Japan; (iii) internship education at actual workplaces, taking advantages of strong cooperative relationships with industry and various Japanese institutions in Thailand and overseas; (vi) acceptance of students transferred to the institution after graduating from a two-year college or a technical college, as well as providing weekend courses and weekday evening courses for working people; and (v) development of students with Japanese and English communication skills.

2. Malaysia-Japan International Institute of Technology (MJIIT)

Although Malaysia aspires to build knowledge-intensive production bases, the highly knowledgeable human resources that industry craves are in short supply. To overcome this issue, Japan and Malaysia agreed at a summit meeting to promote a scheme for the establishment of an international institute of technology in response to a proposal made by the Malaysian government to Japan in 2001. In 2010, the government of Malaysia introduced Japanese-style engineering education in the University of Technology, Malaysia (UTM) and decided to establish the Malaysia-Japan International Institute of Technology (MJIIT) in order to develop high performance and competitive human resources. In this

project, Japan aims to develop human resources with practical skills and R&D abilities for the most advanced technologies, which will contribute to the development of Malaysia's economy and society. This will be achieved by dispatching Japanese teachers from consortia, including universities in Japan, and by providing support in the procurement of materials and equipment necessary for education at MJIIT, as well as in supporting the development of curricula.[248]

Furthermore, as a place for fostering excellent human resources trained through Japanese-style engineering education, the institution is expected to be a hub for engineering education in ASEAN and develop into a leading higher education institution in Asia.[249]

3. Toyota Technical Training Institute (India)

With a view to contributing to the development of the motor vehicle-related industry and human resources in host countries, Japanese automotive companies are cooperating with the Government of Japan in providing support for host countries as they expand their business overseas by, for example, dispatching experts including experienced engineers, holding seminars, and cooperating with auto mechanic schools.[250] For example, JICA carried out a project focused on Thailand, a country that aspires to strengthen the competitiveness of its automotive industry. In this project, JICA dispatched experts in the development of human resources in order to support industries in the automotive sector and donated equipment for human resource development and the certification of skills.[251] Toyota Motor Corporation believes in the idea that industry should produce results that contribute to the country as its basic stance in addressing projects in emerging economies. This means that the company pursues activities rooted in the local community that contribute to the fostering and development of supporting industries in order to support the development of the economy, employment opportunities, and a diversity of transportation modes for host countries through the manufacturing of motor vehicles.[252] The Toyota Technical Training Institute was established based on this concept in 2007. This institute was established for graduates of junior high school who show promise but are not able to proceed to high school due to economic or other reasons, so that they can develop expertise in manufacturing. Students attend engineering classes as well as one of four specialist courses, namely: painting, welding, vehicle assembly, or mechatronics. In addition, they also participate in on-the-job training at Toyota Kirloskar Motor (TKM), a subsidiary of Toyota Motor Corporation in India. Admission and tuition fees are fully covered by TKM.[253]

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[248] JICA. *ODA ga Mieru, Wakaru; Malaysia-Japan International Institute of Technology (See and Learn about ODA: Malaysia-Japan International Institute of Technology)*. Available from: http://www.jica.go.jp/oda/project/MXXI-1/index.html

[249] Ministry of Foreign Affairs, *Opening of Malaysia-Japan International Institute of Technology*, September 6, 2011.
Available from: http://www.mofa.go.jp/mofaj/press/release/23/9/0906_06.html

[250] Japan Automobile Manufacturers Association, Inc.
Available from: http://www.jama.or.jp/intro/business_domain/business_domain03.html

[251] JICA
(http://www.jica.go.jp/project/thailand/003/)

[252] Toyota Motor Corporation. *Annual Report 2012*.
Available from: https://www.toyota.co.jp/jpn/investors/library/annual/pdf/2012/ar12_j.pdf

[253] Toyota Motor Corporation. *Toyota Motor Corporation held an opening ceremony for Toyota Technical*

4. Support for the development of production management skills and the cultivation of human resources in the garment industry (Myanmar)

Hosted by the ASEAN-Japan Centre, an international organization, the Myanmar Garment Manufacturers Association (MGMA) and Japanese experts in production management carried out research and analysis on six factories in 2008 from the viewpoint of production management and quality control. As a result, they found that the levels of productivity and quality were low and that there was much room for improvement in terms of management and techniques. In addition, the research also revealed other problems such as an insufficient understanding of production processes among managers and a shortage of human resources (supervisors), which are the keys to the improvement of productivity and quality. In response to the results of the analysis conducted by the mission, MGMA commissioned instructors who would disseminate techniques for production management and quality control to the member companies. However, as the instructors lacked sufficient knowledge and know-how for disseminating such techniques, MGMA sought to invite experts from Japan for this purpose. In this context, JETRO dispatched experts in January 2009 under the JEXSA (JETRO Expert Service Abroad for Improving Business Environments) program led by the Ministry of Economy, Trade and Industry, and carried out awareness-raising seminars for managers. In addition, AOTS also conducted another seminar for managers. MGMA established the Myanmar Garment Human Resource Development Centre (MGHRDC) in March 2009, and opened a course given by Japanese experts for production management techniques for managers and supervisors (SV course), using the JEXSA program. At the same time, it has been providing instructions on model companies and fostering instructors through OJT. By December 2010, the instructors had had enough experience to conduct the entire SV course by themselves, under the instruction of the experts. It appears that this project for the dispatch of experts will soon yield measurable results by way of the continuous training given to instructors. With a view to achieve further results through this project, dispatched experts and local industry requested the direct development of human resources for industry, with a focus on production management, particularly inspection techniques, in the garment industry. In response to this request, outreach and overseas training in this field were conducted in FY2012.

By utilizing Japan's more advanced techniques and know-how for instructing and fostering the garment industry, Japan is promoting the expansion of exports and the creation of employment in Myanmar, contributing to the economic development of the country.

5. Intellectual support for the enhancement of collateral laws and recovery systems in the Mekong countries

Although the commercial banking sector in ASEAN-4 has decreased its ratio of non-performing loans after the Asian currency crisis, it has been pointed out that the ratio of lending to the

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Training Institute. August 1, 2007.
Available from: http://www.toyota.co.jp/jp/news/07/Aug/nt07_0801.html

manufacturing industry is decreasing.[254] In addition, Thailand and Viet Nam were ranked 73rd and 42nd, respectively, in terms of the "Getting Credit index in Doing Business 2014" World Bank survey, compared Malaysia (1st) and Singapore (3rd). In such funding circumstances, the enhancement of collateral laws, including those for the assignment of claims and the collateral of movable assets, is considered to contribute to the safety of trades for small and medium-sized enterprises, whose own funds are comparatively small, and for Japanese companies operating in the Mekong area. In this context, AMEICC (the ASEAN Economic Ministers and METI Economic and Industrial Cooperation Committee) is providing intellectual support through study sessions for participants including officials of the government of Thailand. That support includes the dissemination of information on the effects of the amendments of the Civil Code of Japan as a reference and making comparative studies of legal systems.

6. Economic Research Institute for ASEAN (ERIA)

The ERIA is an international institution established in June 2008 in Jakarta, Indonesia, for the purpose of promoting economic integration in East Asia. It is comprised of 16 member states in the East Asian region (ten ASEAN member states plus Japan, China, ROK, India, Australia and New Zealand). Based in Asia, the center of global growth, the ERIA conducts study and research as well as holding symposiums, and makes policy recommendations for the East Asia Summits and ASEAN Summits based on the following three pillars: (i) the promotion of economic integration in East Asia; (ii) the reduction of the gaps between the degree of economic growth in the region; and (iii) realizing sustainable growth. For instance, the ERIA makes policy recommendations for the ASEAN Economic Community and RCEP negotiations and its activities are highly valued by economic ministers and leaders of countries of ASEAN and in East Asia. The institution has been urged to keep contributing to the ASEAN Summits and East Asia Summits. In 2014, the ERIA ranked 30th in the international economic policy field in the ranking of 6,826 think tanks around the world in data prepared by the University of Pennsylvania. In May 2014, the ERIA and OECD exchanged a memorandum for a research partnership and agreed on future cooperation in areas such as policies for small and medium-sized enterprises, private investments on infrastructure (including those using public-private partnerships), analysis using statistics on trade in value added and data on global value chains,[255] and disaster risk assessment and foundations for disaster restoration. Moreover, the ERIA also conducts study and research for the development of disaster-resilient infrastructure by harnessing insights gained in East Asia and Japan, expanding its area of international activities.

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[254] Fumiharu Mieno, *Higashi Ajia Yon Kakoku No Kinyu Shisutemu Wo Do Toraeruka - Ajia Kinyu Togo E No Kihon Shikaku-* (*How to Understand the Financial System in the Four Countries in Southeast Asia: Basic View on the Financial Integration in Asia*). Pacific Rim Business Information: RIM 2013; Vol. 13, No. 49.

[255] A "global value chain" refers to a series of a company's activities divided and located across countries and regions where comparative advantage exists as the progress of trade liberalization and where there are dramatic improvements in information and communication technologies. Companies maximize international competitiveness and the value added nature of final goods by operating their activities through complicated international production and logistics networks.

Column 12 The external economic relations of Turkey, Morocco and India viewed via trade and investment situations

(1) Turkey

Turkey is increasing its presence as a gateway to the markets of Europe, the Middle East, and North Africa. First, we take a look at the trade of Turkey by item. The main export items are: motor vehicles (small and medium-sized cars) to Europe; electrical equipment (white goods, etc.) to Europe and neighboring countries; and, iron, steel, clothing, and textile products to the Middle East, etc. Main import items include crude oil, as well as motor vehicles (large-size and high-end cars, whose domestic production is small in Turkey), and iron and steel (steel plates for motor vehicles, which are difficult to produce in Turkey) from Europe (Column Tables 12-1 and 12-2).

Column Table 12-1 Turkey's exports (by item) (2012)

(Million USD/calendar year)	2012
Total exports	152,537
	(100.0%)
Food and animals	12,692
	(8.3%)
Cereals and cereal preparations	2,318
Fruits and vegetables	6,552
Non-edible raw materials	4,163
	(2.7%)
Minerals and fertilizers	1,708
Metallic ores and scraps	1,634
Mineral fuels	7,478
	(4.9%)
Petroleum and petroleum products	6,965
Chemical products	7,988
	(5.2%)
Refined oils, perfumes, and cosmetics	1,449
Plastics (molded)	2,381
Manufactured goods	41,243
	(27.0%)
Rubber products	2,365
Paper and paper products	1,636
Yarns for textile and textile products	11,054
Non-metallic mineral products	3,762
Iron and steel	13,100
Non-ferrous metals	2,625
Metal products	5,823
Machinery and transport equipment	37,444
	(24.5%)
Motors	2,551
Special machinery	2,655
Other industrial machinery and parts and components	3,772
Communication and audio equipment	2,476
Electrical equipment	9,025
Road vehicles	14,666
Other transport equipment	1,429
Miscellaneous articles	24,016
	(15.7%)
Assembled buildings and hygiene, heating, and lighting equipment, etc.	1,517
Furniture and parts	1,867
Clothing and accessories	14,290
Commodities not classified	15,354
	(10.1%)
Gold (excluding monetary gold)	13,345
Other	2,159
	(1.4%)

Source: UNCTADstat

Column Table 12-2 Turkey's imports (by item) (2012)

(Million USD/calendar year)	2012
Total imports	236,544
	(100.0%)
Food and animals	6,340
	(2.7%)
Non-edible raw materials	18,630
	(7.9%)
Fiber for textile and waste fiber	2,692
Metallic ores and scraps	10,754
Mineral fuels	20,645
	(8.7%)
Petroleum and petroleum products	16,179
Natural gas and manufactured gas	2,946
Chemical products	29,297
	(12.4%)
Organic compounds	4,493
Medicine	4,344
Plastic (before molding)	9,929
Other chemical products	2,562
Manufactured goods	36,041
	(15.2%)
Paper and paper products	2,922
Yarns for textile and textile products	6,441
Iron and steel	11,096
Non-ferrous metals	7,681
Metal products	3,372
Machinery and transport equipment	61,612
	(26.0%)
Motors	6,806
Special machinery	7,532
Other industrial machinery and parts and components	8,709
Office equipment and computers	3,415
Communication and audio equipment	5,789
Electrical equipment	8,731
Road vehicles	14,185
Other transport equipment	4,699
Miscellaneous articles	13,028
	(5.5%)
Clothing and accessories	2,677
Other special and scientific equipment	2,928
Other miscellaneous products	3,932
Commodities not classified	48,371
	(20.4%)
Gold (excluding monetary gold)	7,641
Other	2,582
	(1.1%)

Source: UNCTADstat

Looking at the trade situation by trading country, European countries, particularly Germany, account for a large portion of exports. Although these countries represented 40% of the total export value as of 2012, the share is growing smaller. Meanwhile, the Middle East's share, including Iran and North Africa, is growing, reaching approximately 30% as of 2012. In terms of imports, too, Europe's share, including that of Germany, is declining, while China and Russia's shares are growing (Column Tables 12-3 and 12-4).

Column Table 12-3 Turkey's exports (by country) (2000, 2010, and 2012)

(Million USD)	2000	2010	2012
Export destination	27,775 100.0%	113,883 100.0%	152,462 100.0%
Advanced economies	19,772 71.2%	57,146 50.2%	66,126 43.4%
Japan	149 0.5%	272 0.2%	332 0.2%
ROK	130 0.5%	304 0.3%	528 0.3%
the U.S.	3,139 11.3%	3,841 3.4%	5,641 3.7%
U.K.	2,037 7.3%	7,236 6.4%	8,694 5.7%
Germany	5,180 18.6%	11,479 10.1%	13,124 8.6%
France	1,657 6.0%	6,057 5.3%	6,202 4.1%
Italy	1,789 6.4%	6,507 5.7%	6,373 4.2%
Emerging economies	6,719 24.2%	54,626 48.0%	84,025 55.1%
Asia	301 1.1%	4,095 3.6%	4,858 3.2%
China	96 0.3%	2,269 2.0%	2,833 1.9%
Europe	3,142 11.3%	20,106 17.7%	26,051 17.1%
Russia	644 2.3%	4,628 4.1%	6,681 4.4%
Middle East and North Africa	2,751 9.9%	26,729 23.5%	46,816 30.7%
Iran	236 0.8%	3,044 2.7%	9,922 6.5%
Iraq	0 0.0%	6,036 5.3%	10,822 7.1%
UAE	316 1.1%	3,333 2.9%	8,175 5.4%
Sub-Saharan Africa	243 0.9%	1,955 1.7%	3,386 2.2%
Western hemisphere	283 1.0%	1,742 1.5%	2,914 1.9%
Other	1,284 4.6%	2,111 1.9%	2,311 1.5%

Source: UNCTADstat

Column Table 12-4 Turkey's imports (by country) (2000, 2010, and 2012)

(Million USD)	2000	2010	2012
Import source	54,503 100.0%	185,544 100.0%	236,545 100.0%
Advanced economies	36,729 67.4%	92,228 49.7%	111,385 47.1%
Japan	1,621 3.0%	3,298 1.8%	3,601 1.5%
ROK	1,181 2.2%	4,764 2.6%	5,660 2.4%
the U.S.	3,913 7.2%	12,323 6.6%	14,131 6.0%
U.K.	2,748 5.0%	4,681 2.5%	5,629 2.4%
Germany	7,198 13.2%	17,549 9.5%	21,401 9.0%
France	3,532 6.5%	8,178 4.4%	8,590 3.6%
Italy	4,333 7.9%	10,205 5.5%	13,346 5.6%
Emerging economies	16,061 29.5%	91,541 49.3%	111,516 47.1%
Asia	2,621 4.8%	26,396 14.2%	33,840 14.3%
China	1,345 2.5%	17,181 9.3%	21,295 9.0%
Europe	7,397 13.6%	40,846 22.0%	46,872 19.8%
Russia	3,887 7.1%	21,601 11.6%	26,625 11.3%
Ukraine	982 1.8%	3,833 2.1%	4,394 1.9%
Middle East and North Africa	4,961 9.1%	18,642 10.0%	23,065 9.8%
Iran	816 1.5%	7,645 4.1%	11,965 5.1%
UAE	40 0.1%	698 0.4%	3,597 1.5%
Sub-Saharan Africa	452 0.8%	2,098 1.1%	2,597 1.1%
Western hemisphere	629 1.2%	3,559 1.9%	5,142 2.2%
Other	1,713 3.1%	1,775 1.0%	13,645 5.8%

Source: UNCTADstat

Next, let us look at investments into Turkey. Business expansion into Turkey has the following merits: (i) companies are able to manufacture products not requiring high-level technologies at a certain quality level using a low-cost and high-quality labor force; (ii) bases in Turkey may also serve as bases for further business expansion into not only the European market, which has a customs union, but also countries in the Middle East that have concluded an FTA and, lastly, countries surrounding Turkey, including Egypt (Column Table 12-5). To take advantage of these merits, many European companies have their business bases in Turkey, which covers a wide area centered on East Europe, the Middle East, and North Africa (Column Table 12-6). Looking at the breakdown of investments in Turkey from 2007 to 2013, investments by European countries account for approximately three-fourths of total investments (Column Figure 12-7).

Column Table 12-5 Turkey's FTA partners

	Europe	Asia and the Caucasus	Middle East and Africa	the U.S.
Partners of FTA and customs unions	EFTA, EU, Macedonia, Croatia, Bosnia and Herzegovina, Albania, Serbia, and Montenegro	Georgia, ROK	Israel, Egypt, Morocco, Tunisia, Palestinian Authority, Jordan, Lebanon, and Mauritius	Chile

Source: WTO Trade Policy Review, Turkey 2012, website of the government of Turkey.

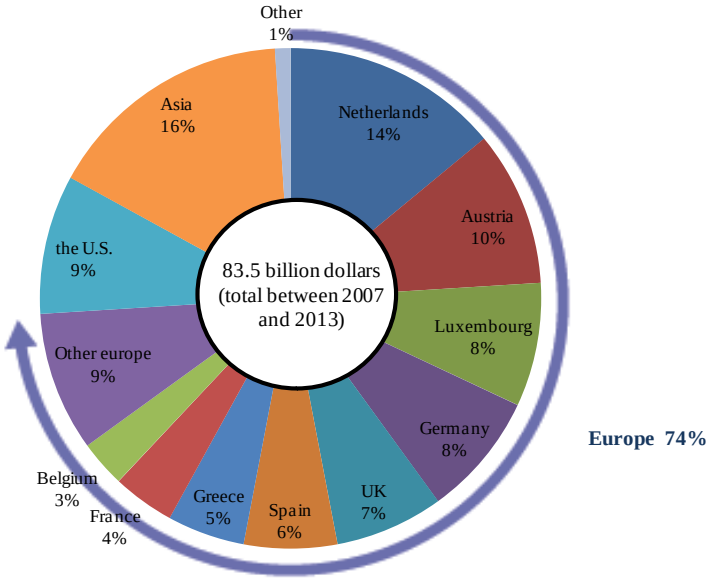
Column Table 12-6 Foreign companies with business headquarters in Turkey

	Company name		Number of countries under management
1	COCA COLA	the U.S.	90
2	GE Healthcare	U.K.	80
3	Microsoft	the U.S.	76
4	Intel	the U.S.	67
5	Unilever	Netherlands, U.K.	36
6	Verifone	France	30
7	Glaxo Smith Kline	U.K.	30
8	Schneider Electric	France	27
9	Ericsson	Sweden	22
10	Cargill	the U.S.	20
11	Volvo	Germany	18
12	BASF	Germany	18
13	Pepsico	the U.S.	14
14	Roche	Germany	14
15	Henkel	Germany	14
16	P&G	the U.S.	11
17	BSH	Germany	11
18	Pfizer	the U.S.	10
19	Mastercard	the U.S.	10
20	Novo Nordisk	Denmark	9
21	LG Electronics	ROK	9
22	Adobe	the U.S.	9
23	Benetton	Italy	7

24	Ceva Logistics	Austria	6
25	Multiturkmall	Netherlands	6
26	VISA	the U.S.	2

Source: JETRO Istanbul office, ISPAT.

Column Figure 12-7 Direct investments into Turkey by country (cumulative total from 2007 to 2013)



Source: Republic of Turkey, Ministry of Economy, Central Bank of the Republic of Turkey.

(2) Morocco

In recent years, Morocco has been increasing its presence as a gateway to the markets of Europe (particularly Spain and France), the Middle East, North Africa, and Sub-Saharan Africa. The main export items out of Morocco are chemical fertilizers (phosphoric acid), electrical equipment (cables, etc.), and clothing products. Exports of motor vehicles have also been growing in recent years. As of 2012, Morocco boasts the highest ratio of industrial products among African countries. Imports to Turkey are mainly composed of mineral fuel, motor vehicles, raw materials for garments, and electrical equipment (Column Table 12-8 and 12-9).

Column Table 12-8 Morocco's exports (by item) (2012)

(Million USD/calendar year)	2012
Total exports	21,417
	(100.0%)
Food and animals	3,589
	(16.8%)
Seafood and seafood preparations	1,484
Fruit and vegetables	1,651
Non-edible raw materials	2,437
	(11.4%)
Minerals and fertilizers	1,682
Mineral fuels	1,377
	(6.4%)
Petroleum and petroleum products	1,376
Chemical products	4,081
	(19.1%)
Inorganic compounds	1,679
Fertilizers	2,181
Manufactured goods	1,175
	(5.5%)
Machinery and transport equipment	4,363
	(20.4%)
Electrical equipment	2,862
Road vehicles	899
Miscellaneous articles	4,097
	(19.1%)
Clothing and accessories	3,403
Other	298
	(1.4%)

Source: UNCTADstat

Column Table 12-9 Morocco's imports (by item) (2012)

(Million USD/calendar year)	2012
Total imports	44,790 (100.0%)
Food and animals	4,708 (10.5%)
Cereals and cereal preparations	2,265
Mineral fuels	12,356 (27.6%)
Petroleum and petroleum products	9,143
Natural gas and manufactured gas	2,339
Chemical products	4,236 (9.5%)
Plastic (before molding)	985
Manufactured goods	7,488 (16.7%)
Yarns for textile and textile products	2,413
Iron and steel	1,334
Metal products	1,121
Machinery and transport equipment	10,869 (24.3%)
Special machinery	1,479
Other industrial machinery and parts and components	1,430
Electrical equipment	2,241
Road vehicles	3,241
Miscellaneous articles	2,243 (5.0%)
Other	2,890 (6.5%)

Source: UNCTADstat

Looking at the trade situation by trading country, France is a major partner in terms of both import and export. However, its portion is growing smaller. Meanwhile, conversely, trade with Spain is increasing year by year. As of 2012, Spain is its largest import partner, while in terms of export France has remained as its largest trading partner. In terms of trade with emerging economies, proportions of exports to the Middle East, North Africa, and Sub-Saharan Africa are growing every year (Column Tables 12-10 and 12-11).

Column Table 12-10 Morocco's exports (by country) (2000, 2010, and 2012)

(Million USD)	2000	2010	2012
Export destination	7,419 100.0%	16,605 100.0%	19,507 100.0%
Advanced economies	6,252 84.3%	11,290 68.0%	12,593 64.6%
Japan	283 3.8%	122 0.7%	138 0.7%
ROK	15 0.2%	49 0.3%	174 0.9%
the U.S.	253 3.4%	602 3.6%	894 4.6%
U.K.	711 9.6%	459 2.8%	513 2.6%
Germany	369 5.0%	524 3.2%	525 2.7%
France	2,487 33.5%	3,592 21.6%	4,087 21.0%
Italy	529 7.1%	744 4.5%	693 3.6%
Spain	962 13.0%	2,838 17.1%	3,365 17.3%
Emerging economies	1,145 15.4%	4,720 28.4%	6,118 31.4%
Asia	365 4.9%	1,362 8.2%	1,521 7.8%
China	35 0.5%	238 1.4%	251 1.3%
India	310 4.2%	972 5.9%	963 4.9%
Europe	196 2.6%	672 4.0%	849 4.4%
Middle East and North Africa	330 4.4%	1,133 6.8%	1,369 7.0%
Algeria	7 0.1%	136 0.8%	183 0.9%
Pakistan	31 0.4%	239 1.4%	265 1.4%
Sub-Saharan Africa	120 1.6%	727 4.4%	1,068 5.5%
Western hemisphere	135 1.8%	827 5.0%	1,311 6.7%
Other	21 0.3%	594 3.6%	796 4.1%

Source: UNCTADstat

Column Table 12-11 Morocco's imports (by country) (2000, 2010, and 2012)

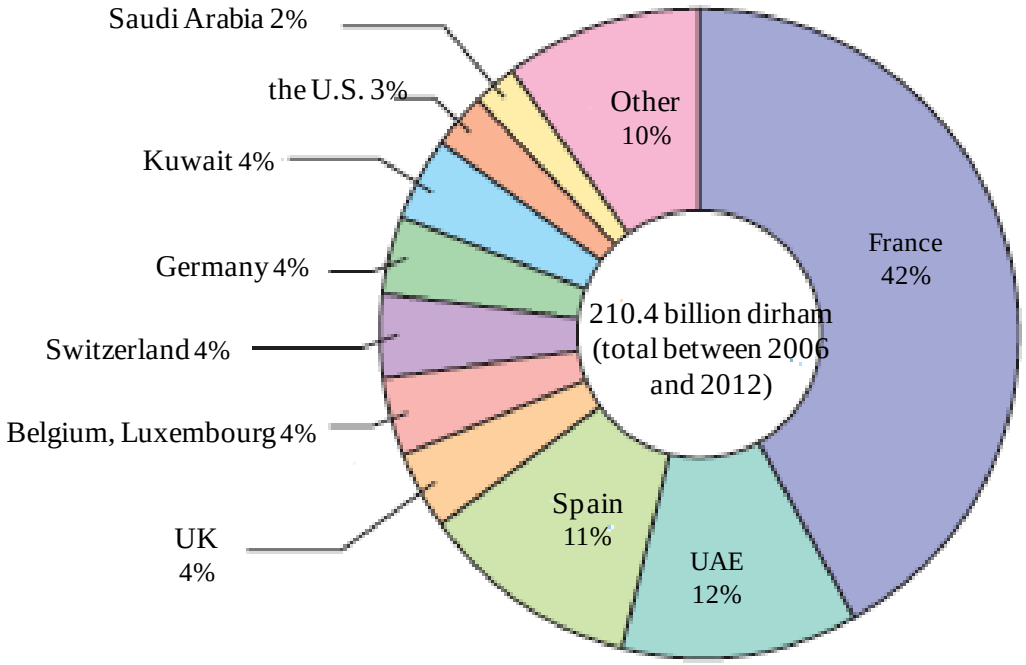
(Million USD)	2000	2010	2012
Import source	11,531 100.0%	35,139 100.0%	42,890 100.0%
Advanced economies	8,182 71.0%	21,527 61.3%	24,894 58.0%
Japan	195 1.7%	442 1.3%	649 1.5%
ROK	119 1.0%	499 1.4%	591 1.4%
the U.S.	643 5.6%	2,501 7.1%	2,900 6.8%
U.K.	711 6.2%	745 2.1%	972 2.3%
Germany	563 4.9%	1,609 4.6%	2,091 4.9%
France	2,771 24.0%	5,418 15.4%	5,194 12.1%
Italy	547 4.7%	2,080 5.9%	2,168 5.1%
Spain	1,138 9.9%	4,140 11.8%	5,619 13.1%
Emerging economies	3,347 29.0%	13,542 38.5%	17,931 41.8%
Asia	411 3.6%	3,819 10.9%	4,095 9.5%
China	268 2.3%	2,804 8.0%	2,946 6.9%
India	54 0.5%	569 1.6%	509 1.2%
Europe	571 5.0%	2,822 8.0%	5,338 12.4%
Russia	251 2.2%	1,244 3.5%	2,151 5.0%
Ukraine	99 0.9%	171 0.5%	602 1.4%
Middle East and North Africa	1,795 15.6%	4,935 14.0%	6,123 14.3%
Saudi Arabia	573 5.0%	2,074 5.9%	2,653 6.2%
Algeria	190 1.7%	835 2.4%	958 2.2%
Iraq	475 4.1%	710 2.0%	1,029 2.4%
Sub-Saharan Africa	203 1.8%	519 1.5%	397 0.9%
Western hemisphere	367 3.2%	1,446 4.1%	1,979 4.6%
Brazil	171 1.5%	761 2.2%	981 2.3%
Other	3 0.0%	71 0.2%	65 0.2%

Source: UNCTADstat

Next, let us take a look at investments in Morocco. In addition to the acquisition of the Moroccan market, business expansion to the country also includes the following merits: (i) it can serve as a base for companies in accessing the North African market, a market that covers many other French-speaking countries as the royal family of Morocco has a historical connection with other African countries and is politically stable; and, (ii) it is a place suitable for establishing a production base for products bound for

Europe as wages are low compared with Eastern Europe. In recent years, companies in high-value-added industries, such as motor vehicle and aircraft industries, are also expanding to Morocco. Looking at the breakdown of investments in Morocco from 2006 to 2012, those by France are remarkably large, making up approximately 40% of total investments into the country (Column Figure 12-12).

Column Figure 12-12 Direct investments into Morocco by country (cumulative total from 2006 to 2012)



Source: Foreign Exchange Office

(3) India

India is also increasing its presence as a gateway to western markets, including the Middle East, Africa, and Eastern Europe.

First, we take a look at India's trade by item.[256] Its main export items include: petroleum products for the Middle East and Asia; jewelry using diamonds and precious metals for the Middle East, Asia, and Europe; motor vehicle components for the United States; and, transportation equipment, including motor vehicles, for Africa and Europe. Main import items are: crude oil from the Middle East; gold and diamonds from Europe, the Middle East, and Africa; general machinery from China, Japan, and Europe (Column Tables 12-13 and 12-14).

[256] For India's statistics, we used the data from the Global Trade Atlas as it included data for 2013.

Column Table 12-13 India's exports (by main commodity) (2013)

(Million USD; %)

	HS Code	Total	312,267	100.0
1	27	Mineral fuels	64,911	20.8
2	71	Precious metals	42,167	13.5
3	87	Transportation equipment	12,562	4.0
4	29	Organic chemicals	12,166	3.9
5	84	General machinery	11,980	3.8
6	10	Cereals	10,828	3.5
7	30	Pharmaceutical products	10,750	3.4
8	85	Electrical machinery	10,439	3.3
9	52	Cotton and cotton fabric	10,020	3.2
10	72	Iron and steel	9,276	3.0
		Other	117,168	37.5

Source: Global Trade Atlas

Column Table 12-14 India's imports (by main commodity) (2013)

(Million USD; %)

	HS Code	Total	467,665	100.0
1	27	Mineral fuels	184,001	39.3
2	71	Precious metals	69,858	14.9
3	84	General machinery	31,905	6.8
4	85	Electrical machinery	29,664	6.3
5	29	Organic chemicals	16,819	3.6
6	72	Iron and steel	10,288	2.2
7	39	Plastic and plastic products	9,963	2.1
8	15	Animal and vegetable fats and oils	9,797	2.1
9	26	Mineral ores	8,435	1.8
10	89	Ships	6,994	1.5
		Other	89,941	19.2

Source: Global Trade Atlas

Looking at the trade situation by trading partner, the United States accounts for the largest portion of India's total export value in 2013 as well as in 2000; however, its share has decreased from 22.0% to 12.13%. The share of EU27 has also decreased from 24.2% in 2000 to 16.5% in 2013. Total proportional shares of the United States and EU27 have dropped from 46.2% in 2000 to 28.8% in 2013. On the other hand, the UAE's share, which accounted for the second-largest portion in 2013, has increased from 5.7% in 2000 to 10.2% in 2013, closing the gap with the top-positioned United States. In addition, Brazil and South Africa, which did not rank in the top 15 in 2000, both accounted for 1.7% in 2013 and ranked

13th and 15th, respectively. ASEAN's share also increased from 6.3% in 2000 to 11.3% in 2013. As described above, the diversity of India's main export partners is broadening beyond merely Europe and the Unites States (Column Table 12-15).

In terms of imports, too, EU27's share decreased from 21.6% in 2000 to 10.6% in 2013. Meanwhile, China became their largest import partner in 2013, with its share increasing to 11.0% from 2.9% in 2000, followed by Saudi Arabia (7.8%) and the UAE (7.1%) (Column Table 12-16).

Column Table 12-15 India's exports (by main country) (2000 and 2013)

	2000			2013			Increase ratio from 2000 to 2013
		Export value (million USD)	Share (%)		Export value (million USD)	Share (%)	
	World	42,299	100.0	World	312,267	100.0	7.4
	EU27	10,257	24.2	EU27	51,496	16.5	5.0
	ASEAN	2,654	6.3	ASEAN	35,156	11.3	13.2
1	the U.S.	9,297	22.0	1 the U.S.	38,552	12.3	4.1
2	Hong Kong	2,761	6.5	2 UAE	31,961	10.2	13.2
3	UAE	2,430	5.7	3 China	14,466	4.6	19.8
4	U.K.	2,207	5.2	4 Singapore	13,485	4.3	17.2
5	Japan	1,827	4.3	5 Hong Kong	12,959	4.1	4.7
6	Germany	1,822	4.3	6 Saudi Arabia	11,796	3.8	14.6
7	Belgium	1,432	3.4	7 U.K.	9,591	3.1	4.3
8	Italy	1,269	3.0	8 Netherlands	8,580	2.7	10.0
9	France	968	2.3	9 Germany	7,414	2.4	4.1
10	Netherlands	857	2.0	10 Japan	6,757	2.2	3.7
11	Russia	856	2.0	11 Belgium	6,322	2.0	4.4
12	Saudi Arabia	809	1.9	12 Bangladesh	5,684	1.8	7.4
13	Singapore	783	1.9	13 Brazil	5,413	1.7	28.2
14	Bangladesh	771	1.8	14 Viet Nam	5,302	1.7	27.2
15	China	732	1.7	15 South Africa	5,263	1.7	17.1
	Other	13,478		Other	128,722	41.2	

the U.S.
Europe
Asia and Oceania
Middle East and Africa

Source: Global Trade Atlas

Column Table 12-16 India's imports (by main country) (2000 and 2013)

		2000				2013		Increase ratio from 2000 to 2013
		Import value (million USD)	Share (%)			Import value (million USD)	Share (%)	
	World	50,577	100.0		World	467,665	100.0	9.2
	EU27	10,930	21.6		EU27	49,765	10.6	4.6
	ASEAN	4,277	8.5		ASEAN	42,333	9.1	9.9
1	Belgium	3,248	6.4	1	China	51,409	11.0	35.1
2	U.K.	3,155	6.2	2	Saudi Arabia	36,410	7.8	34
3	the U.S.	2,859	5.7	3	UAE	33,304	7.1	40.5
4	Switzerland	2,775	5.5	4	Switzerland	25,608	5.5	9.2
5	Japan	2,057	4.1	5	the U.S.	22,554	4.8	7.9
6	Germany	1,813	3.6	6	Iraq	20,281	4.3	211.3
7	China	1,465	2.9	7	Kuwait	17,534	3.7	47.6
8	Singapore	1,388	2.7	8	Indonesia	15,102	3.2	15.4
9	Malaysia	1,306	2.6	9	Venezuela	14,919	3.2	994.6
10	South Africa	1,255	2.5	10	Qatar	14,510	3.1	152.7
11	Saudi Arabia	1,072	2.1	11	Nigeria	13,605	2.9	19.2
12	Australia	1,035	2.0	12	Germany	13,064	2.8	7.2
13	Indonesia	983	1.9	13	ROK	12,426	2.7	15.2
14	Hong Kong	908	1.8	14	Australia	11,076	2.4	10.7
15	UAE	823	1.6	15	Belgium	10,558	2.3	3.3
	Other	24,435	48.3		Other	155,305	33.2	

the U.S.
Europe
Asia and Oceania
Middle East and Africa

Source: Global Trade Atlas

Next, let us take a look at investments in India. The largest investor is Mauritius, which accounts for approximately 40% of total investments (Column Figure 12-17). As India and Mauritius have a tax treaty, Mauritian companies receive favorable treatment in terms of taxation. For this reason, companies around the world, especially those from Europe and the United States, are investing in India via Mauritius to enjoy the benefits they receive under the tax treaty, including tax savings.[257] Japan invests mainly in transportation equipment and financial and insurance industries.[258] According to the List of Japanese Companies in India[259] jointly published by the Japanese Embassy in India and JETRO in January 2014, there are more than 1,000 Japanese companies in all of India. The number of companies reached 1,072 as of October 2013, increasing by 16% from the previous year. In addition, the total number of bases of Japanese companies has increased remarkably to 2,542 (a 41% increase).

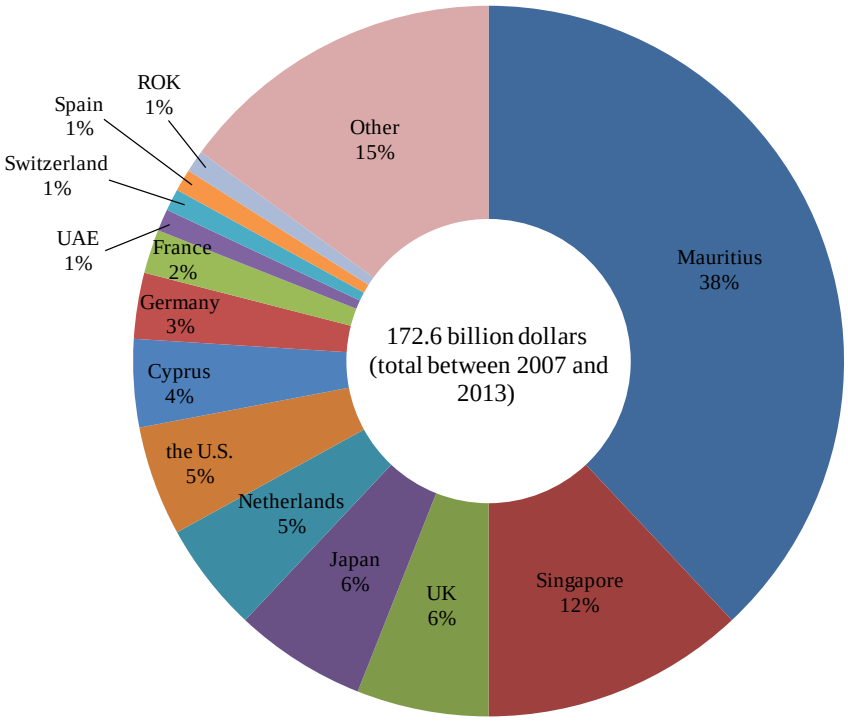
[257] Japan Bank for International Cooperation (2013). Approximately 70% of the population of Mauritius is comprised of Indian immigrants defined as "non-resident Indians" (NRI) and the Indian government has traditionally been apt to favor Mauritius in terms of taxation.

[258] According to the Direct Investment Position by the Bank of Japan, the balance of Japan's direct investments in India is 1.3 trillion yen (as of the end of 2012). By industry, 820.3 billion yen is for manufacturing industries (of which 398.3 billion yen is for the transportation equipment industry), and 483.7 billion yen is for non-manufacturing industries (of which 247.9 billion yen is for the finance and insurance industry).

[259] http://www.in.emb-japan.go.jp/Japanese/J_cos_list_j_2013_10.pdf

Amid the ongoing expansion of Japanese companies in India, Kawano (2013) notes the following: "A new direction is noticeable among the companies' mid- to long-term strategies for India. While steadily developing the huge market of India, the companies also seek to complement those efforts by centering the core of their strategies around: (a) incorporating the development of western markets, including the Middle East, Africa, and Eastern Europe, or (b) businesses consolidation." He also lists the following 10 characteristics of India as grounds for viewing it as the gateway to the western market: (i) geographical advantages; (ii) historical and cultural connections; (iii) similarity of the markets; (iv) similar maturity level and developmental process of the markets; (v) English-speaking human resources; (vi) a wide range of industries and human resources; (vii) abundant raw materials; (viii) a network of Indian residents abroad; (ix) motivation for overseas business expansion (to the west); and (x) support from the Indian government.

Column Figure 12-17 Direct investments into India by country (cumulative total from 2007 to 2013)



Source: Ministry of Commerce and Industry of India, CEIC Database