JETRO
Japan External Trade Organization

Survey of Japanese-Affiliated Firms in Asia and Oceania (FY 2011 Survey)

October 2011

Asia and Oceania Division
China and North Asia Division
Overseas Research Department

Japan External Trade Organization (JETRO)

Contents

Survey Summary (1)

Purpose of Survey

Understand the current business activities of Japanese- affiliated companies operating in Asia and Oceania and to disseminate those findings widely.

Survey Methods

Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater) operating in at total of 20 countries/areas in northeast Asia (5), ASEAN countries (9), southwest Asia (4), and Oceania (2).

Survey Period

August 1 to September 15, 2011

Response Rate

Of a total of 8,173 surveys sent out, we received valid responses from 3,904 (47.8%) firms. The breakdown of respondents by country and region is provided in the table to the right.

Notes

- The survey has been conducted since1987, making this year the 25th year that the survey has been conducted.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

(Firms, %)

	Firms Surveyed	Firms Responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
Total	8,173	3,904	100.0	2,170	1,734	47.8
Northeast Asia	2,008	1,275	32.7	728	547	63.5
China	1,445	911	23.3	597	314	63.0
Taiwan	247	122	3.1	58	64	49.4
Hong Kong/Macau	209	153	3.9	28	125	73.2
Korea	101	89	2.3	45	44	88.1
ASEAN	4,748	1,988	50.9	1,191	797	41.9
Thailand	2,000	934	23.9	593	341	46.7
Malaysia	914	335	8.6	218	117	36.7
Singapore	789	237	6.1	54	183	30.0
Indonesia	447	162	4.1	109	53	36.2
Vietnam	292	151	3.9	114	37	51.7
Philippines	230	126	3.2	82	44	54.8
Cambodia	49	20	0.5	11	9	40.8
Myanmar	20	16	0.4	6	10	80.0
Laos	7	7	0.2	4	3	100.0
Southwest Asia	963	324	8.3	155	169	33.6
India	801	243	6.2	113	130	30.3
Sri Lanka	72	32	0.8	13	19	44.4
Bangladesh	60	24	0.6	14	10	40.0
Pakistan	30	25	0.6	15	10	83.3
Oceania	448	317	8.1	96	221	70.8
Australia	328	214	5.5	58	156	65.2
New Zealand	120	103	2.6	38	65	85.8

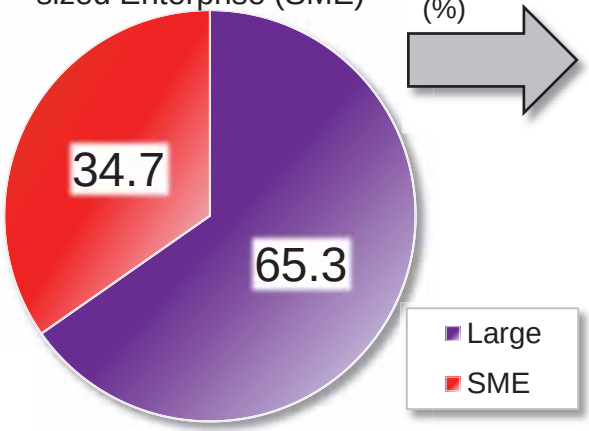
Survey Summary (2)

By industry category (Firms, %)

	Valid	(%)
Manufacturing	2,170	55.6
Electric machinery	393	10.1
Motor vehicles/Motorcycles	392	10.0
Chemical/Pharmaceutical	293	7.5
Iron/Nonferrous metals/Metals	252	6.5
Food	144	3.7
General machinery	119	3.0
Textiles	119	3.0
Precision machinery	54	1.4
Rubber/Leather	50	1.3
Wood/Pulp	44	1.1
Other manufacturing	310	7.9
Non-manufacturing	1,734	44.4
Wholesale/Retail	810	20.7
Transport	185	4.7
Construction	108	2.8
Communications/Software	88	2.3
Finance/Insurance	87	2.2
Other non-manufacturing	456	11.7

Note: Includes wholesale and retail subsidiaries of manufacturing firms.

Large vs. Small and Medium sized Enterprise (SME) (%)



Note: The definition of “small and medium enterprises” here is based on the definition provided in Japan’s Small and Medium-sized Enterprise Basic Law.

Note: Industry category details are as follows:

1. **Food:** Food and processed agricultural and fishery products
2. **Textiles:** Fibers (yarn, fabrics, chemical fibers), clothing and other textile products
3. **Wood/pulp:** Lumber, wood products, paper, pulp
4. **Chemical/Pharmaceutical**: Chemical, petrochemical, pharmaceutical and plastics products
5. **Iron/Non-ferrous metals/Metals**: Ferrous metals (including castings), non-ferrous metals, metal products (including plated products)
6. **General machinery**: Including machine tools, molds, and general machinery
7. **Electric machinery**: Electrical machinery, electronic devices, electrical and electronic components
8. **Motor vehicles/Motorcycles:** Transport equipment (cars, trucks, motorcycles) and parts
9. **Precision machinery:** Precision machinery and medical devices
10. **Wholesale/Retail:** Trading companies, logistics, sales companies
11. **Finance/Insurance:** Banks, insurance companies, securities brokers

Firms by Country/Area (Firms)

	Large	SME
Total	2,549	1,355
Northeast Asia	873	402
China	587	324
Taiwan	97	25
Hong Kong/Macau	123	30
Korea	66	23
ASEAN	1,180	808
Thailand	510	424
Malaysia	192	143
Singapore	185	52
Indonesia	120	42
Vietnam	72	79
Philippines	80	46
Cambodia	9	11
Myanmar	8	8
Laos	4	3
Southwest Asia	249	75
India	199	44
Sri Lanka	17	15
Bangladesh	10	14
Pakistan	23	2
Oceania	247	70
Australia	175	39
New Zealand	72	31

Key Points

(1) Business confidence dramatically down from last year's V-shaped recovery

At 67.8%, the proportion of firms expected to be in the black in 2011 was very similar to the previous year (69.4%). The Diffusion Index (the proportion of firms reporting greater profits over the previous year minus the proportion of firms reporting lower profits over the previous year), indicating business confidence, was 12.8, much lower than in the previous year (46.7) when the V-shaped recovery from the financial crisis was apparent.

(2) Positive outlook for recovery in 2012. Signs of growth in emerging nations apparent.

Over half of the firms surveyed expected improved profits in 2012. The DI of 43.3 marks a roughly 30 point improvement over 2011. DI in India, Bangladesh, Cambodia, and Myanmar exceeded 60 percentage points. The number of firms that include "expansion" as one of their goals over the next 1 or 2 years is especially high in these emerging nations.

(3) Although approximately 70% of firms were impacted by the Great East Japan Earthquake Disaster, return to normal operations expected within 6 months.

Approximately 70% of the firms surveyed were impacted by the Great East Japan Earthquake Disaster in terms of procurement activities and sales. However, it is believed that core operations will return to normal within 3 months for slightly over half of the firms and for 90% of firms within 9 months. With the rapid recovery of supply chains, two thirds of respondents reported that they will not reconsider their business goals and strategies. Only 2.4% respondents reported that they had significantly reformulated their business strategy.

(4) Increasing labor and procurement costs represent the greatest challenge for firms

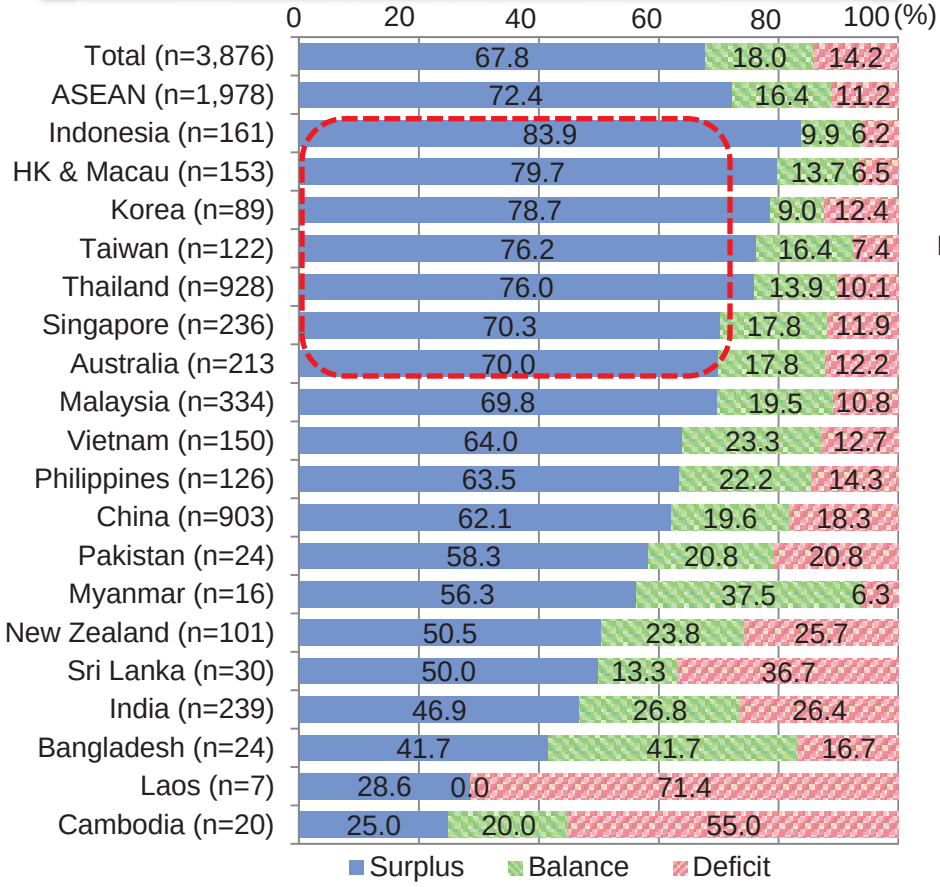
The two most problematic issues facing firms, increasing labor costs and procurement costs, have worsened. In Vietnam, India, and China, the bottom-up increase in base pay is expected to be in the double digits in both 2011 and 2012. Japanese firms have, for now, responded by reducing administrative and other indirect costs and reexamining raw material suppliers and content. While the negative impact of the yen's appreciation varies widely by country and/or region, it appears that the impact in Taiwan and Korea is strong.

(5) The development of FTA networks has led to the expansion of use in both exports and imports.

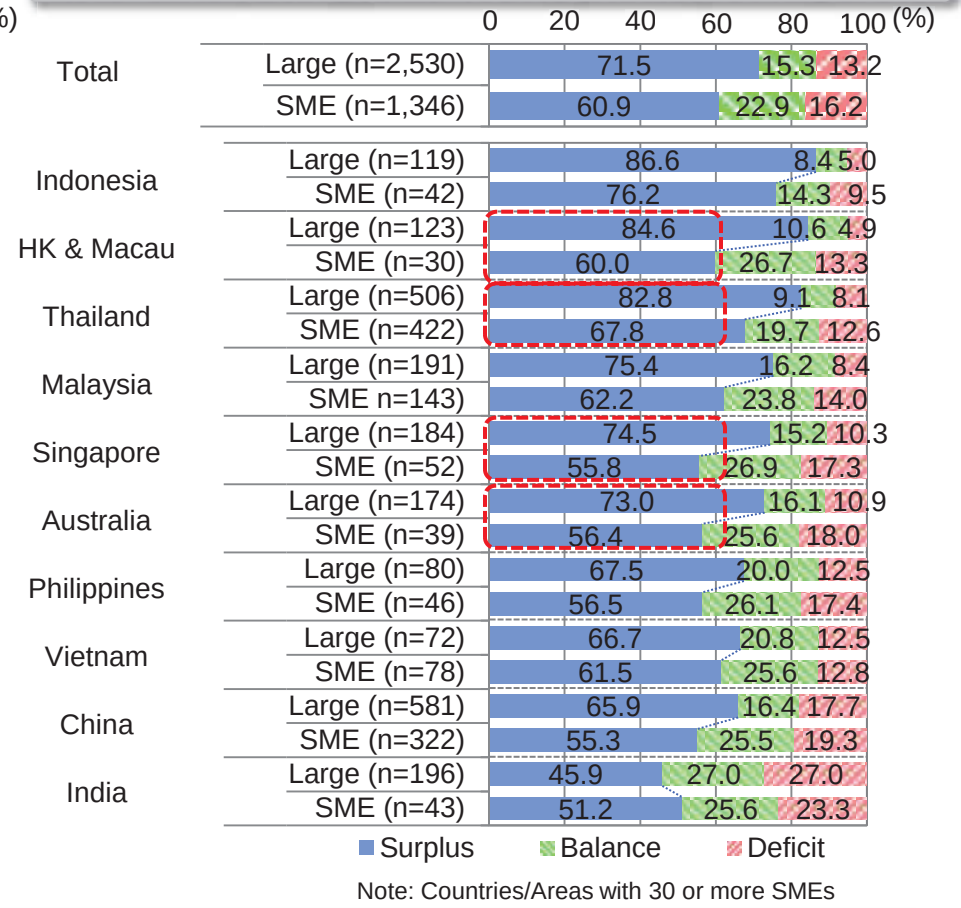
The expansion of the FTA network has resulted in a steady increase in the and countries hosting Japanese firms are most use of FTAs by Japanese-affiliated companies for both exports and imports. FTAs between Japan commonly utilized in textile and motor vehicles/motorcycle industries.

1. Business Outlook (1)

Estimated operating profit in 2011 (by country/area)



Estimated operating profit in 2011 (by country/industry scale)



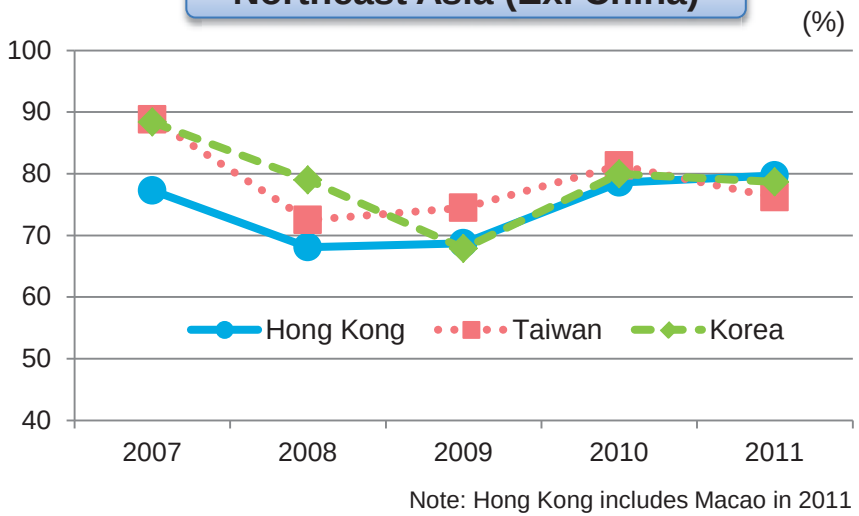
Note: Countries/Areas with 30 or more SMEs

- 67.8% of firms expect to be profitable in 2011, similar to the 69.4% in the year prior (2010: n = 3,464).
- Broken down by country and region, the proportion of firms expected to be profitable was highest in Indonesia at 83.9%, followed by Hong Kong, Macao, Korea, Taiwan, Thailand, Singapore, and Australia, where the same proportion exceeded 70%. In contrast, the proportion of firms expected to be “in the red” was relatively high in southwestern Asian countries including Sri Lanka at 36.7% and even India at 26.4%. In Laos and Cambodia, the number of firms in the red exceeded 50%.
- At 71.5%, the number of large firms expecting to be profitable exceeded that of SMEs (60.9%) by 10 percentage points. Compared to 2010, the number of profitable large firms declined (75.2% ⇒ 71.5%), while that of SMEs increased (58.3 ⇒ 60.9%), representing a narrowing of the gap between large firms and SMEs.
- In Hong Kong, Macao, Australia, Singapore, and Thailand, the gap between profitable large firms and SMEs exceeds 15 percentage points. Among all countries and regions surveyed, the proportion of profitable SMEs exceeded that of large firms only in India.

1. Business Outlook (2)

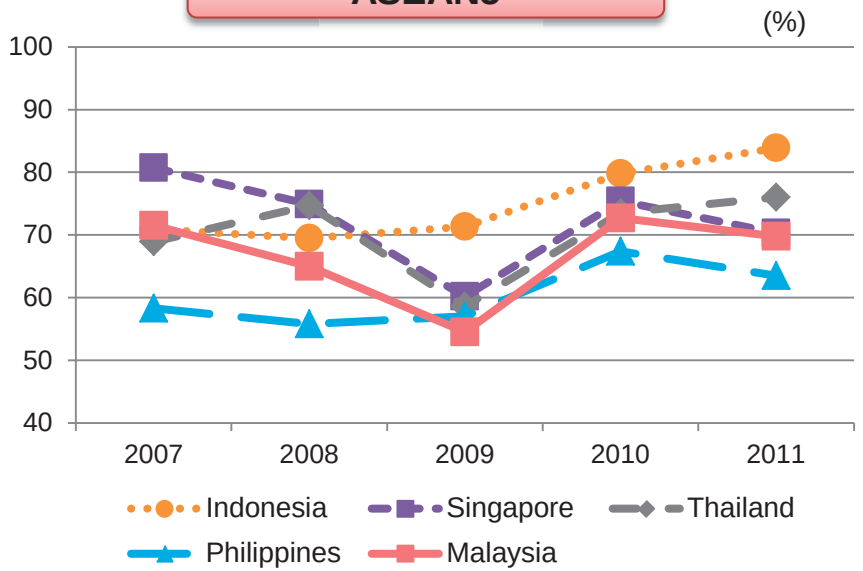
Proportion of profitable enterprises - 2007 to 2011 (by country/area)

Northeast Asia (Ex. China)

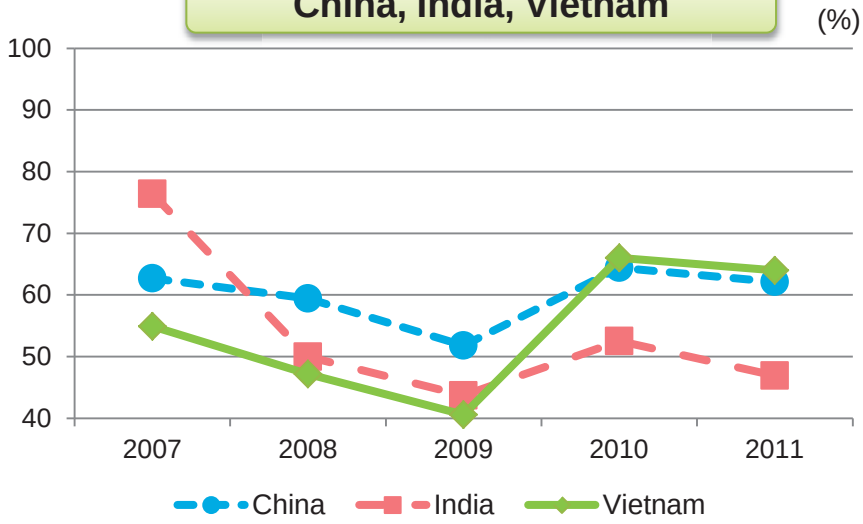


Note: Hong Kong includes Macao in 2011

ASEAN5



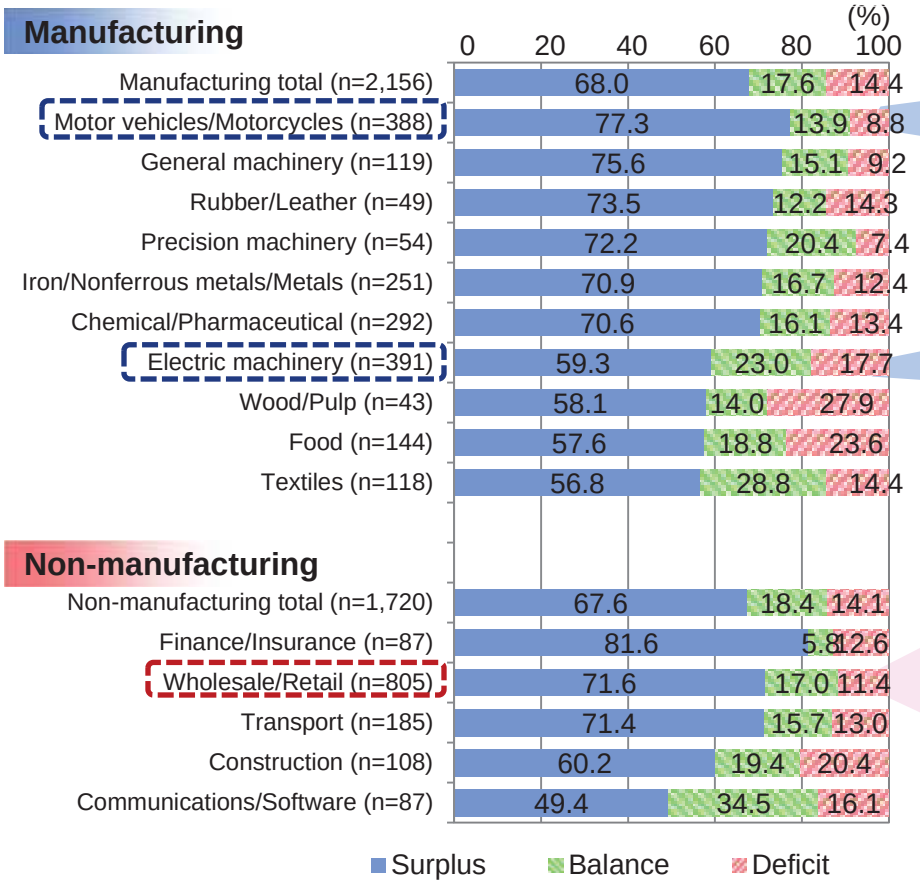
China, India, Vietnam



- While the proportion of profitable firms increased between 2009 to 2010 in all countries/areas, with exception of a few countries, the same proportion tended to decline slightly between 2010 and 2011.
- With the exception of China, the proportion of profitable firms in Northeast Asia (Hong Kong, Taiwan, and Korea), remained relatively high, in the neighborhood of 80%, in both 2010 and 2011.
- The proportion of profitable firms grew for the third straight year in Indonesia. Among the countries/areas included in the 2011 survey, it was the only country in which the proportion of profitable firms exceeded 80%. Approximately 90% of firms in the motor vehicles/motorcycles, chemical and medical, and wholesale and retail industries were profitable.
- In India, the proportion of profitable firms in 2011 marked a 30 percentage points decrease relative to 2007. The backdrop for this drop is the fact that the majority of firms surveyed were newly established in 2008 or later.
- The proportion of profitable firms in China and Vietnam, after marking a V-shaped recovery in 2010, remained steady in 2011.

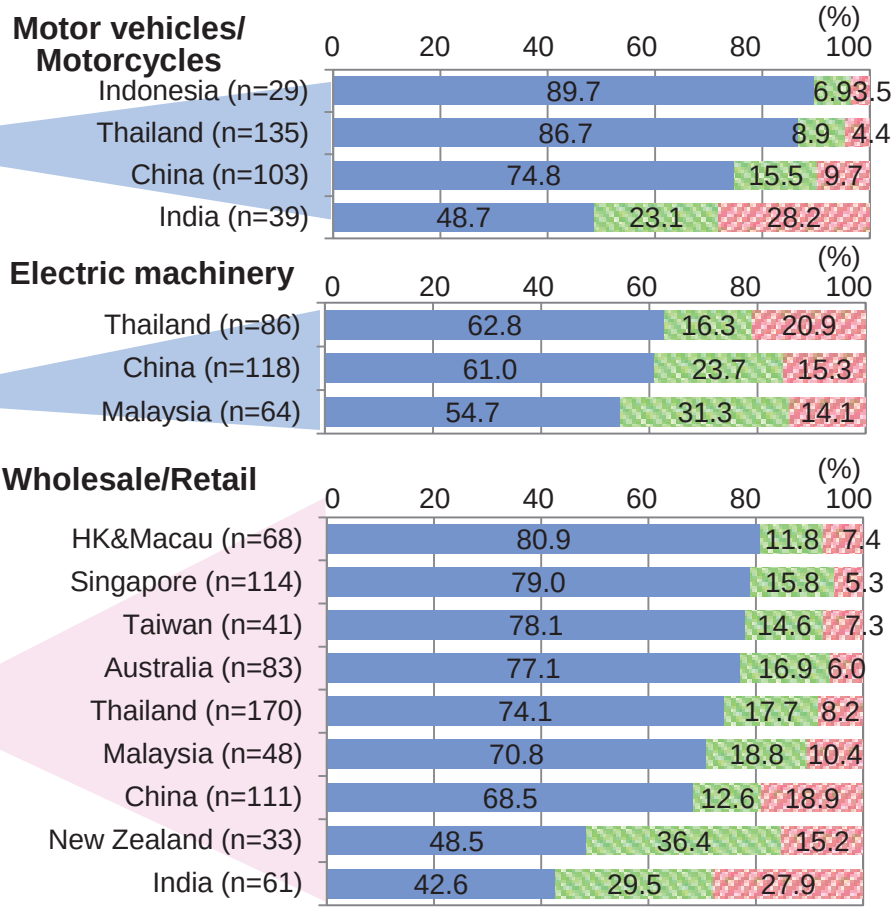
1. Business Outlook (3)

Estimated operating profit in 2011 (by industry category)



Major industry categories by country and region

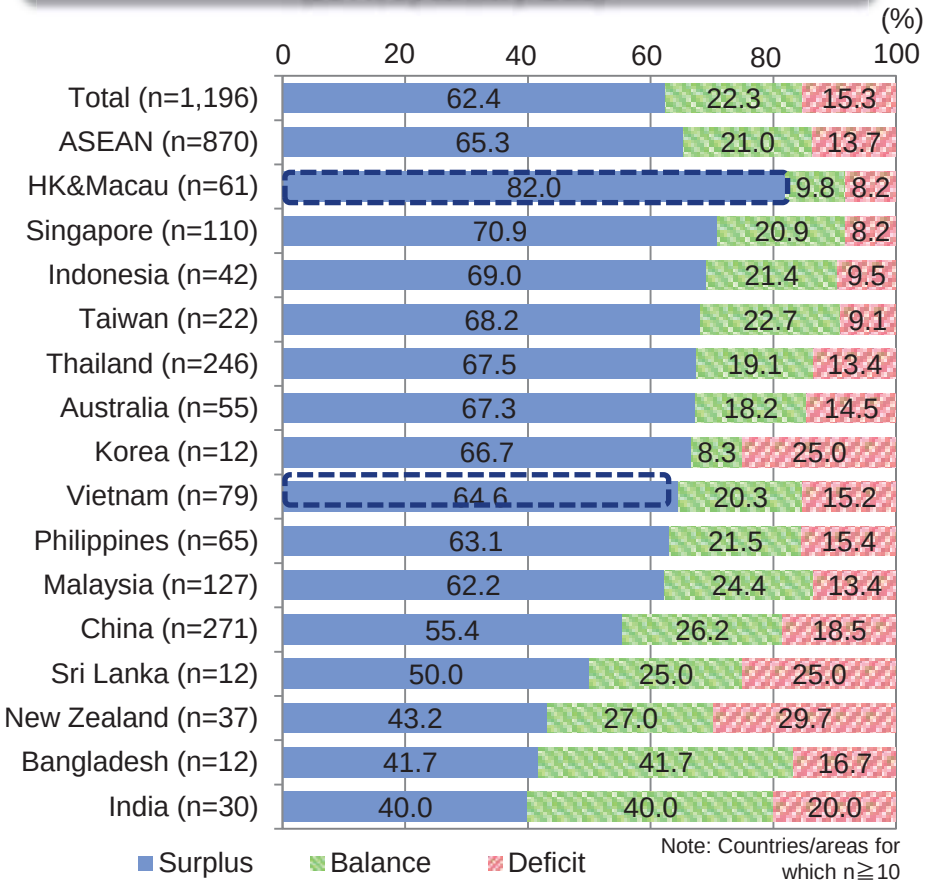
Note: Countries/areas for which n≧25



- In 2011, the proportions of profitable and non-profitable firms in both manufacturing and non-manufacturing sectors became equal. Compared to 2010 (n = 1,940 profitable firms in the manufacturing sector vs. n = 1,524 in the non-manufacturing sector), the proportion of profitable firms in the manufacturing sector declined from 71.4% to 68.0%, while the same proportion in the non-manufacturing increased slightly from 66.7% to 68.0%.
- Broken down by industry, the proportion of firms expected to be profitable was highest in the motor vehicles/motorcycles (manufacturing sector) and the financial and insurance (non-manufacturing sector) industries. However, the proportion of profitable firms in the motor vehicle/motorcycles industry declined from 84.8% in 2010, to 77.3% in 2011.
- The trends by country/area of the 3 most profitable industries, based on valid survey responses, are as follows. In the motor vehicle/motorcycles industry, nearly 90% of firms in Indonesia and Thailand are expected to be profitable. The proportion of profitable firms in wholesale/retail industries is expected to exceed 80% in Hong Kong and Macao and to exceed 70% in Singapore, Taiwan, Australia, Thailand, and Malaysia.

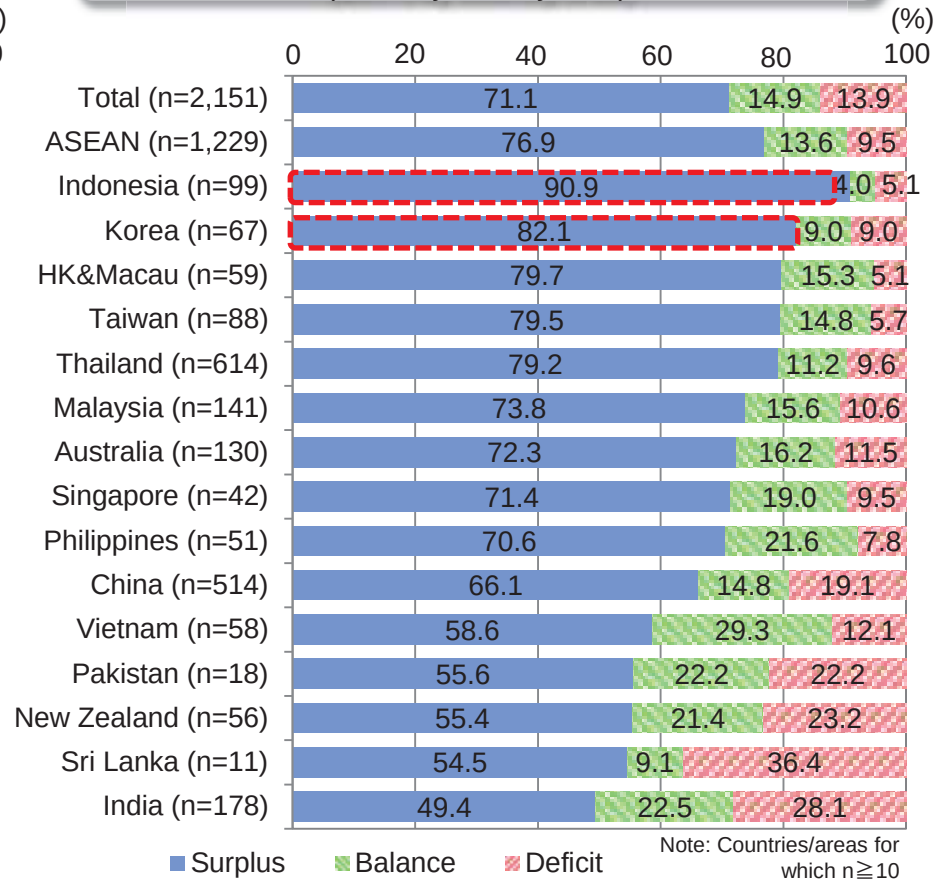
1. Business Outlook (4)

Estimated operating profit of firms in which exports account for more than 50% of business (2011, by country/area)



Note: Countries/areas for which n≧10

Estimated operating profit of firms in which exports account for less than 50% of business (2011, by country/area)

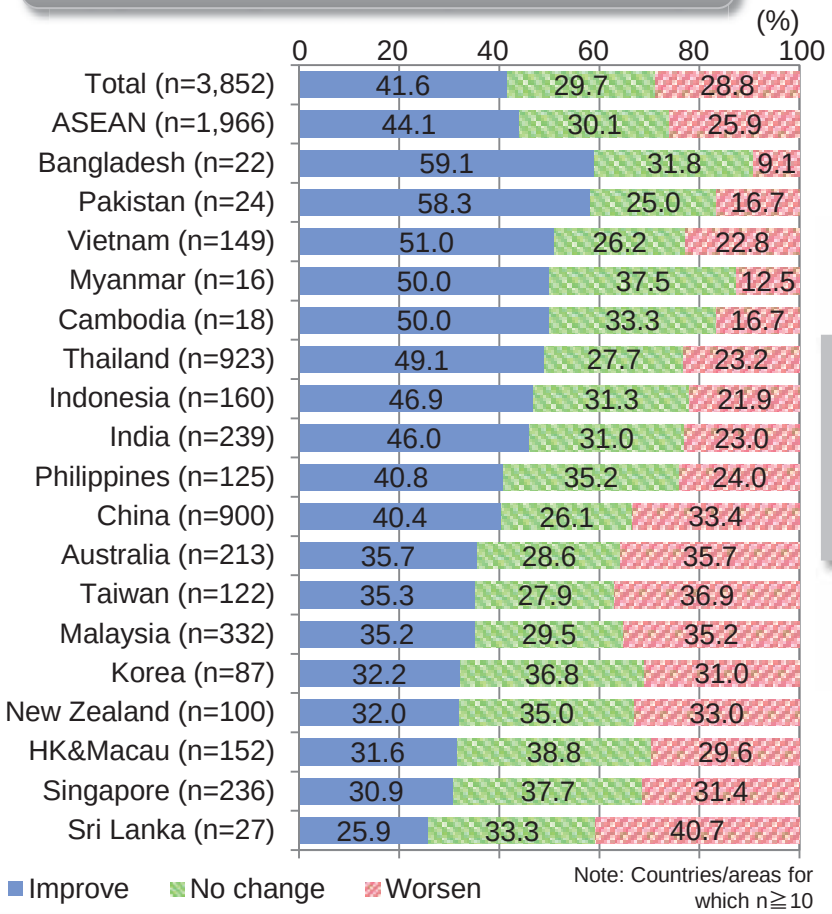


Note: Countries/areas for which n≧10

- At 71.1%, the proportion of profitable “domestic sale-type” firms, in which export activities in the country in which they are operating account for less than 50% of business, exceeds that of “export-type” firms (62.4%) by 8.7 percentage points.
- At 90.9%, the proportion of profitable “domestic sales-type” firms is particularly high in Indonesia, and exceeds that of “export-type” firms (69.0%) by 20 percentage points. Similarly, in Korea, more than 80% of “domestic sales-type” firms are expected to be profitable, some 15 percentage points more than “export-type” firms.
- In contrast, in Hong Kong and Vietnam, the proportion of profitable “export-type” firms exceeds that of “domestic sales-type” firms.

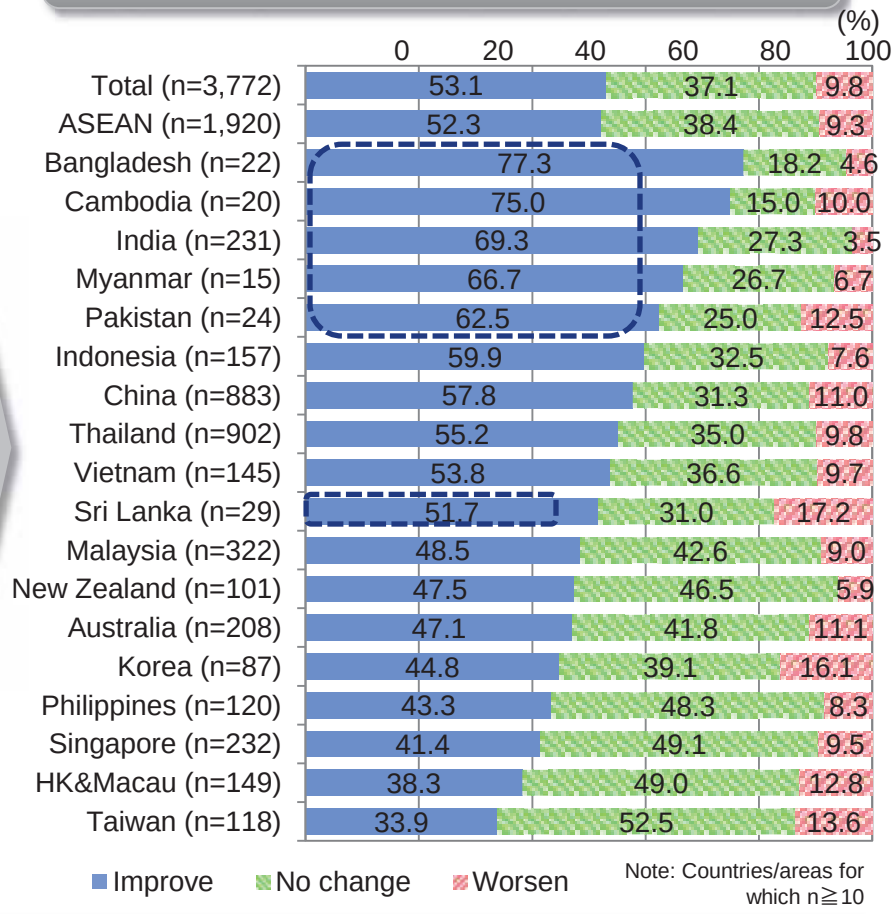
1. Business Outlook (5)

Estimated operating profit in 2011 (by country/area, compared to 2010)



Note: Countries/areas for which n≧10

Estimated operating profit in 2012 (by country/area versus, compared to 2011)

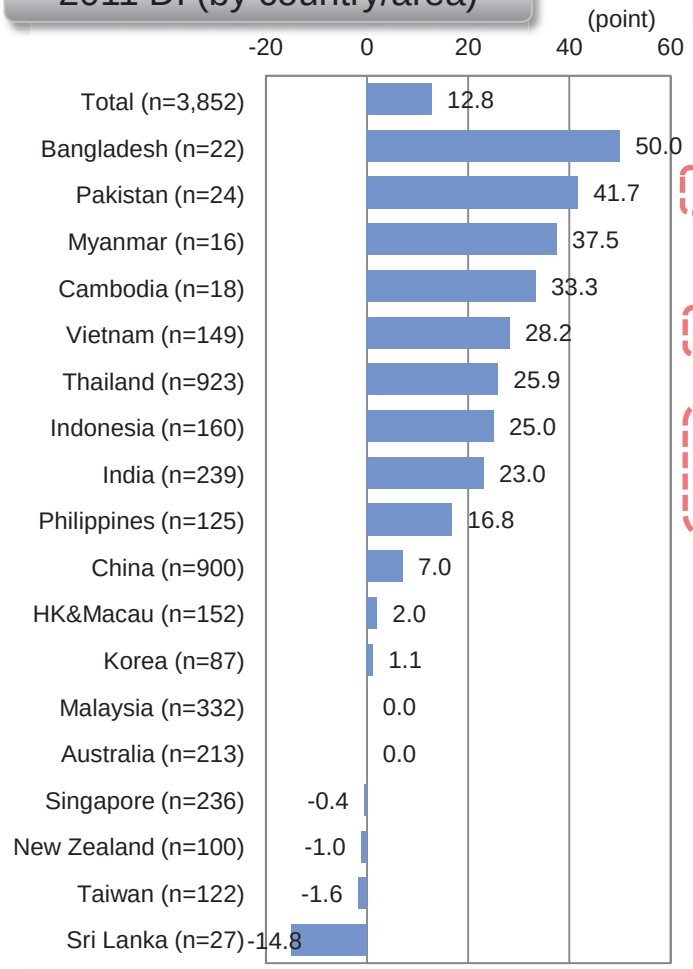


Note: Countries/areas for which n≧10

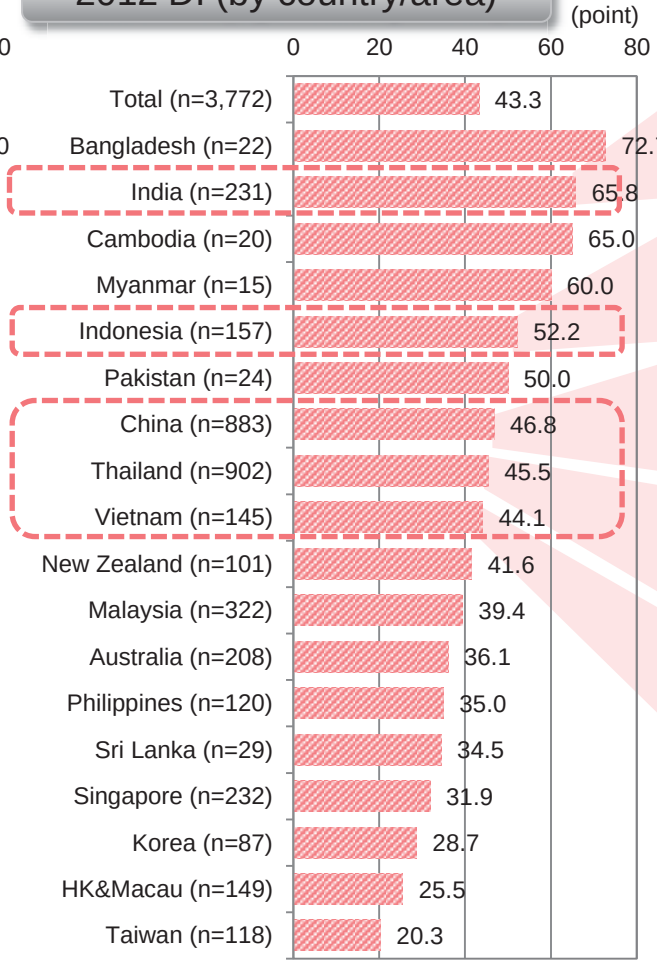
- The proportion of respondents estimating that operating profits in 2011 would “improve” over 2010 was 41.6%, down 17.2 percentage points from the 58.8% respondents making the same estimate in the 2010 (n=3,450). Meanwhile, the proportion of respondents expecting business to “worsen” in 2011 than 2010 was 28.8%, marking a 10 percentage point increase from the year prior (17.0%).
- 53.1% of firms estimated that business would “improve” in 2012, representing an 11.5 percentage point increase over 2011. The proportion of firms expecting improvement in business in 2012 increased in all countries included in the survey except Taiwan.
- The proportion of firms expecting improvement in business in 2012, was particularly high in emerging countries such as Bangladesh, Cambodia, and India. Even in Sri Lanka, where the proportion of firms expecting improvement in 2011, was the lowest of all countries/areas surveyed at 25.9%, the proportion of firms expecting improvement in 2012, increased to 51.7%.

1. Business Outlook (6)

2011 DI (by country/area)



2012 DI (by country/area)



High DI industries

Note: Industry categories for which n≧10

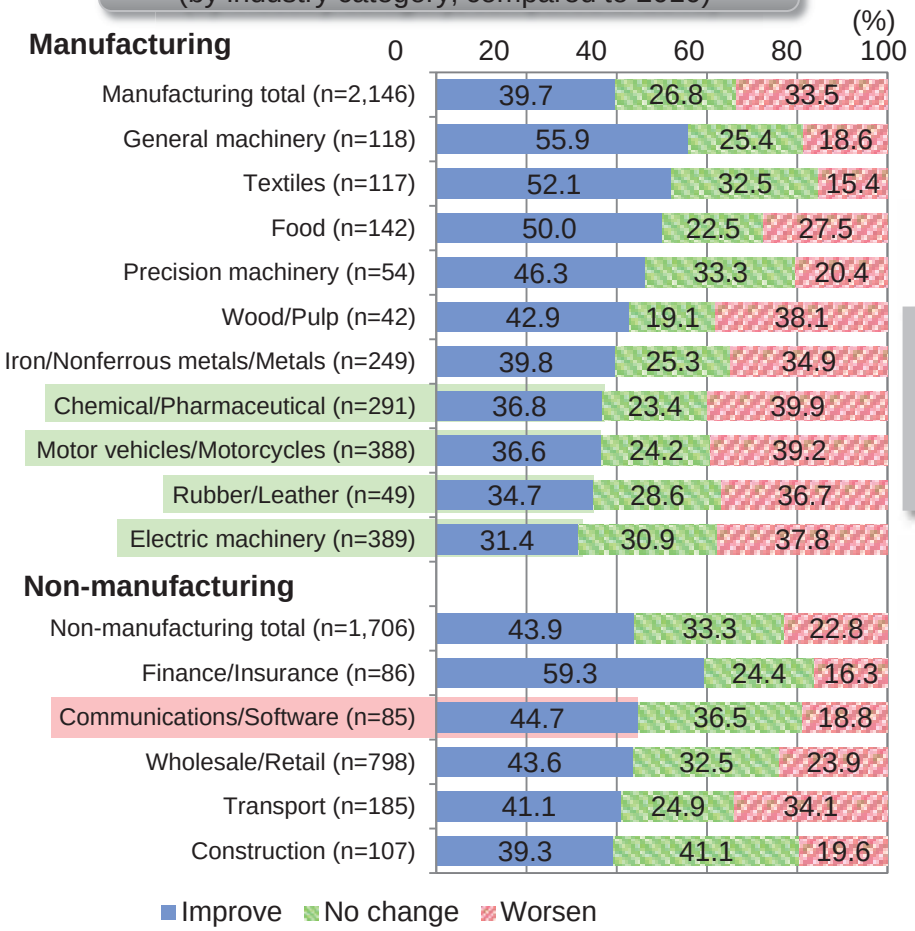
Total (n=3,772)	1. Transport (DI: 70.6) 2. Motor vehicles/Motorcycles (DI: 66.7)
Bangladesh (n=22), India (n=231), Cambodia (n=20), Myanmar (n=15)	1. Iron/Nonferrous metals/Metals (DI: 81.8) 2. Motor vehicles/Motorcycles (DI: 55.2)
Indonesia (n=157), Pakistan (n=24), China (n=883), Thailand (n=902), Vietnam (n=145)	1. Finance/Insurance (DI: 66.7) 2. Wholesale/Retail (DI: 63.6)
New Zealand (n=101), Malaysia (n=322), Australia (n=208), Philippines (n=120), Sri Lanka (n=29), Singapore (n=232), Korea (n=87), HK&Macau (n=149), Taiwan (n=118)	1. Finance/Insurance (DI: 80.0) 2. Communications/Software (DI: 69.2)
	1. Motor vehicles/Motorcycles (DI:83.3) 2. Iron/Nonferrous metals/Metals (DI: 71.4)

Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting improvement minus the proportion of firms expecting worsening. This figure reflects changes in business sentiment.

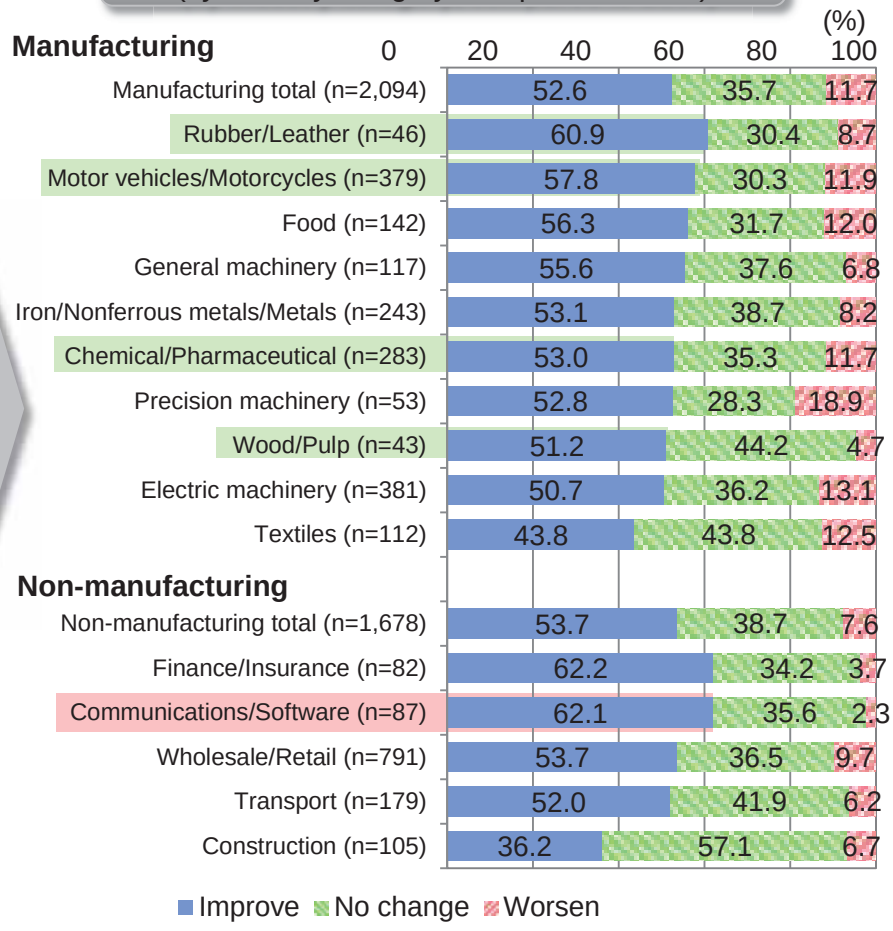
- The DI (see note above), indicating business sentiment, for 2011, is 12.8 points, marking a substantial decline from 41.8 points in the 2010 survey (n = 3,450). The figure declined across the board in all countries, and particularly in Hong Kong/Macao and Korea, where DI fell by roughly 50 points.
- In contrast, the DI (expected) for 2012 is much higher. DI exceeds 60 points in Bangladesh, India, Cambodia, and Myanmar. In India, the DI in the Transport is highest at 70.6 points, followed by that of the motor vehicle/motorcycles industry (66.7 points).
- With respect to the DI in other major countries/areas broken down by industry, the DI is particularly high in the iron/non-ferrous metals/metals industry in Indonesia (81.8 points) and the motor vehicle/motorcycles industry in Vietnam (83.3 points). In China, DI is high in non-manufacturing industries such as finance/insurance and wholesale/retail.

1. Business Outlook (7)

Estimated operating profit in 2011
(by industry category, compared to 2010)



Estimated operating profit in 2012
(by industry category, compared to 2011)

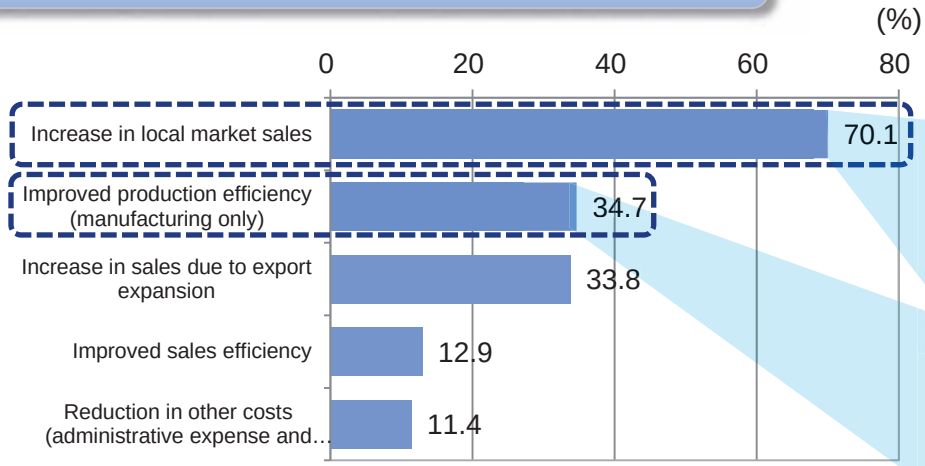


- Compared to the survey in the year prior (2010, n = 1,938 in the manufacturing sector, n = 1,512 in the non-manufacturing sector), the proportion of firms expecting business to "improve" in 2011, declined by more than 20 percentage points (61.3% ⇒ 39.7%) in the manufacturing sector and by more than 10 percentage points (55.6% ⇒ 43.9%) in the non-manufacturing sector.
- 52.6% of firms in the manufacturing sector and 53.7% in the non-manufacturing sector expected business to improve in 2012, marking increases over the same figures with respect to 2011. proportions increased by over 15 percentage points in rubber/leather, motor vehicles/motorcycles, electric machinery, communications/software, and chemical/pharmaceutical industries. The proportion of firms expecting business to worsen decreased across the board.

1. Business Outlook (8)

Reasons for expected improvement in operating profit in 2011 (top 5, multiple answer)

Total (n＝1,593)



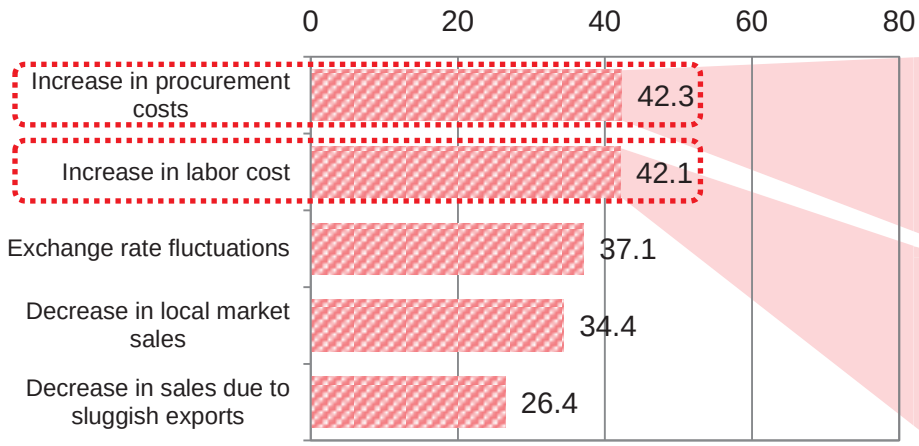
Proportion of answers by country/area and industry category (rank order)

Country/area	Industry Category
India (87.0%) Indonesia (81.3%) Thailand (75.4%) China (73.8%) Taiwan (72.1%)	Construction (95.1%) Motor vehicles/Motorcycles (87.3%) Wholesale/Retail (79.7%) General machinery (77.3%) Finance/Insurance (76.0%)
Malaysia (43.8%) China (40.0%) Vietnam (35.7%) Philippines (34.4%) Indonesia (32.6%)	Food (45.1%) Motor vehicles/Motorcycles (39.4%) Iron/Nonferrous metals/Metals (36.4%) Textiles (36.1%) Electric machinery (34.4%)

Note: Countries/areas and industry categories for which n ≧ 30

Reasons for expected worsening in operating profit in 2011 (top 5, multiple answer)

Total (n＝1,105)



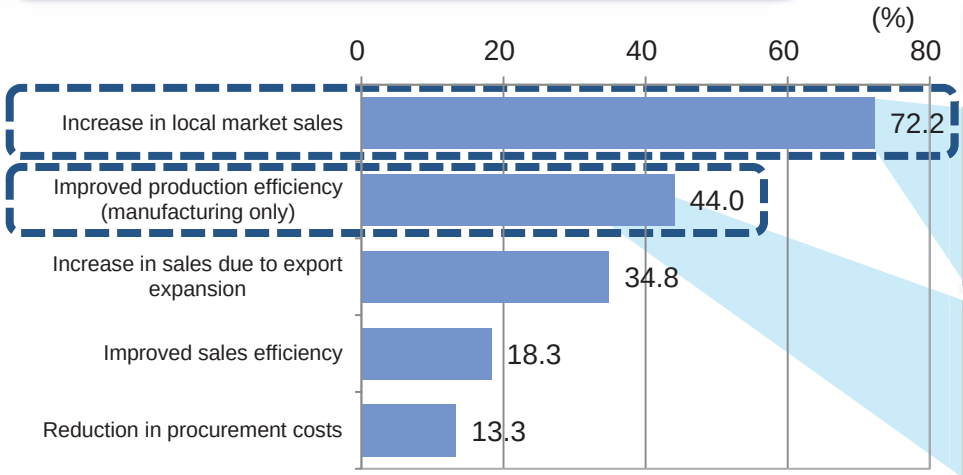
Country/area	Industry Category
Indonesia (65.7%) Taiwan (48.9%) China (48.5%%) Thailand (45.5%) Sri Lanka (45.5%)	Rubber/Leather (88.9%) Precision machinery (72.7%) Food (64.1%) Chemical/Pharmaceutical (61.2%) Wood/Pulp (56.3%)
China (69.2%) Vietnam (55.9%) Indonesia (51.4%) India (41.8%) Thailand (34.7%)	Textiles (61.1%) Rubber/Leather (61.1%) Communications/Software (56.3%) General machinery (54.6%) Precision machinery (54.6%)

Note: Countries/areas and industry categories for which n ≧ 10

1. Business Outlook (9)

Reasons for expected improvement in operating profit in 2012 (top 5, multiple answer)

Total (n＝1,993)



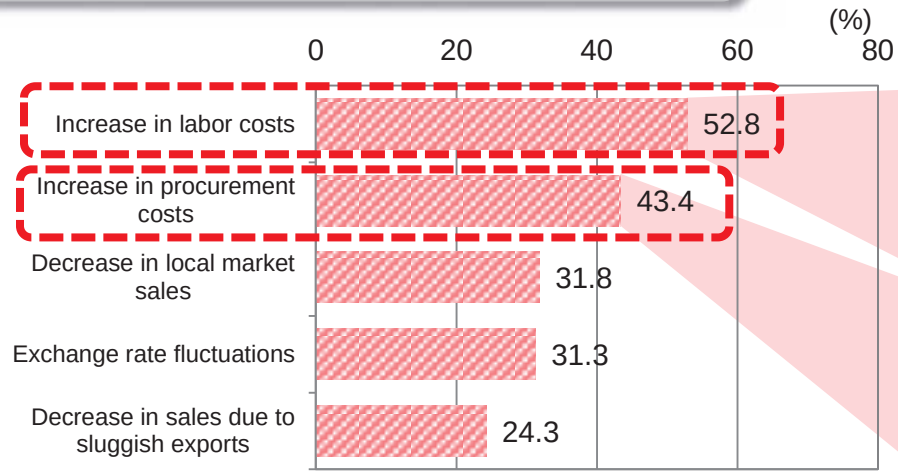
Proportion of answers by country/area and industry category (rank order)

Country/area	Industry Category
India (83.7%) China (79.5%) Thailand (79.2%) Indonesia (78.5%) Korea (74.4%)	Construction (91.9%) Wholesale/Retail (82.5%) Motor vehicles/Motorcycles (80.4%) Iron/Nonferrous metals/Metals (76.7%) Chemical/Pharmaceutical (76.7%)
Philippines (52.9%) Malaysia (48.4%) China (46.3%) Indonesia (43.8%) Vietnam (43.1%)	Textile (53.1%) Electric machinery (46.3%) Food (46.3%) Iron/Nonferrous metals/Metals (43.4%) Motor vehicles/Motorcycles (42.5%)

Note: Countries/areas and industry categories for which n ≧ 30

Reasons for expected worsening in operating profit in 2012 (top 5, multiple answer)

Total (n＝ 371)



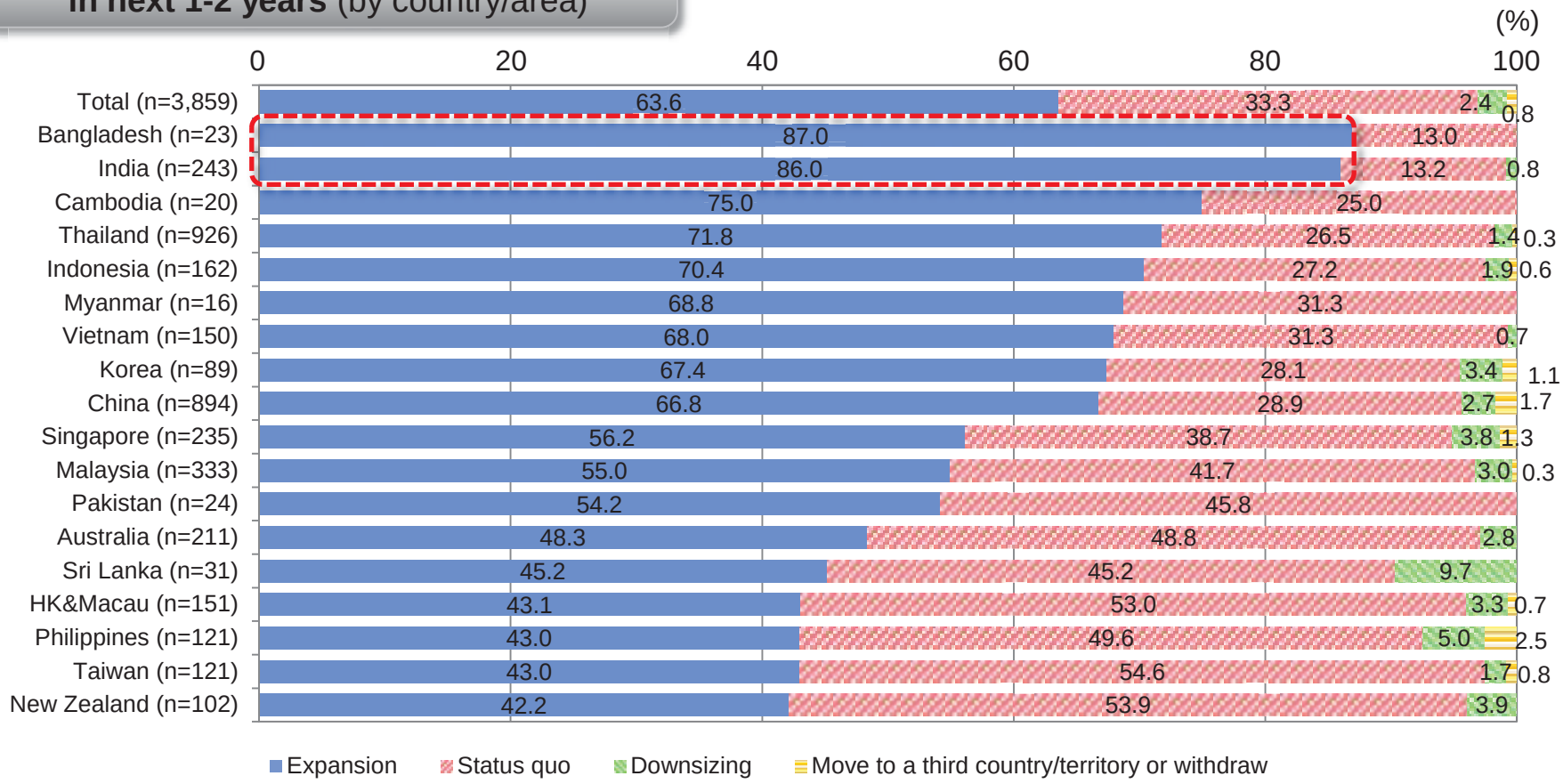
Country/area	Industry Category
Vietnam (78.6%) China (75.3%) Thailand (56.8%) Australia (52.2%) Philippines (40.0%)	Food (94.1%) Electric machinery (76.0%) Increase in labor costs (75.0%) Textile (64.3%) Precision machinery (60.0%)
Vietnam (64.3%) HK&Macau (63.2%) Taiwan (56.3%) China (52.6%) Thailand (44.3%)	Food (70.6%) Electric machinery (66.0%) Chemical/Pharmaceutical (54.6%) Iron/Nonferrous metals/Metals (45.0%) Precision machinery (40.0%)

Note: Countries/areas and industries categories for which n ≧ 10

2. Future Business Development (1)

Directions for business development in next 1-2 years (by country/area)

Note: Countries/areas for which n ≧ 10



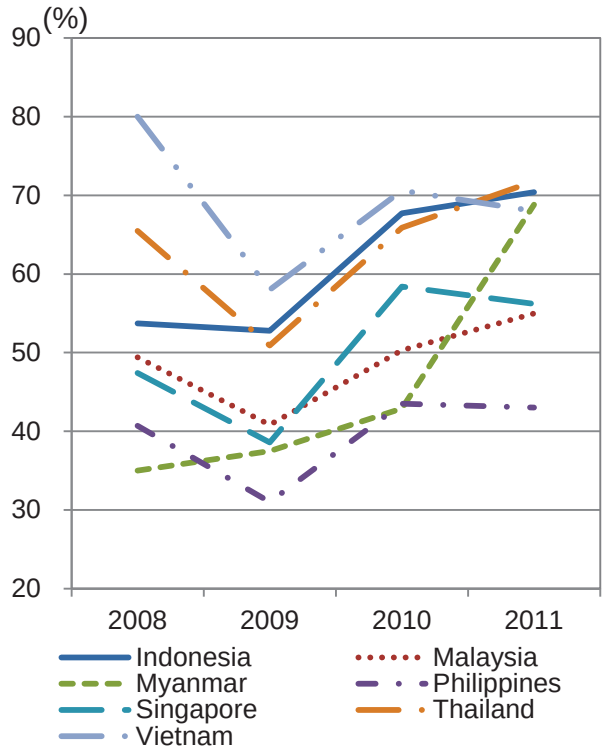
- 63.6% of firms responded that they intend to ”expand” business in the next year or two, marking a slight increase from the 62.0% (n = 3,448) in the 2010 survey. Meanwhile, 3.2% of firms responded that they intend to “downsize” or “move to a third country/area or withdraw,” marking a 0.5 percentage point increase over 2010.
- Similar to the 2010 survey, over 80% of firms in Bangladesh and India responded that they intend to “expand” business. This trend is particularly strong in textile and wholesale/retail industries in Bangladesh and electric machinery and motor vehicle/motorcycle industries in India. In addition, over 60% of firms in ASEAN countries such as Cambodia, Thailand, Indonesia, Myanmar, and Vietnam, as well as Korea and China responded that they intend to “expand.”
- A large proportion of firms in Australia, Hong Kong/Macao, the Philippines, Taiwan, and New Zealand, responded that they intend to “maintain the status quo.” This proportion was larger than the proportion intending to “expand.”

2. Future Business Development (2)

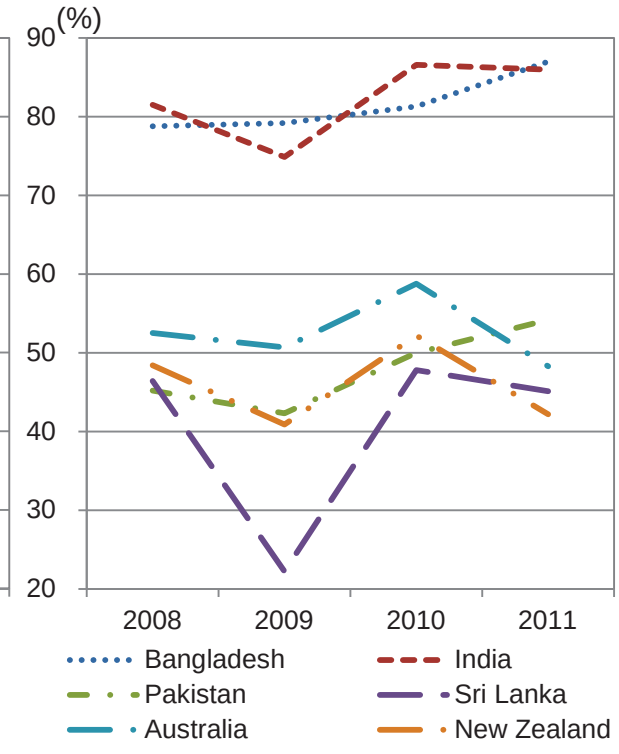
Proportions of firms expecting to grow in next 1-2 years（2008-2011 surveys）

FY08 survey：ASEAN (n=1,302), Southwest Asia/Oceania (n=489), Northeast Asia (n=681)
FY09 survey：ASEAN (n=1,593), Southwest Asia/Oceania (n=532), Northeast Asia (n=820)
FY10 survey：ASEAN (n=1,847), Southwest Asia/Oceania (n=514), Northeast Asia (n=1,087)
FY11 survey：ASEAN (n=1,970), Southwest Asia/Oceania (n=634), Northeast Asia (n=1,255)

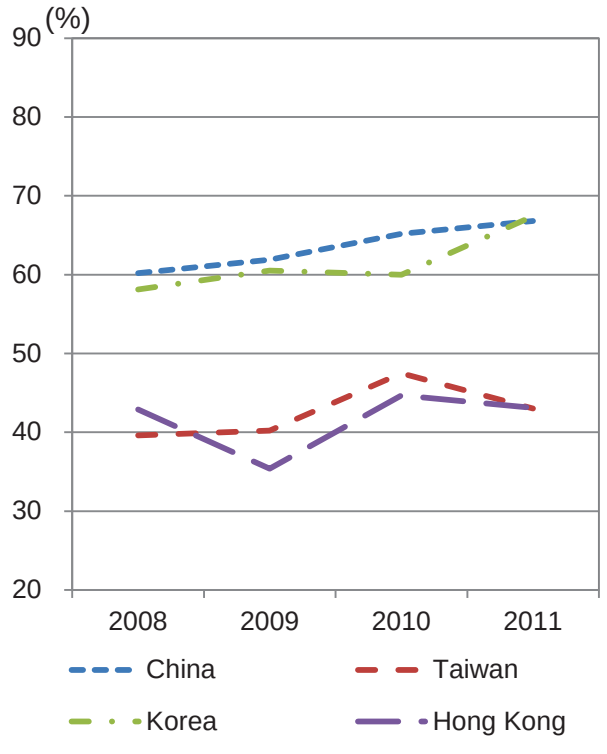
ASEAN



Southwest Asia/Oceania



Northeast Asia

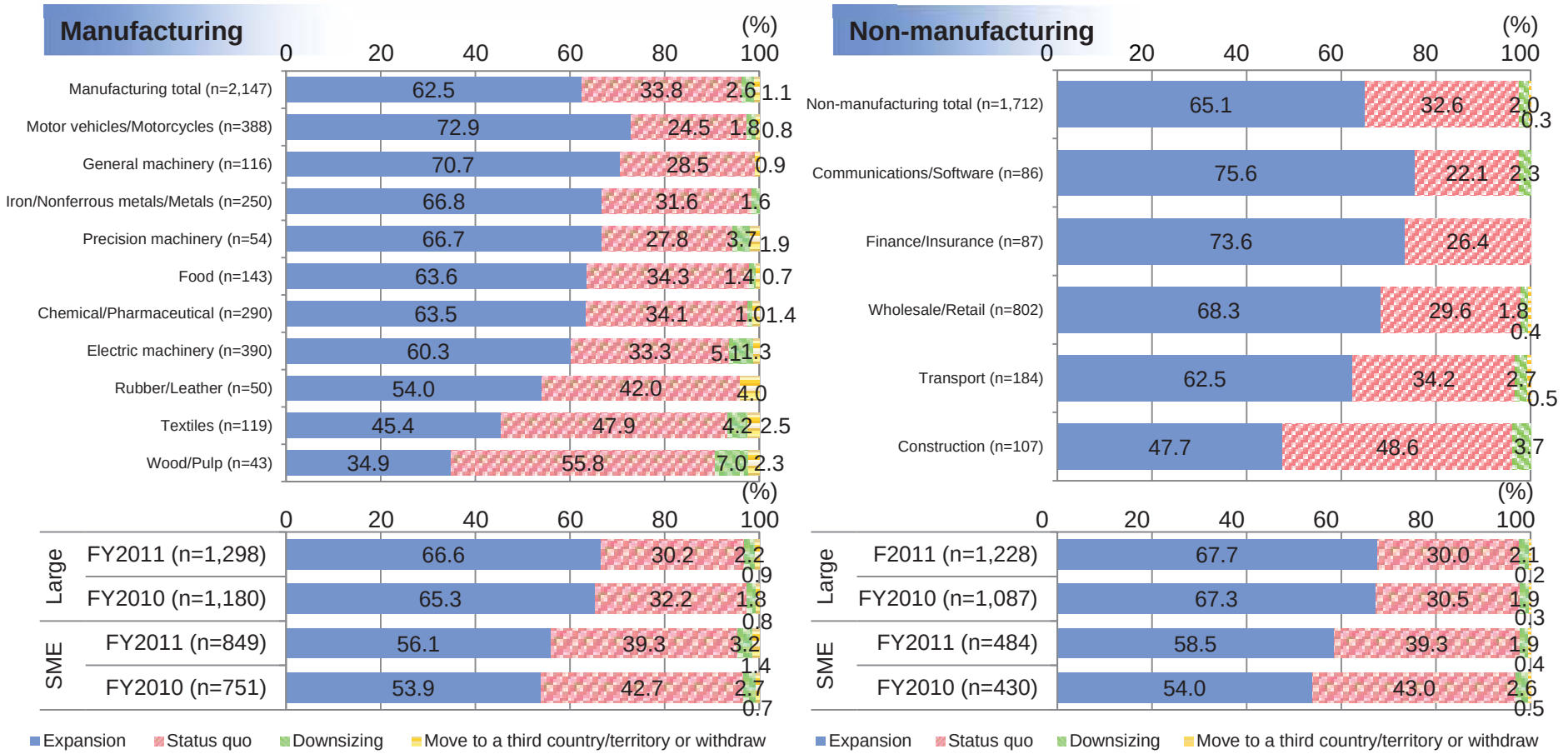


Note: Hong Kong includes Macao in 2011

- Looking at the trend over the last four years in the proportion of firms responding that they intend to “expand” in the next year or two, while the proportions increased dramatically in 2010, in many countries and regions, those proportions remained the same or declined slightly in 2011.
- In Myanmar, the proportion of firms responding that they intended to “expand” increased by approximately 25 percentage points over 2010, marking the greatest increase of any country/area surveyed.
- In Australia and New Zealand, the proportion of firms intending to “expand” declined by almost 10 percentage points relative to 2010.

2. Future Business Development (3)

Directions for business development in next 1-2 years (by industry category and scale)

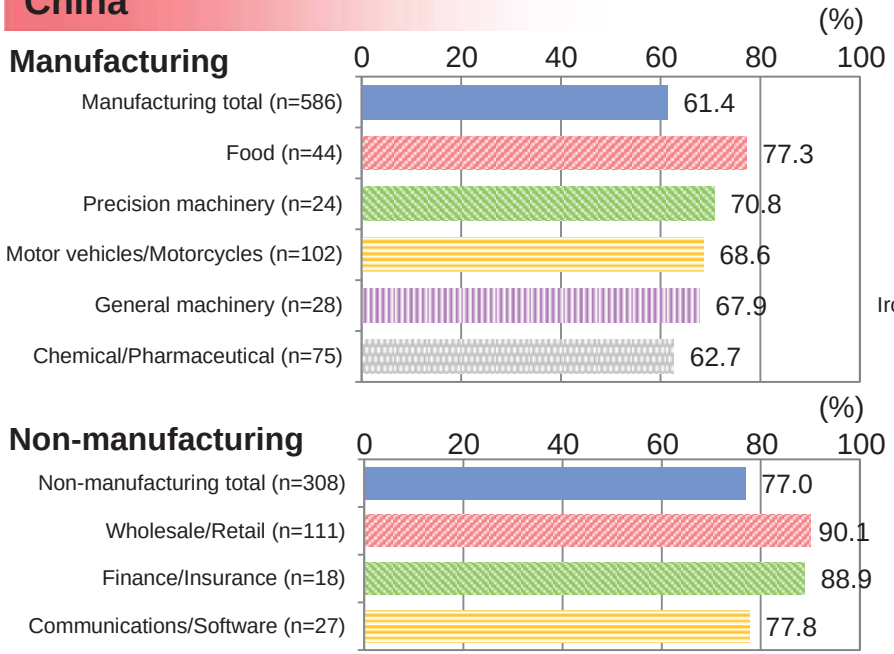


- In terms of industries in which firms intend to “expand” in the next year or two, in the manufacturing sector, the proportion is especially high in the motor vehicle/motorcycle (72.9%) and general machinery (70.7%) industries. In the non-manufacturing sector, the industries with the highest proportions include the communication/software (75.6%) and finance/insurance (73.6%) industries. Meanwhile, nearly half of the firms in the wood/pulp, textiles, and construction industries responded that they intend to “maintain status quo.”
- While the trend towards expansion is stronger in large industries than SMEs, a slightly greater increase in the proportion of firms intending to expand relative to 2010 was observed in the SMEs than large industries.

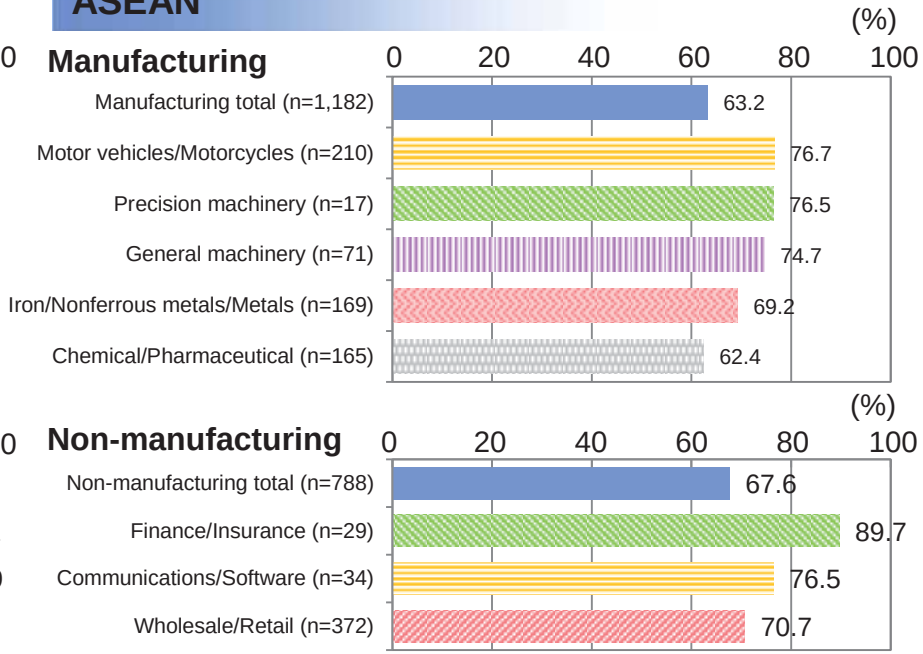
2. Future Business Development (4)

Industries with high expectations for growth in China, ASEAN

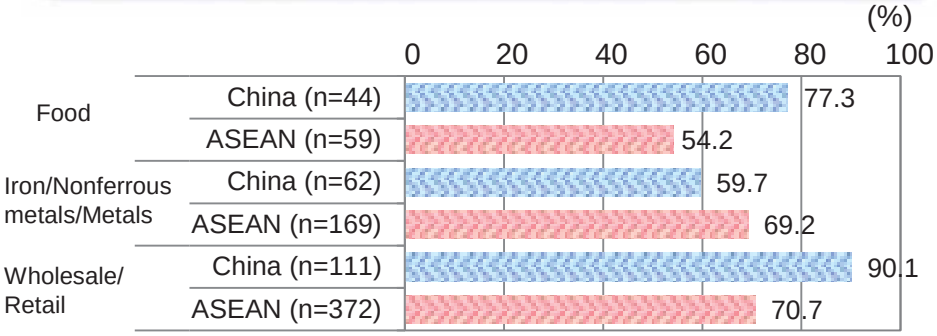
China



ASEAN



Industries With Disparate Trends in China and ASEAN



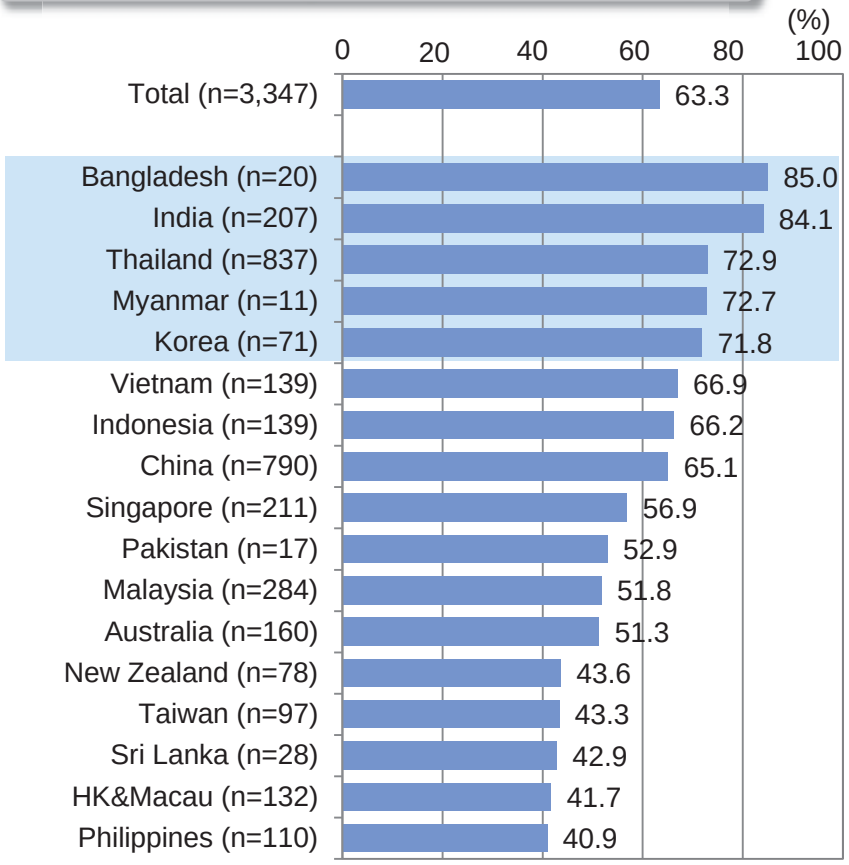
- Examining the trend towards expansion of manufacturing sector industries in China and ASEAN countries, in China, the proportion of firms intending to “expand” was greatest in the food industry (77.3%) and, in ASEAN countries, the motor vehicles/motorcycle industry (76.7%).
- In the non-manufacturing sector in China, the trend towards expansion was greatest in the wholesale/retail industry (90.1%). In ASEAN countries, the trend was strongest in the finance/insurance industry (89.7%). In both cases, these figures marked greater than 10 percentage point increases over 2010.
- Comparing China and ASEAN, the proportions of firms intending to expand in the food and wholesale/retail industries in China were approximately 20% greater than the same industries in ASEAN countries. Meanwhile, the proportion of firms intending to expand in the iron/non-ferrous metal/metal industry in ASEAN countries was approximately 10 percentage points than the same industry in China.

2. Future Business Development (5)

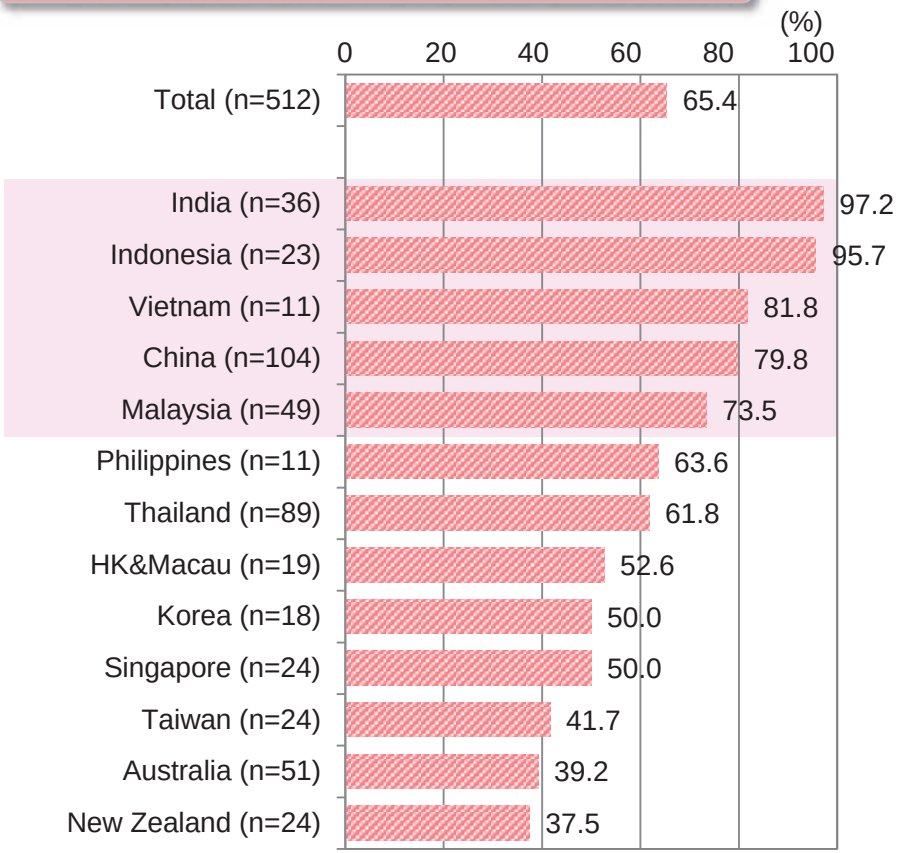
Proportion of firms expecting to expand in the next 1-2 years (by industry category & country/area)

Note: Countries/areas for which n＞10

Firms with primarily industrial customers (B to B)



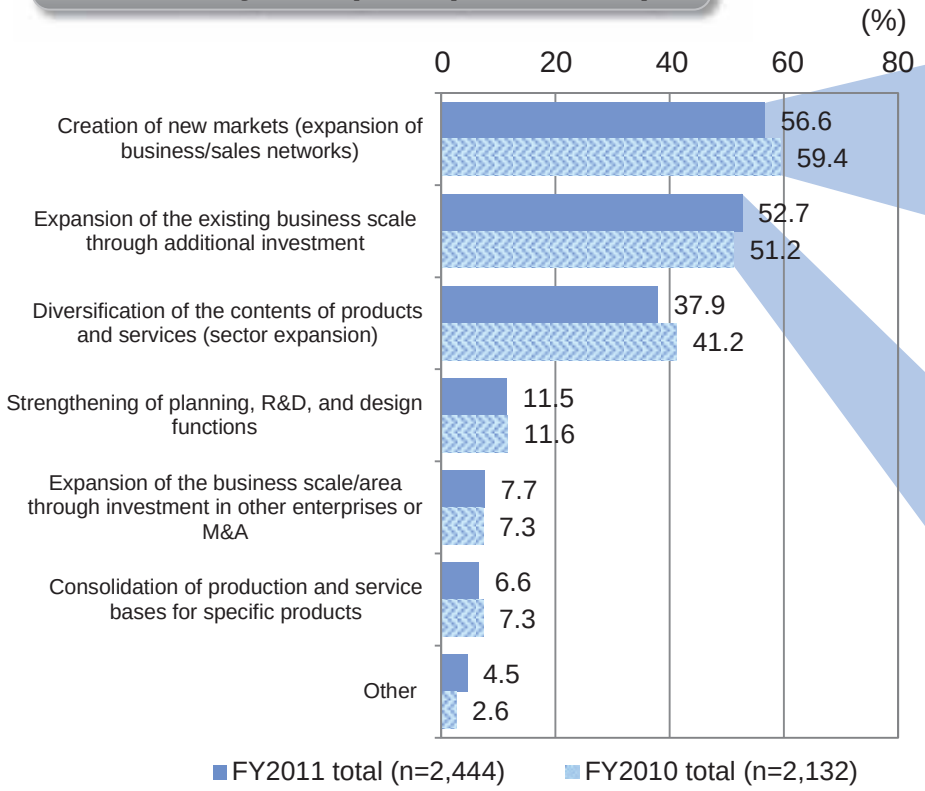
Firms whose customers are individual consumers (B to C)



- Examining the expansionary trends of firms broken down by primary customer type (industry/individual consumer), 65.4% of firms whose primary customers are individual consumers (B to C) responded that they intend to “expand,” while 63.3% of firms whose primary customers are other firms (B to B) responded in the like.
- By country/area, over 70% of B to B firms in Bangladesh, India, Thailand, Myanmar, and Korea responded that they intend to “expand.” Meanwhile, over 95% of B to C firms in India and Indonesia and over 70% of B to C firms in Vietnam, China, and Malaysia responded that they intend to “expand.”
- In India, over 80% of both B to B and B to C firms responded that they intend to “expand.”

2. Future Business Development (6)

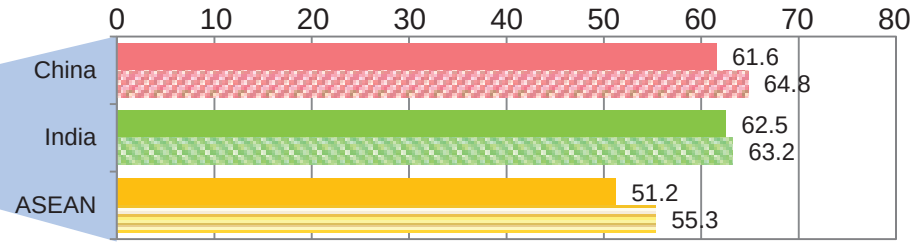
Directions for business expansion in next 1-2 years (multiple answer)



FY2011 China: n=593 India : n=208 ASEAN: n=1,275

FY2010 China: n=517 India: n=174 ASEAN: n=1,117

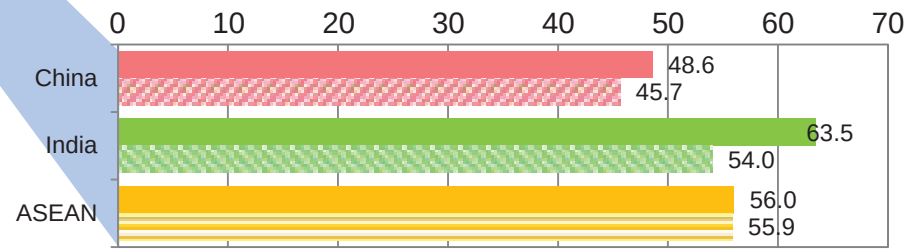
Answers revealing differences among China, India, ASEAN (%)



Top 3 Industries

1: Finance/Insurance (77.8%)	2: Wholesale/Retail (77.7%)	3: Food (70.3%)

(%)



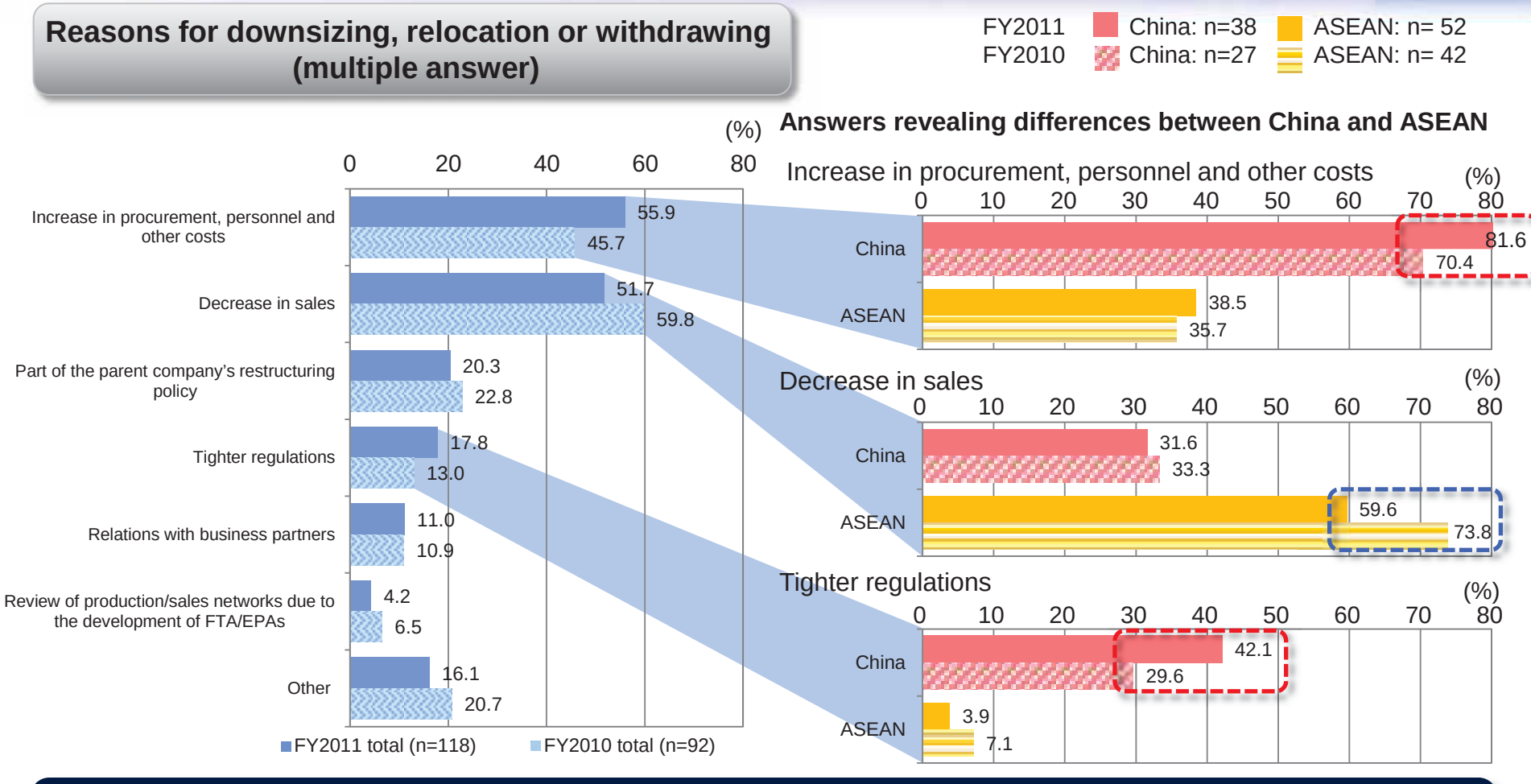
Top 3 Industries

1: Motor vehicles/ Motorcycles (78.4%)	2: Iron/Nonferrous metals/Metals (74.9%)	3: Rubber/Leather (74.1%)

- The top three specific plans for expansion were (1) “creation of new markets,” (2) “expansion of the existing business scale through additional investment,“ and (3) “diversification of the contents of products and services (sector expansion).” For most of the items, the ranking and level of responses were the same as in the 2010 survey, although the proportions of firms responding “creation of new markets” and “diversification of the contents of products and services (sector expansion)” each declined by approximately 3 percentage points relative to 2010.
- Comparing the specific plans for expansion in China, India, and ASEAN, the proportion of firms responding “creation of new markets” in China and India exceeded that in ASEAN by approximately 10 percentage points. In India, the proportion of firms responding “expansion of the existing business scale through additional investment” was higher than in China and ASEAN, marking an approximately 10 percentage point increase over 2010.

2. Future Business Development (7)

Reasons for downsizing, relocation or withdrawing (multiple answer)

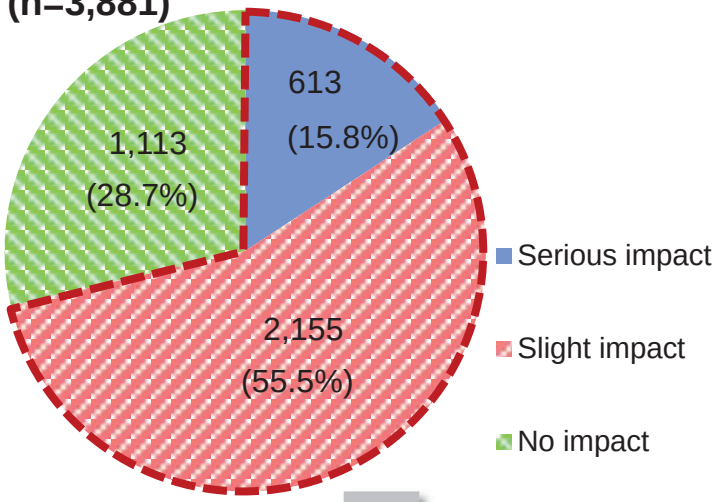


- Over 50% of firms cited "increase in procurement, personnel and other costs" and "decrease in sales" as reasons for downsizing, moving to a third country or withdrawing. While the proportion of firms citing "decrease in sales" declined by approximately 10 point s relative to 2010, the proportion of firms citing "increase in costs" and "tighter regulations" increased.
- Among various industries, "increase in costs" was most commonly cited by firms in the textile industry, while "decrease in sales" was most commonly cited by firms in the chemical/pharmaceutical and construction industries.
- Approximately 40 percentage points more firms in China cited "increase in costs" and "tighter regulations" than in ASEAN, marking an approximately 10 point increase relative to 2010. Meanwhile, 30 percentage points more firms in ASEAN cited "decrease in sales" than in China. However, this marked a 10 percentage points decrease relative to 2010.

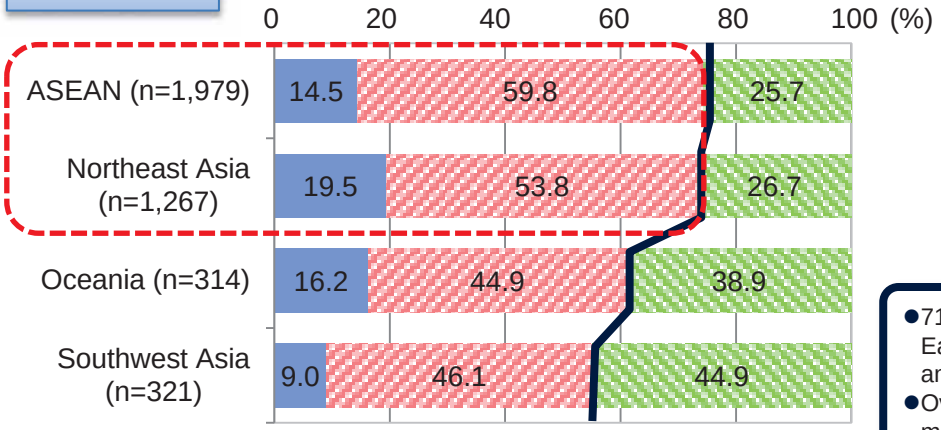
3. Impact of Great East Japan Earthquake Disaster and Measures Taken (1)

Impact of the 3.11 Disaster (total, by region, by industry category)

Total (n=3,881)

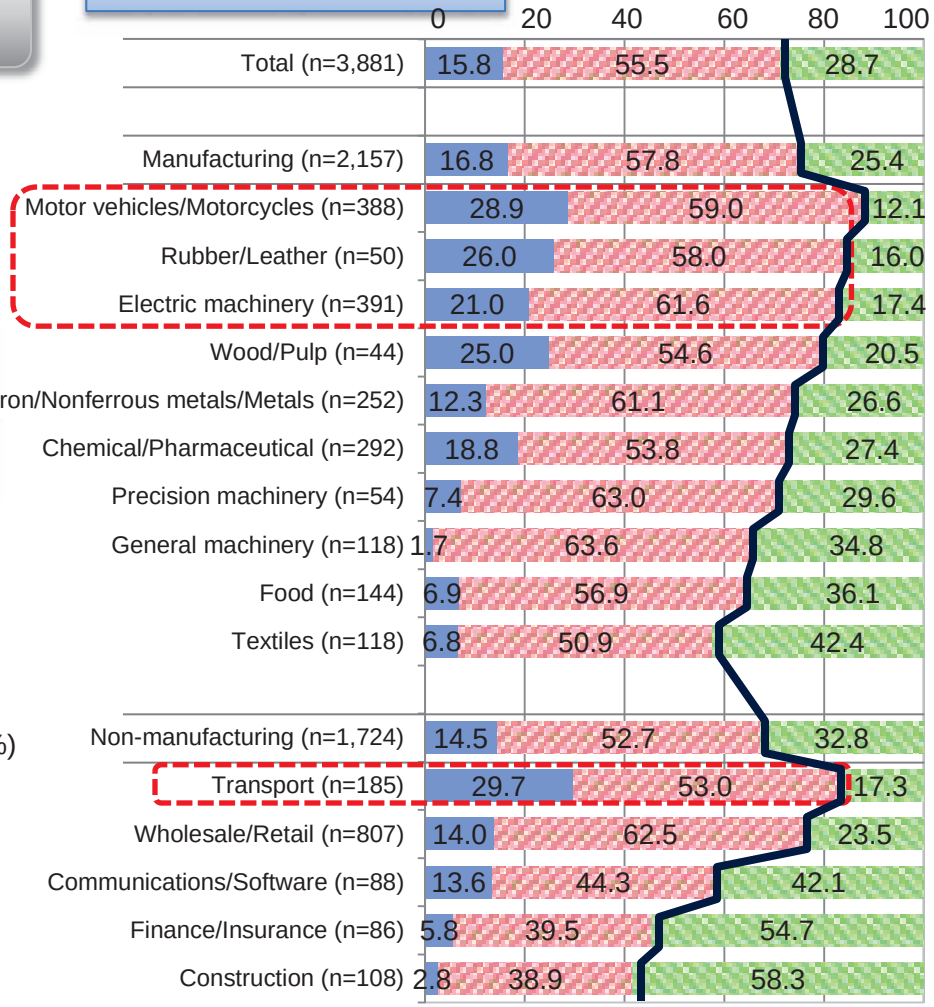


By region



Note: Regions and industries for which n ＞10

By Industry Category

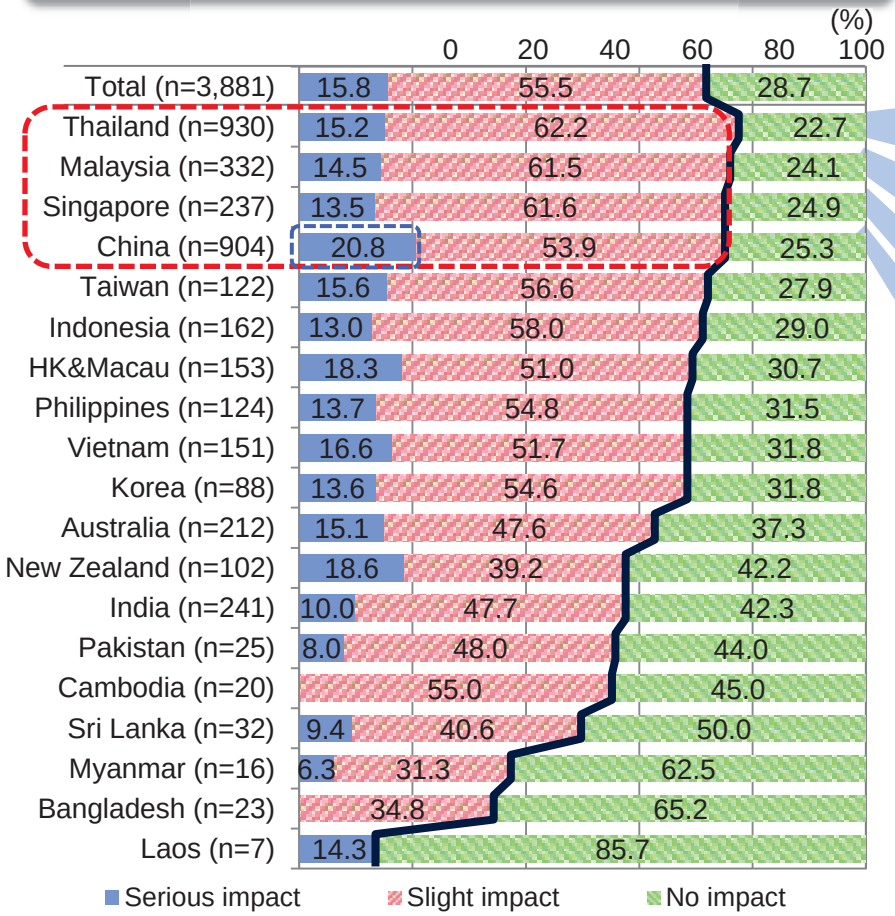


- 71.3% of firms reported that they were impacted (seriously and slightly) by the Great East Japan Earthquake Disaster. The impact was particularly strongly felt in ASEAN and Northeast Asia regions which constitute Japan's supply chain.
- Over 80% of firms in motor vehicle/motorcycle, rubber/leather, and electric machinery industries of the manufacturing sector and firms in the transport industry of the non-manufacturing sector were impacted by the disaster.

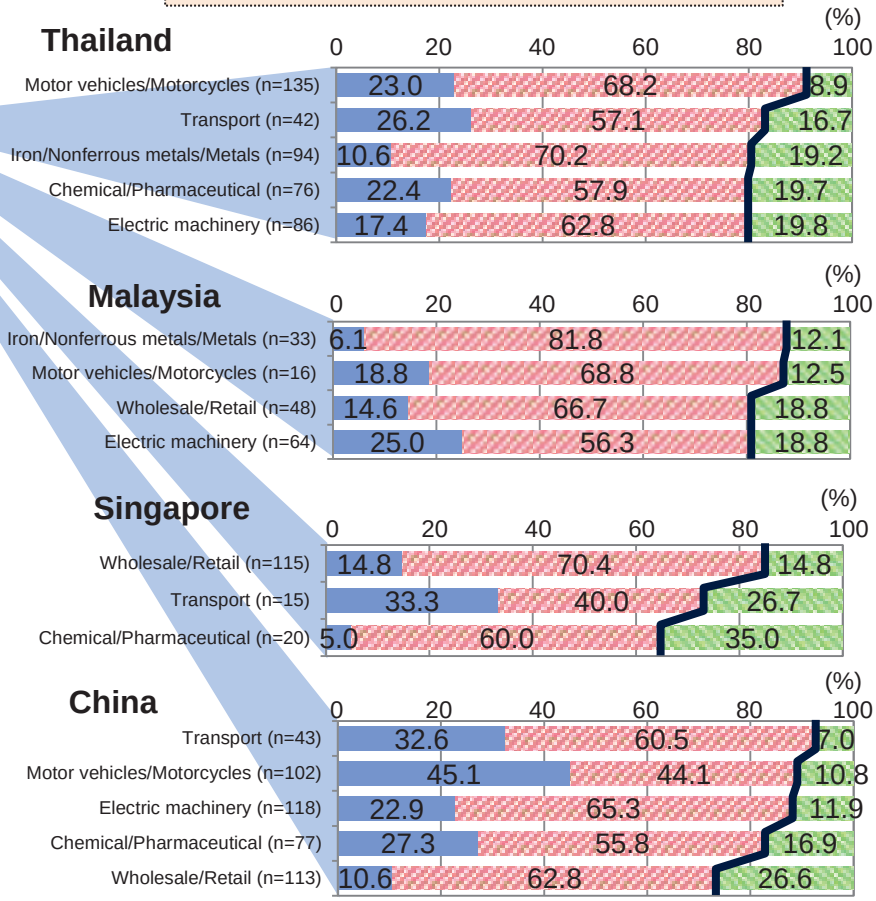
3. Impact of Great East Japan Earthquake Disaster and Measures Taken (2)

Note: Countries/areas for which n≧15

Impact of the 3.11 Disaster (by country/area)



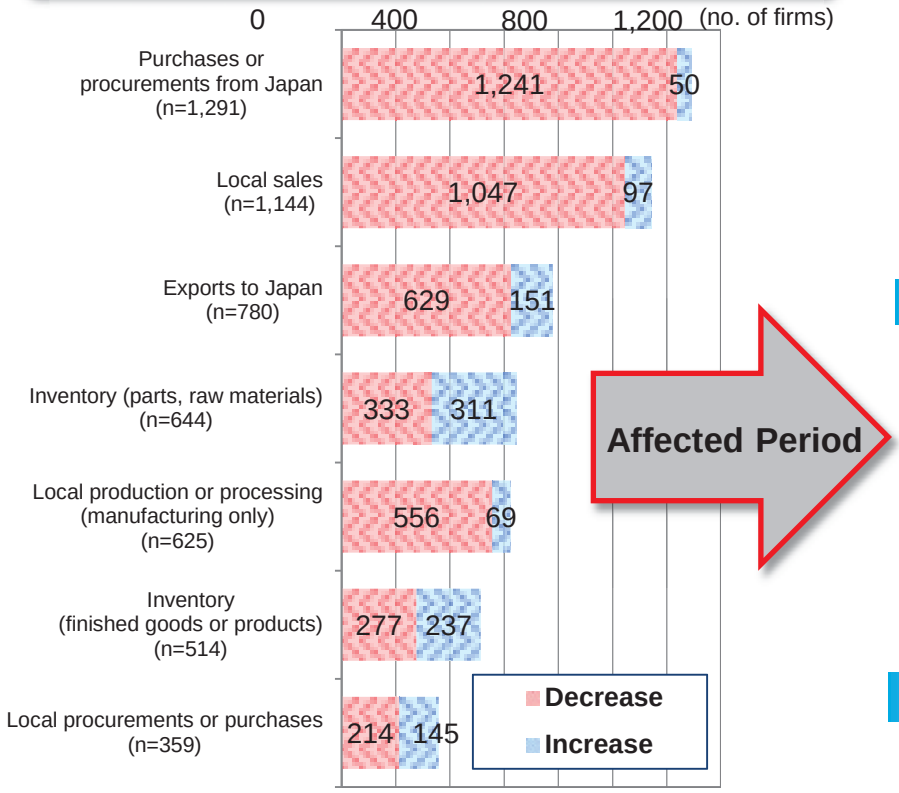
Top industry categories impacted (by major country)



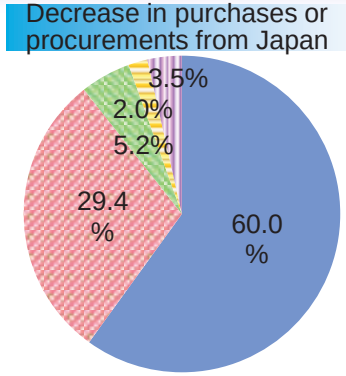
- The proportion of firms whose business activities were impacted in some manner by the Great East Japan Earthquake Disaster was particularly high in Thailand (77.4%), Malaysia (75.9%), Singapore (75.1%), and China (74.7%). In China, the proportion of firms reporting “serious” impact was 20.8%, making it the only country among those surveyed where such response exceeded 20%. Each of these countries have firmly established trade relations with Japan and are part of a well-developed production/sales network.
- China’s transport industry and Thailand’s motor vehicle/motorcycle industry were most extensively impacted by the disaster, with over 90% of business reporting some form of impact. Nearly 90% of firms in Malaysia’s and China’s motor vehicle/motorcycle industry reported being impacted. In Singapore, which serves as Asia’s distribution hub, more than half of the firms in wholesale/retail and transport industries reported being impacted by the disaster.

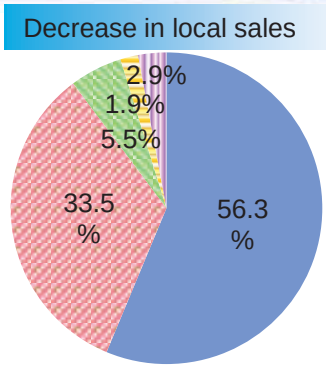
3. Impact of Great East Japan Earthquake Disaster and Measures Taken (3)

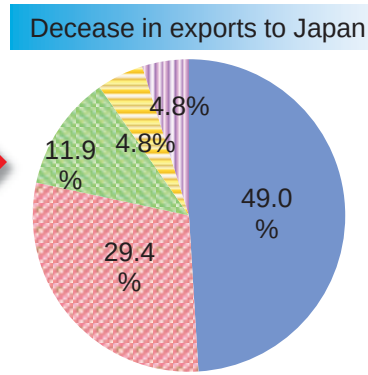
Specific business actives (and periods) impacted by the 3.11 Disaster

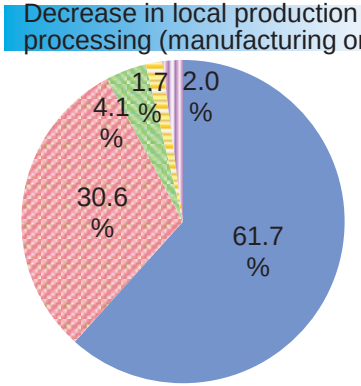


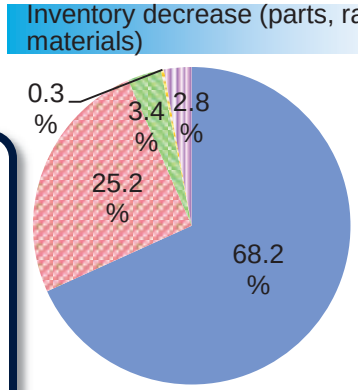
Affected Period

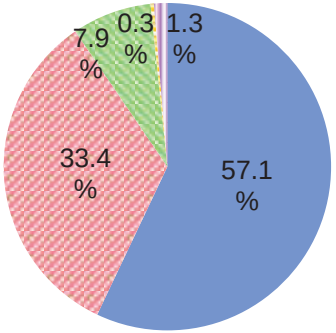












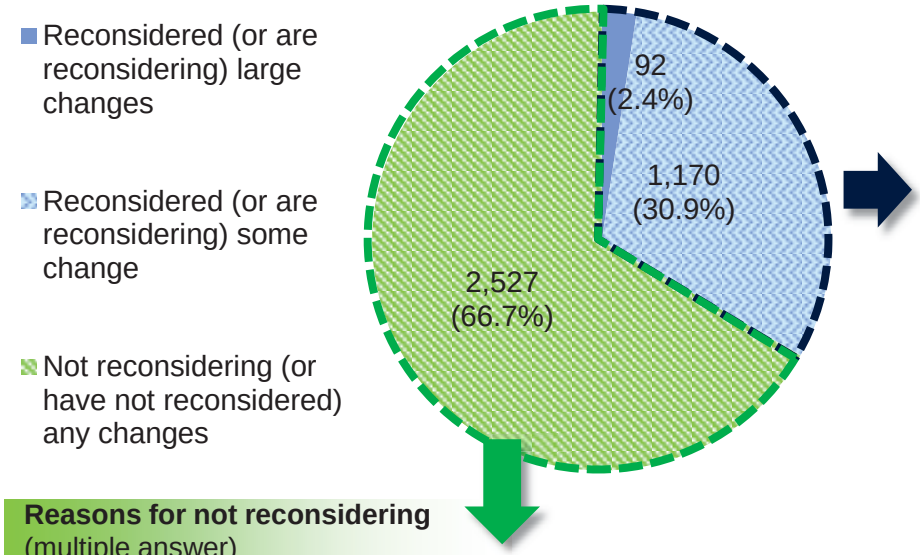
1 to 3 months | 3 to 6 months | 6 months to 1 year | 1 year or more | unable to predict

- The greatest number of industries cited “decreases in purchases or procurements from Japan“ (1,241 firms) as a specific impact of the disaster, followed by “decrease in local sales” (1,047 firms).
- The majority of firms whose purchase, procurement, or local sales were impacted by the disaster reported that the affected period was from 1 to less than 3 months. Furthermore, approximately 90% of firms responded that the affected period was less than 6 months.
- 629 firms cited “ decrease in exports to Japan“ as a specific impact of the disaster. Among these, 5% of firms responded that the affected period was more than 1 year. An additional 5% of responded that it was not possible to predict the affected period.

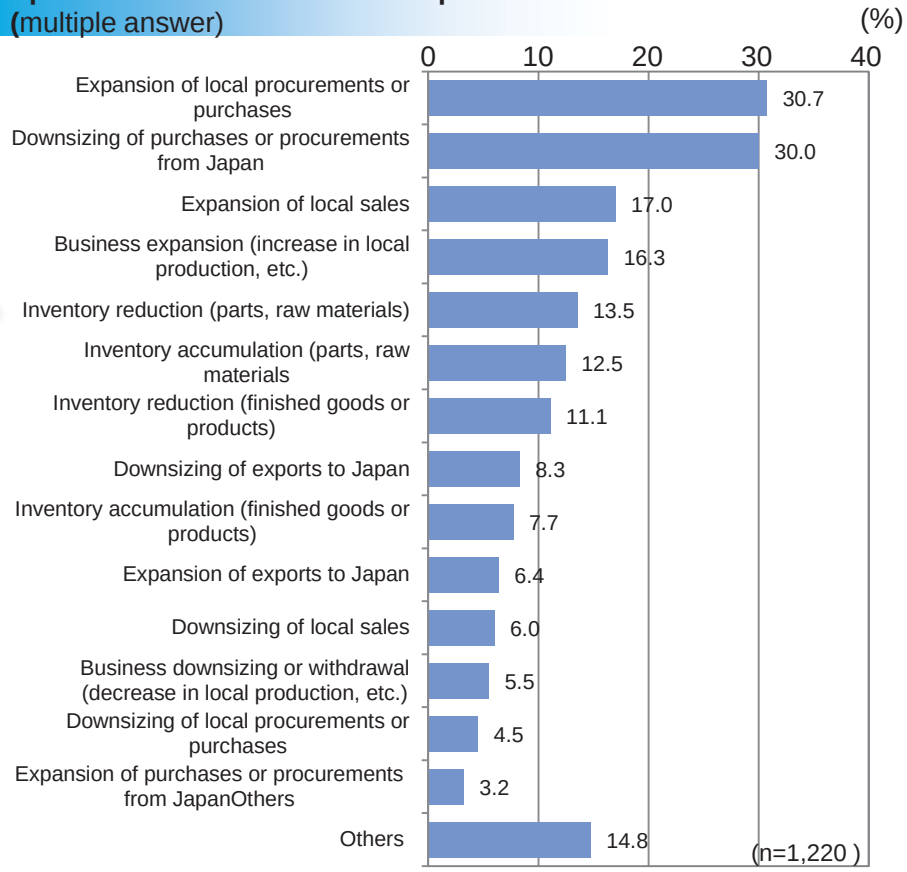
3. Impact of Great East Japan Earthquake Disaster and Measures Taken (4)

Reassessment of strategies and policies following the 3.11 Disaster

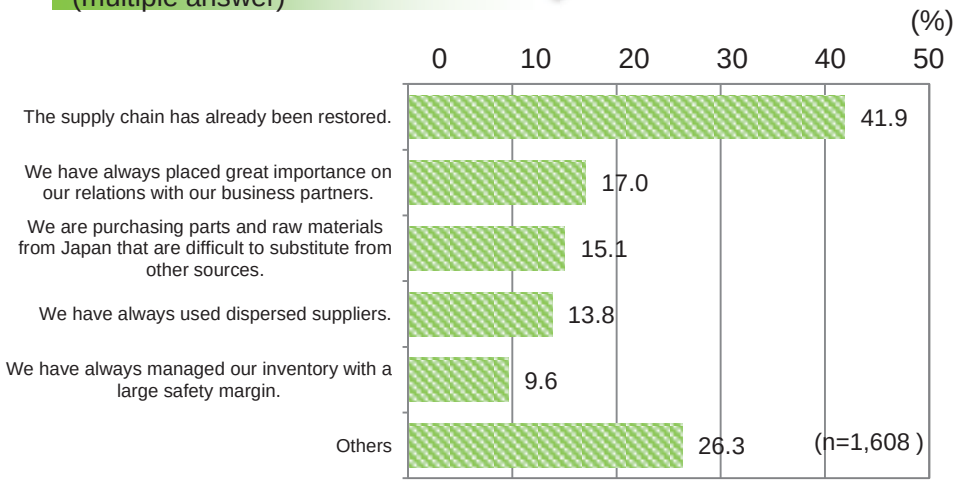
Total (n=3,789)



Specific reconsidered business plans (multiple answer)



Reasons for not reconsidering (multiple answer)



- Two thirds of all firms surveyed responded that they “will not (did not) reconsider) their business strategy/plans as a result of the Great East Japan Earthquake Disaster, most commonly citing that “the supply chain has already been restored.” Only 2.4% of firms reported that they reconsidered large changes.
- Among the “other” reasons cited for not reconsidering, particularly noteworthy was the (write-in) response that “we have no or little trade with Japan (purchases and procurement)“
- Of the firms reconsidering strategy/plans, approximately 30% each responded that they intended to “expand local procurements or purchases” and “downsize purchases or procurements from Japan.”

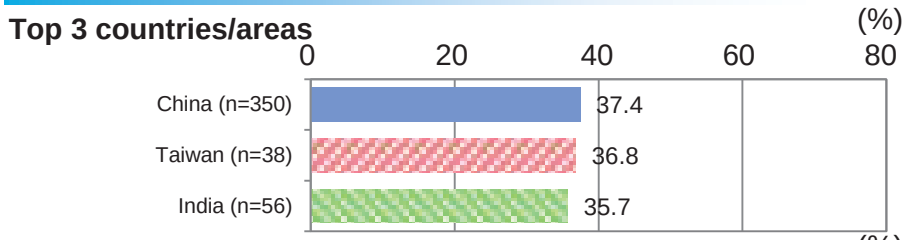
3. Impact of Great East Japan Earthquake Disaster and Measures Taken (5)

Top 3 countries/areas and industries in which firms intend to implement the 2 most common renewed strategies

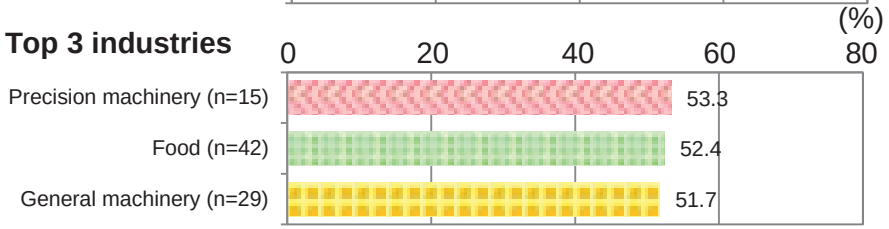
Note: Countries/areas for which n≧15

1. Expansion of local procurements or purchases

Top 3 countries/areas

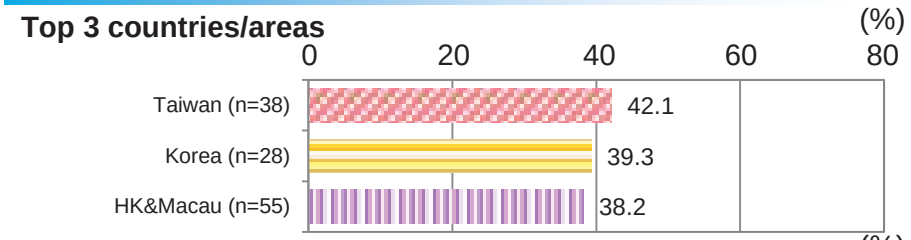


Top 3 industries

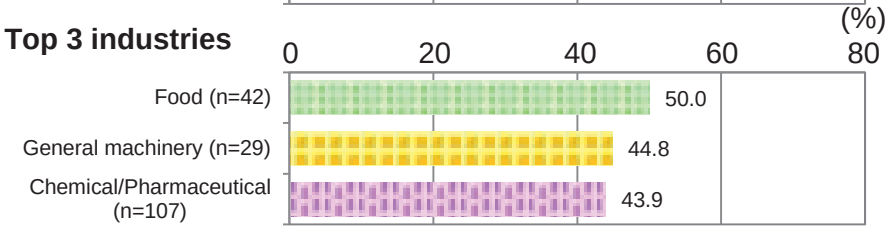


2. Decrease in purchases or procurements from Japan

Top 3 countries/areas

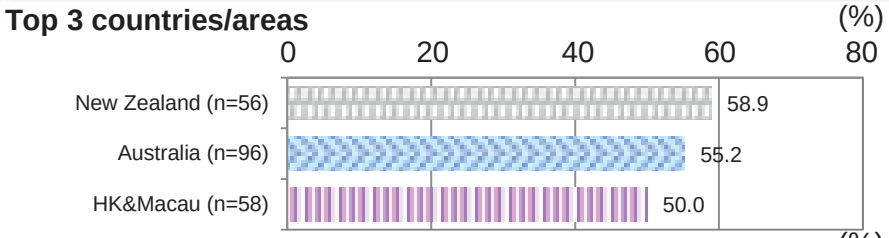


Top 3 industries

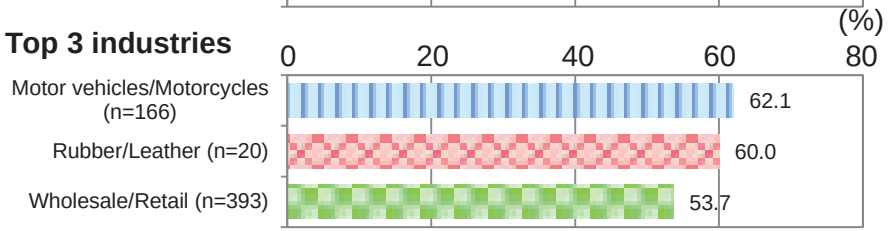


Top 3 countries/areas and industries in which firms cited "the supply chain has already been restored" as the reason for not reconsidering strategy

Top 3 countries/areas



Top 3 industries



- Over 35% of firms in China, Taiwan, and India intended to "expand local procurements and purchases" as a renewed business strategy. This strategy was most common in precision machinery and food industries.
- At around 40%, a relatively large proportion of firms in North Asian countries such as Taiwan, Korea, Hong Kong-Macao responded that they intended "decrease purchases and procurements from Japan." Nearly 50% of firms in the food industry expressed their intent to pursue this strategy.
- Nearly 60% of firms in Australia and New Zealand cited "the supply chain has already been restored" as the reason for not reconsidering business strategy. Procurement of materials from Japan and sales to Japan are relatively low to begin with in these countries.
- More than 60% of firms in the motor vehicle/motorcycle industry responded that "the supply chain has already been restored."

4. Business Problems (1)

Overall (Top 10 problems, multiple answer)

Answers		2011 (%)	2010 (%)	Change (points)
1	Increase in employee wage	68.8	60.5	8.3
2	Increase in procurement costs	57.5	52.7	4.8
3	Competitor's market share growing (cost-wise competition)	52.0	54.4	-2.4
4	Ability and awareness of local staff	47.7	37.7	10.0
5	Workers' capability	40.5	43.4	-2.9
6	Limited cost-cutting measures available	40.3	39.8	0.5
7	Difficulty in local procurement of materials/parts	39.4	43.3	-3.9
8	Difficulty in recruiting executive staff	39.1	40.2	-1.1
9	Major clients requesting lower prices	38.1	42.8	-4.6
10	Difficulty in quality control	38.0	40.8	-2.7

Top 4 industries in which these problems are cited			
1	2	3	4
Textiles (89.9%)	Wood/Pulp (84.1%)	Electric machinery (81.0%)	Comm./Software (80.5%)
Food (69.2%)	Wood/Pulp (64.3%)	Rubber/Leather (63.0%)	Electric machinery (62.5%)
Gen. machinery (64.1%)	Vehicles (60.8%)	Chem./Pharma. (60.7%)	Construction (60.6%)
Wood/Pulp (64.3%)	Rubber/Leather (59.6 %)	Iron/Nonferrous/Metals (58.8%)	Vehicles (55.7%)
Wood/Pulp (54.6%)	Rubber/Leather (53.1%)	Iron/Nonferrous/Metals (47.6%)	Transport (47.0%)
Electric machinery (54.0%)	Wood/Pulp (52.4%)	Textiles (47.3%)	Precision (44.4%)
Vehicles (52.7%)	Gen. machinery (46.2%)	Rubber/Leather (45.7%)	Electric machinery (42.9%)
Wood/Pulp (52.4%)	Precision (51.0%)	Transport (46.7%)	Gen. machinery (41.1%)
Vehicles (59.7%)	Rubber/Leather (57.1%)	Chem./Pharma. (46.6%)	Transport (46.5%)
Gen. machinery (50.0%)	Textiles (47.3%)	Precision (46.7%)	Wood/Pulp (40.5%)

Note 1: In the 2010, the possible response, "ability and awareness of local staff" was expressed as, "lowness of ability and awareness of local staff."
Note 2: The top 10 items, excluding "no particular problems" (for which response rate was 40.2%).

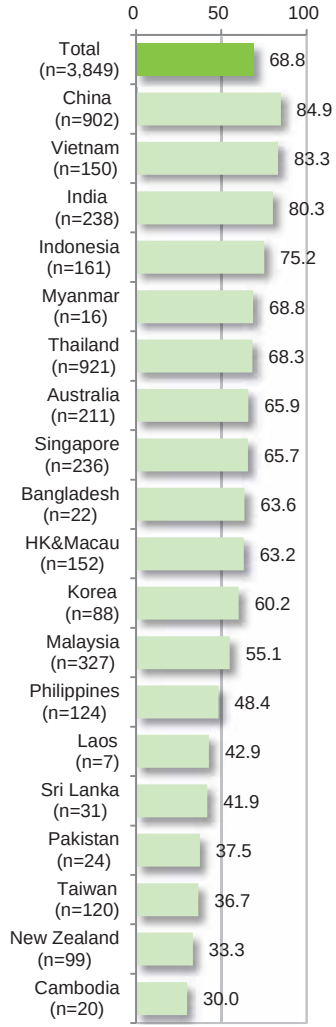
- More than 50% of firms cited each of "increase in employee wage," "increase in procurement costs," and "competitor's market share growing (cost-wise competition)" as business problems. The proportion of firms cited "increase in employee wage" and "increase in procurement costs" increased over the previous year.
- Japan-affiliated firms, while facing increasing costs ("increase in employee wages" and "increase in procurement costs"), are, at the same time, facing increasing pressure to reduce costs ("competitor's market share growing (cost-wise competition)", "limited costs cutting measures available, and "major clients requesting lower prices." It is also apparent that firms are facing labor-related problems ("ability and awareness of local staff," "workers' capability," and "difficulty in recruiting executive staff").
- In terms of industries affected, more than 80% of firms in textile, wood/pulp, electric machinery, and communication/software industries listed "increase in employee wages" as a problem.

4. Business Problems (2)

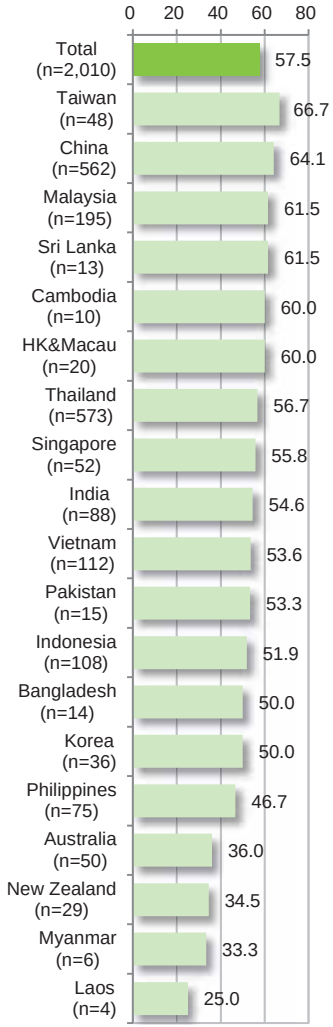
Overall (Top 10 problems, multiple answer, % of firms by country/area)

(%)

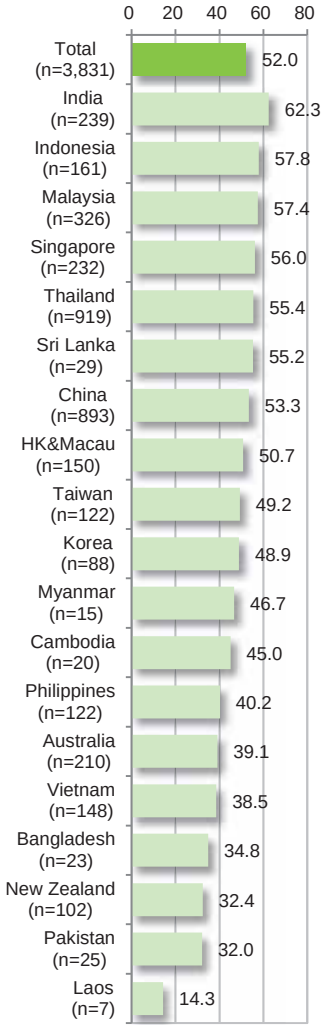
Increase in employee wage



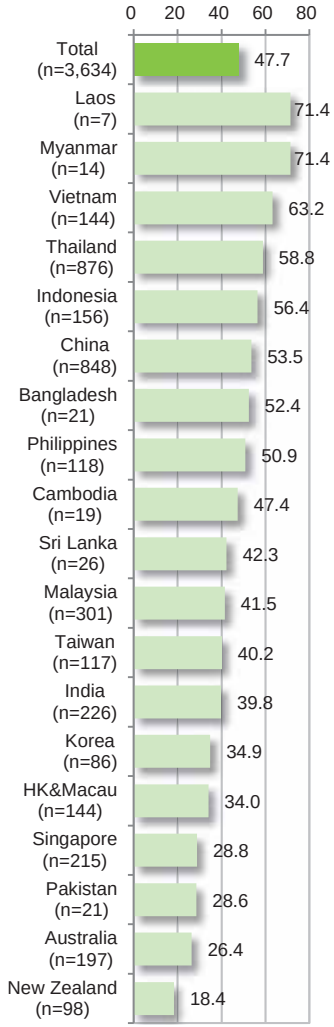
Increase in procurement costs



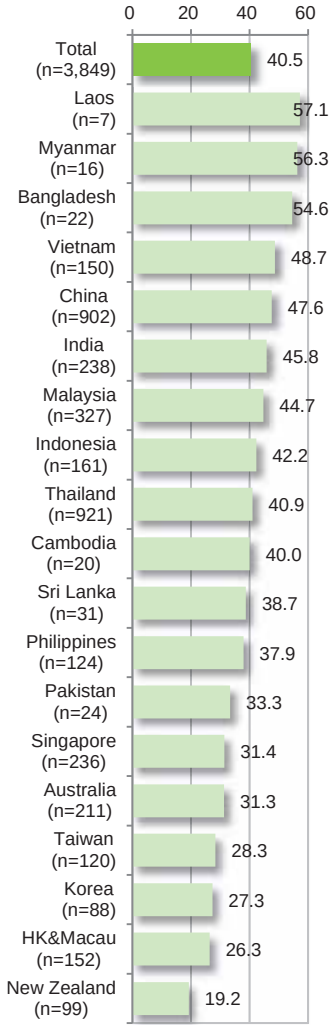
Competitor's market share growing (cost-wise competition)



Ability and awareness of local staff



Workers' capability



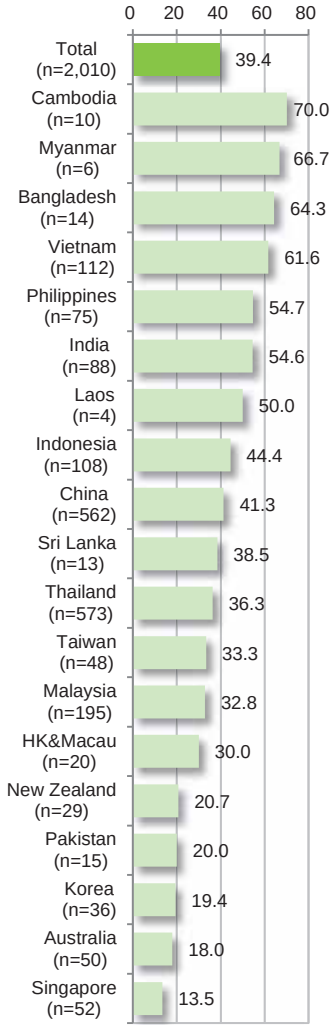
4. Business Problems (3)

Overall (Top 10 problems, multiple answer, % of firms by country/area)

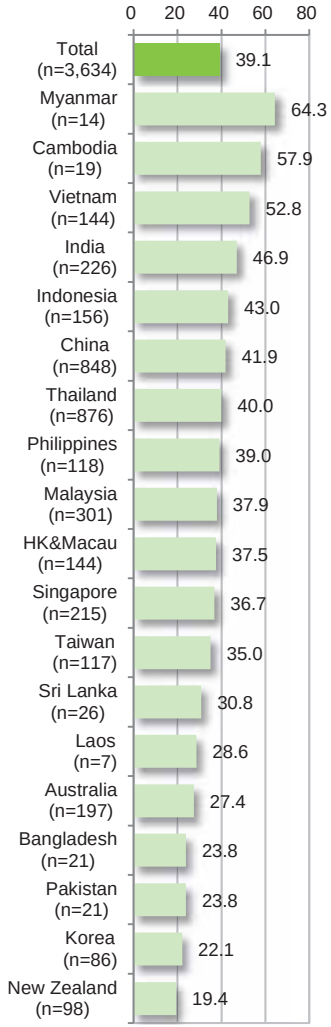
(%)

Limited cost-cutting measures available

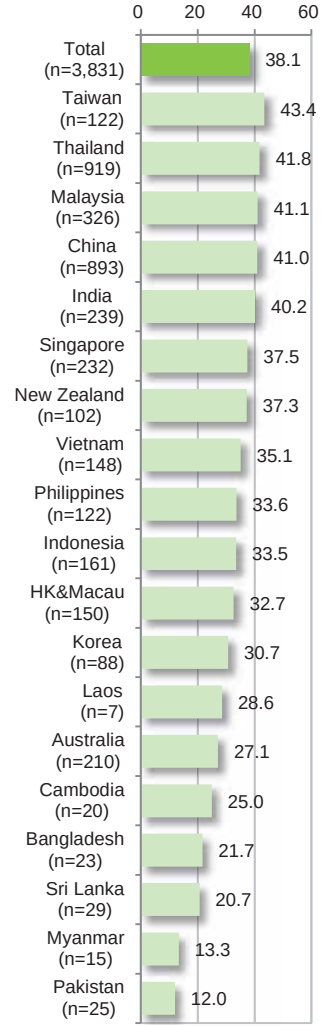
Difficulty in local procurement of materials/parts



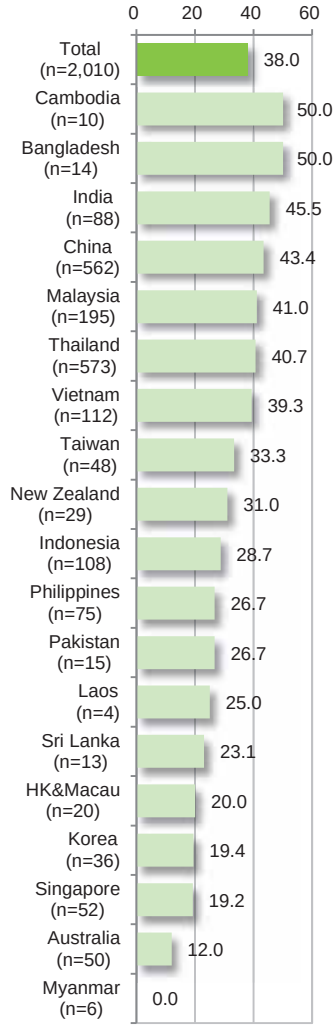
Difficulty in recruiting executive staff



Major clients requesting lower prices



Difficulty in quality control



4. Business Problems (4)

Overall (top 5 items by country/area, multiple answer)

Singapore		(%)
1	Increase in employee wage (n=236)	65.7
2	Limited cost-cutting measures available (n=52)	65.4
3	Competitor's market share growing (cost-wise competition) (n=232)	56.0
4	Increase in procurement costs (n=52)	55.8
5	Volatility of the local currency's exchange rate against the US dollar (n=236)	39.4

Indonesia		(%)
1	Increase in employee wage (n=161)	75.2
2	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=161)	62.1
3	Competitor's market share growing (cost-wise competition) (n=161)	57.8
4	Ability and awareness of local staff (n=156)	56.4
5	Volatility of the local currency's exchange rate against the US dollar (n=161)	52.2

Malaysia		(%)
1	Increase in procurement costs (n=195)	61.5
2	Competitor's market share growing (cost-wise competition) (n=326)	57.4
3	Increase in employee wage (n=327)	55.1
4	Volatility of the local currency's exchange rate against the US dollar (n=326)	52.2
5	Difficulty in recruiting general workers (Manufacturing only) (n=214)	47.7

Vietnam		(%)
1	Increase in employee wage (n=150)	83.3
2	Ability and awareness of local staff (n=144)	63.2
3	Complicated customs clearance procedures (n=141)	62.4
4	Difficulty in local procurement of raw materials and parts (n=112)	61.6
4	Power shortage or blackout (n=112)	61.6

Thailand		(%)
1	Increase in employee wage (n=921)	68.3
2	Ability and awareness of local staff (n=876)	58.8
3	Increase in procurement costs (n=573)	56.7
4	Competitor's market share growing (cost-wise competition) (n=919)	55.4
5	Difficulty in recruiting general workers (Manufacturing only) (n=589)	48.6

Philippines		(%)
1	Volatility of the local currency's exchange rate against the US dollar (n=121)	55.4
2	Difficulty in local procurement of raw materials and parts (n=75)	54.7
3	Ability and awareness of local staff (n=118)	50.9
4	Increase in employee wage (n=124)	48.4
5	Increase in procurement costs (n=75)	46.7

Note: Top 5 responses excluding "no particular problem." Pink-highlighted items are included in the overall top 10 most commonly cited problems presented in slide 4: Business Problems (1).

4. Business Problems (5)

Overall (top 5 items by country/area, multiple answer)

India		(%)
1	Increase in employee wage (n=238)	80.3
2	Power shortage or blackout (n=88)	71.6
3	Inadequate logistics infrastructure (n=88)	64.8
4	Competitor's market share growing (cost-wise competition) (n=239)	62.3
5	Time-consuming customs procedures (n=235)	57.5

Pakistan		(%)
1	Volatility of the local currency's exchange rate against the US dollar (n=23)	82.6
2	Increase in procurement costs (n=15)	53.3
2	Power shortage or blackout (n=15)	53.3
4	Volatility of the local currency's exchange rate against the Japanese yen (n=23)	47.8
4	Volatility of the Japanese yen against the US dollar (n=23)	47.8

Sri Lanka		(%)
1	Increase in procurement costs (n=13)	61.5
2	Competitor's market share growing (cost-wise competition) (n=29)	55.2
3	Difficulty in recruiting general workers (Manufacturing only) (n=13)	53.9
4	Ability and awareness of local staff (n=26)	42.3
5	Increase in employee wage (n=31)	41.9

Note: Top 5 responses excluding "no particular problem." Pink-highlighted items are included in the overall top 10 most commonly cited problems presented in slide 4: Business Problems (1).

Bangladesh		(%)
1	Difficulty in local procurement of materials/parts (n=14)	64.3
1	Power shortage or blackout (n=14)	64.3
3	Increase in employee wage (n=22)	63.6
4	Workers' capability (n=22)	54.6
5	Ability and awareness of local staff (n=21)	52.4

Cambodia		(%)
1	Difficulty in local procurement of materials/parts (n=10)	70.0
2	Increase in procurement costs (n=10)	60.0
3	Difficulty in recruiting executive staff (n=19)	57.9
4	Difficulty in quality control (n=10)	50.0
5	Ability and awareness of local staff (n=19)	47.4

Myanmar		(%)
1	Ability and awareness of local staff (n=14)	71.4
2	Volatility of the local currency's exchange rate against the US dollar (n=16)	68.8
2	Increase in employee wage (n=16)	68.8
4	Insufficient production capacity due to lack of facilities (n=6)	66.7
4	Difficulty in local procurement of materials/parts (n=6)	66.7
4	Power shortage or blackout (n=6)	66.7
4	Difficulty in recruiting general workers (Manufacturing only) (n=6)	66.7

4. Business Problems (6)

Overall (top 5 items by country/area, multiple answer)

China		(%)
1	Increase in employee wage (n=902)	84.9
2	Increase in procurement costs (n=562)	64.1
3	Lack of ability and awareness of local staff (n=848)	53.5
4	Competitor's market share growing (cost-wise competition) (n=893)	53.3
5	Workers' capability (n=902)	47.6

Hong Kong & Macau		(%)
1	Limited cost-cutting measures available (n=20)	65.0
2	Increase in employee wage (n=152)	63.2
3	Increase in procurement costs (n=20)	60.0
4	Competitor's market share growing (cost-wise competition) (n=150)	50.7
5	Volatility of the Japanese yen against the US dollar (n=150)	47.3

Taiwan		(%)
1	Increase in procurement costs (n=48)	66.7
2	Volatility of the local currency's exchange rate against the Japanese yen (n=122)	51.6
3	Competitor's market share growing (cost-wise competition) (n=122)	49.2
4	Major clients requesting lower prices (n=122)	43.4
5	Volatility of the local currency's exchange rate against the US dollar (n=122)	41.8

Korea		(%)
1	Increase in employee wage (n=88)	60.2
2	Limited cost-cutting measures available (n=36)	55.6
3	Increase in procurement costs (n=36)	50.0
4	Competitor's market share growing (cost-wise competition) (n=88)	48.9
5	Volatility of the local currency's exchange rate against the Japanese yen (n=86)	48.8

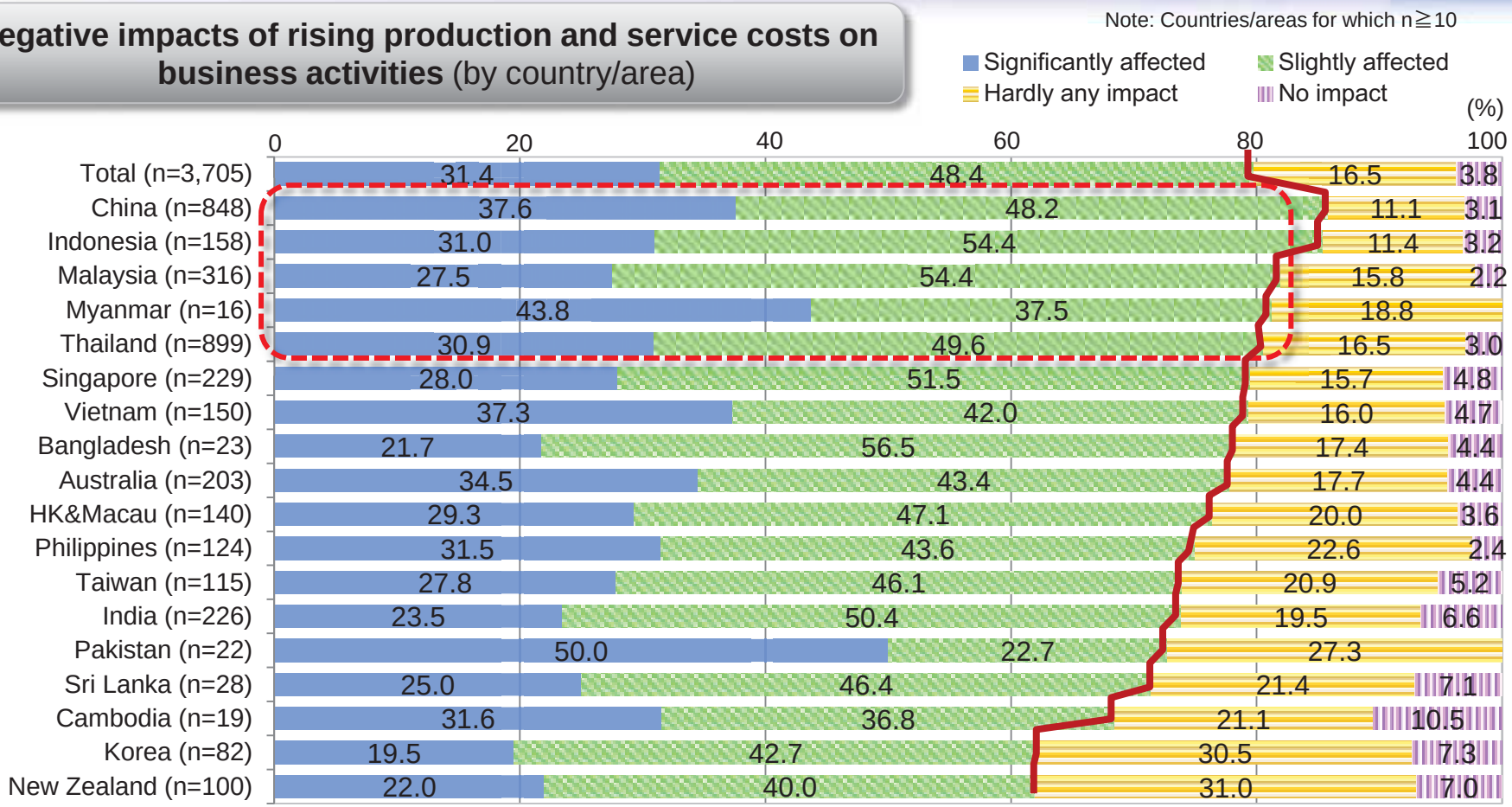
Australia		(%)
1	Increase in employee wage (n=211)	65.9
2	Volatility of the local currency's exchange rate against the US dollar (n=209)	45.0
3	Limited cost-cutting measures available (n=50)	44.0
4	Sluggishness in major sales markets (consumption downturn) (n=210)	41.4
5	Competitor's market share growing (cost-wise competition) (n=210)	39.1

New Zealand		(%)
1	Sluggishness in major sales markets (consumption downturn) (n=102)	46.1
2	Volatility of the local currency's exchange rate against the US dollar (n=100)	45.0
3	Limited cost-cutting measures available (n=29)	41.4
4	Major clients requesting lower prices (n=102)	37.3
4	Difficulty in developing in new clients on market (n=102)	37.3

Note: Top 5 responses excluding "no particular problem." Pink-highlighted items are included in the overall top 10 most commonly cited problems presented in slide 4: Business Problems (1).

5. Rising Costs of Production and Services (1)

Negative impacts of rising production and service costs on business activities (by country/area)

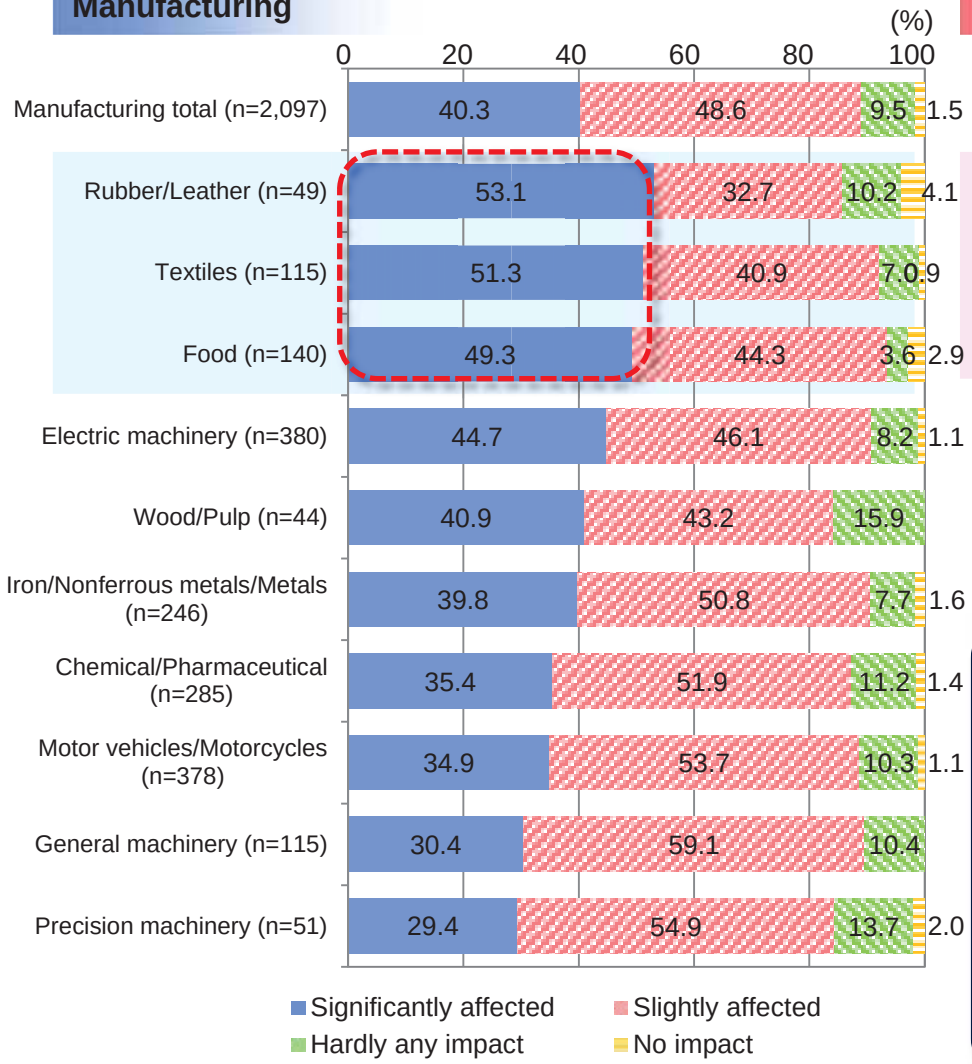


- A combined total of 79.8% of firms responded that they were either “significantly” or “slightly” negatively affected by rising manufacturing and service costs resulting from steep increases in personnel, energy, and raw materials prices. It was revealed that approximately 80% of firms in Asia and Oceania were negatively affected by rising costs.
- The country most affected by rising costs was China, with 85.8% of firms being negatively impacted, followed by major ASEAN countries such as Indonesia, Malaysia, and Thailand. In China, firms in the electric machinery industry were most severely impacted, with nearly 60% (59.7%) reporting that they were “significantly affected.”
- The growth rate of the consumer price index (CPI) (relative to the year prior) in China and the major ASEAN countries has increased dramatically since the beginning of 2011. Each country has strengthened fiscal policies in response to increasing fears of inflation. The hike of policy interest rates and cash-deposit ratios have had an impact on consumption and capital investment trends.

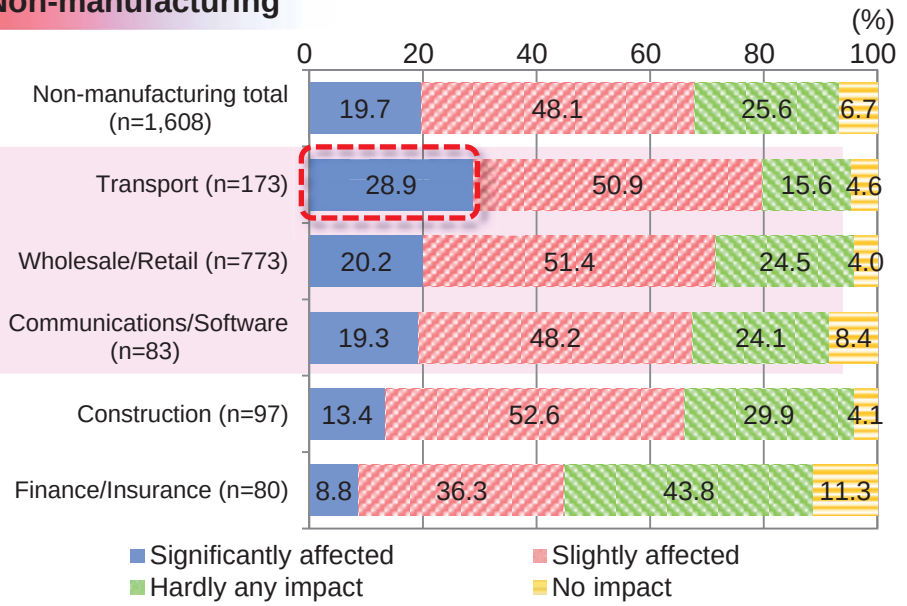
5. Rising Costs of Production and Services (2)

Negative impacts of rising production and service costs on business activities (by industry category)

Manufacturing



Non-manufacturing



- 88.9% of firms in the manufacturing sector and 67.8 firms in the non-manufacturing sector responded that they were either “significantly” or “slightly” negatively affected by rising costs. Both figures indicate the seriousness of this situation.
- The proportion of firms reporting being “significantly” negatively affected was particularly high in rubber/leather, textile, and food industries, reflecting the fact that labor and materials costs represent a substantial portion of overall costs in these industries.
- In the non-manufacturing sector, a relatively large proportion of firms in the transport industry reported being negatively affected by rising manufacturing/service costs. This is partially attributable to the steep increase in fuel prices in the crude oil market.
- Among all industries surveyed, it was only in the finance/insurance industry that more than half of the firms reported “hardly any impact” or “no affect.”

5. Rising Costs of Production and Services (3)

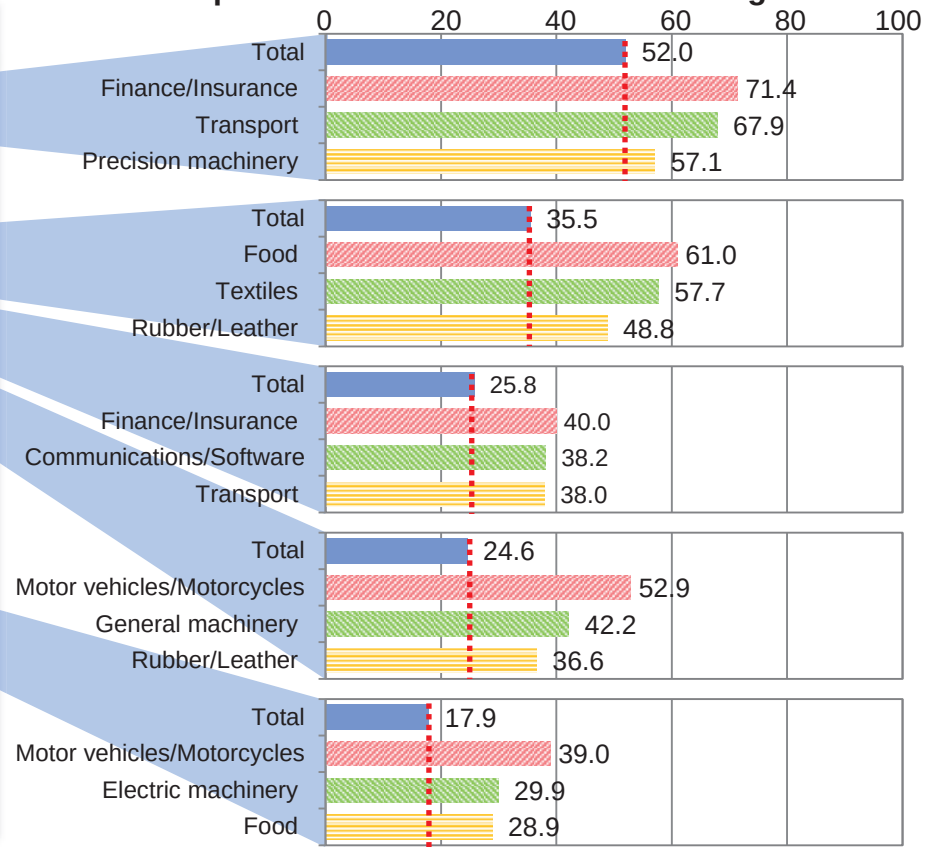
Implementation of measures (actual or planned) to counteract rising costs (multiple answer)

	Answers	%
1	Cost-cutting (e.g., administration cost, indirect cost)	52.0
2	Reconsidered suppliers of raw materials and procurement content	41.6
3	Raised the prices of products (services)	35.5
4	Encouraged recruitment of local staff, reduced payroll cost	25.8
5	Cost-cutting by increasing local procurement rate	24.6
6	Cost-cutting by mass production and volume sales	21.1
7	Reconsidered productions (Consolidation of lineup, improvement, adding of value)	20.6
8	Encouraged automation and power-saving (e.g., introduced industrial robots)	17.9
9	Shifted production/service capabilities to the third country/areas	4.1
10	No particular measures	2.6

Total n =2,917

Note: In the case of China, includes relocation to mainland China

Industries with substantially higher affirmative responses rates than the overall average



- At 52.0%, the most common measure to counteract rising costs was “cost-cutting of administrative and indirect costs.” This measure was particularly popular with firms in the non-manufacturing industries such as finance/insurance and transport.
- A large proportion of manufacturing firms in food, textile, and rubber/leather industries intended to raise the prices of products (services). Given the substantial contribution of personnel and raw material costs to overall costs, it appears unavoidable that such increases in costs are passed on to the consumer.
- In the motor vehicle/motorcycle industry, 52.9% of business have already, or plan to cut costs by increasing local procurement. The proportion of firms intending to increase automation and reduce workforce has risen to 39.0%, reflected more proactive implementation of cost-cutting measure than in other industries.

5. Rising Costs of Production and Services (4)

Implementation of measures (actual or planned) to counteract rising costs (top 3 and bottom 3 by country/area, multiple answer)

Note 1: Countries/areas for which n≧20
Note 2: In the case of China, includes relocation to mainland China

Cost-cutting (e.g., administration cost, indirect cost)

top	1	Philippines	65.2%
	2	Australia	60.3%
	3	Indonesia	58.7%
bottom	3	Vietnam	49.6%
	2	New Zealand	48.4%
	1	Thailand	46.1%

Raised the prices of products (services)

top	1	New Zealand	54.8%
	2	Vietnam	42.9%
	3	HK&Macau	42.7%
bottom	3	Malaysia	33.3%
	2	Australia	33.3%
	1	China	31.1%

Reconsidered suppliers of raw materials and procurement content

top	1	Vietnam	42.9%
	2	China	31.1%
	3	Taiwan	41.2%
bottom	3	New Zealand	30.7%
	2	Singapore	29.4%
	1	Australia	25.6%

Cost-cutting by increasing local procurement rate

top	1	India	39.5%
	2	China	32.5%
	3	Vietnam	28.6%
bottom	3	HK&Macau	10.7%
	2	Australia	3.9%
	1	New Zealand	1.6%

Encouraged recruitment of local staff, reduced payroll cost

Top	1	HK&Macau	36.9%
	2	China	31.8%
	3	India	29.6%
bottom	3	Malaysia	18.8%
	2	Australia	18.6%
	1	New Zealand	14.5%

Reconsidered productions (Consolidation of lineup, improvement, adding of value)

top	1	Taiwan	30.6%
	2	New Zealand	25.8%
	3	Malaysia	25.5%
bottom	3	Korea	15.7%
	2	Singapore	13.9%
	1	Vietnam	12.6%

Cost-cutting by mass production and volume sales

top	1	Vietnam	29.4%
	2	Taiwan	27.1%
	3	India	26.5%
bottom	3	New Zealand	16.1%
	2	Korea	13.7%
	1	HK&Macau	11.7%

Encouraged automation and power-saving (e.g., introduced industrial robots)

top	1	China	23.8%
	2	Thailand	22.3%
	3	Philippines	21.7%
bottom	3	Australia	8.3%
	2	India	8.0%
	1	New Zealand	4.8%

Shifted production/service capabilities to the third country/areas

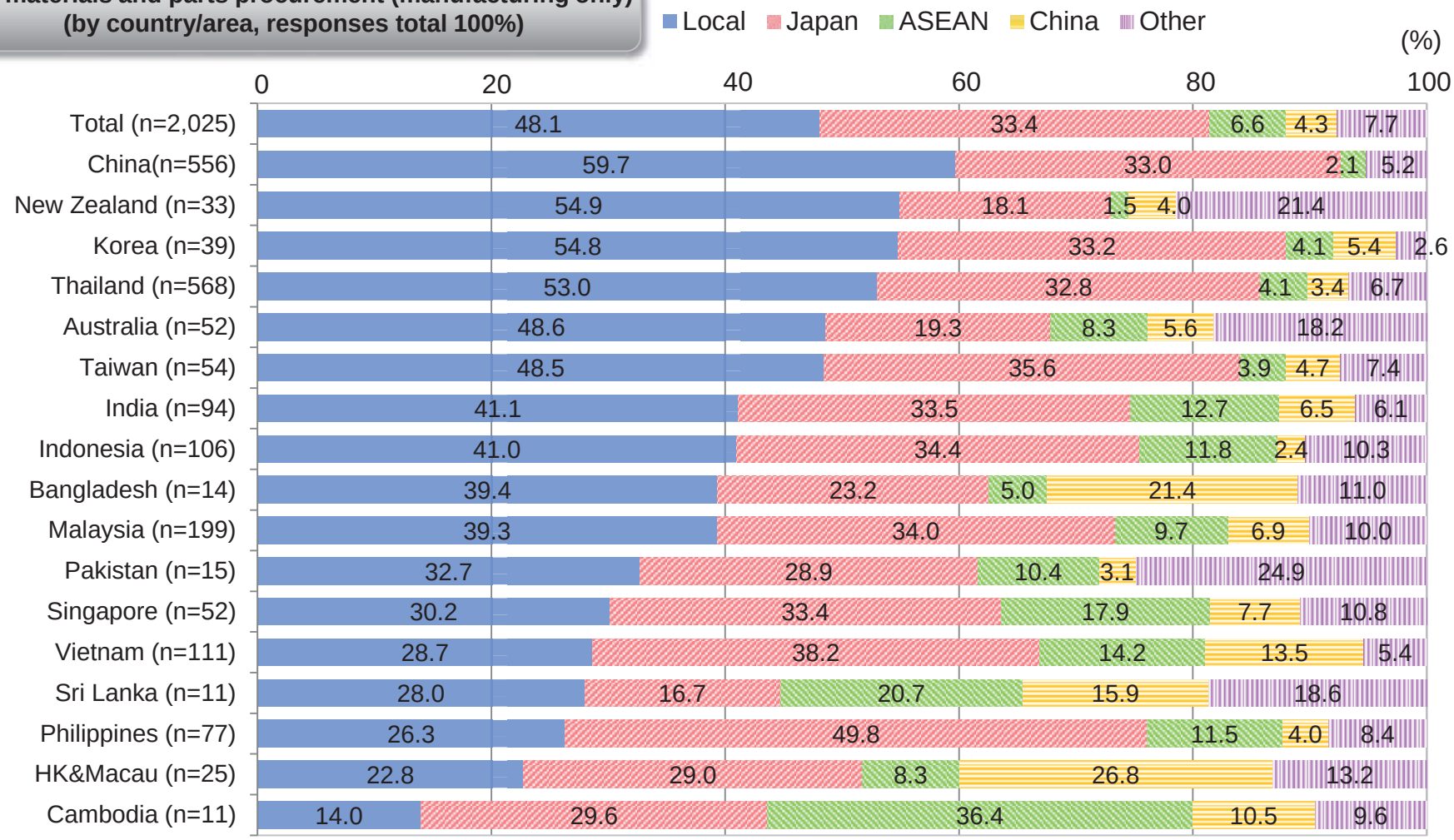
top	1	HK&Macau	8.7%
	2	Singapore	7.2%
	3	Philippines	6.5%
bottom	3	India	2.5%
	2	Vietnam	1.7%
	1	Indonesia	0.6%

- The proportion of firms responding “cutting administrative and indirect costs” was high in all countries/areas surveyed, with 46.1% being the lowest in Thailand. These figures indicate that close to half of all firms have implemented or are planning to implement some form of cost-cutting measures.
- In India, 39.5% of firms had, or were planning to, cut costs by “increasing local procurement rate.” Meanwhile, in Australia and New Zealand, where the local procurement rates is already high, only 5% of firms this as a new strategy, illustrating the wide disparity in implementation of this approach across countries/areas.
- The proportion of firms that had, or were planning to, “shift product/service capabilities to third countries” was low, and was most common in countries/areas such as Hong Kong-Macao and Singapore where operating costs are relatively high.
- Cost-cutting through “automation and reducing labor (e.g. by introducing industrial robots)” was implemented to a greater degree in China and Thailand than elsewhere.

6. Procurement of Raw Materials and Parts (1)

Raw materials and parts procurement (manufacturing only)
(by country/area, responses total 100%)

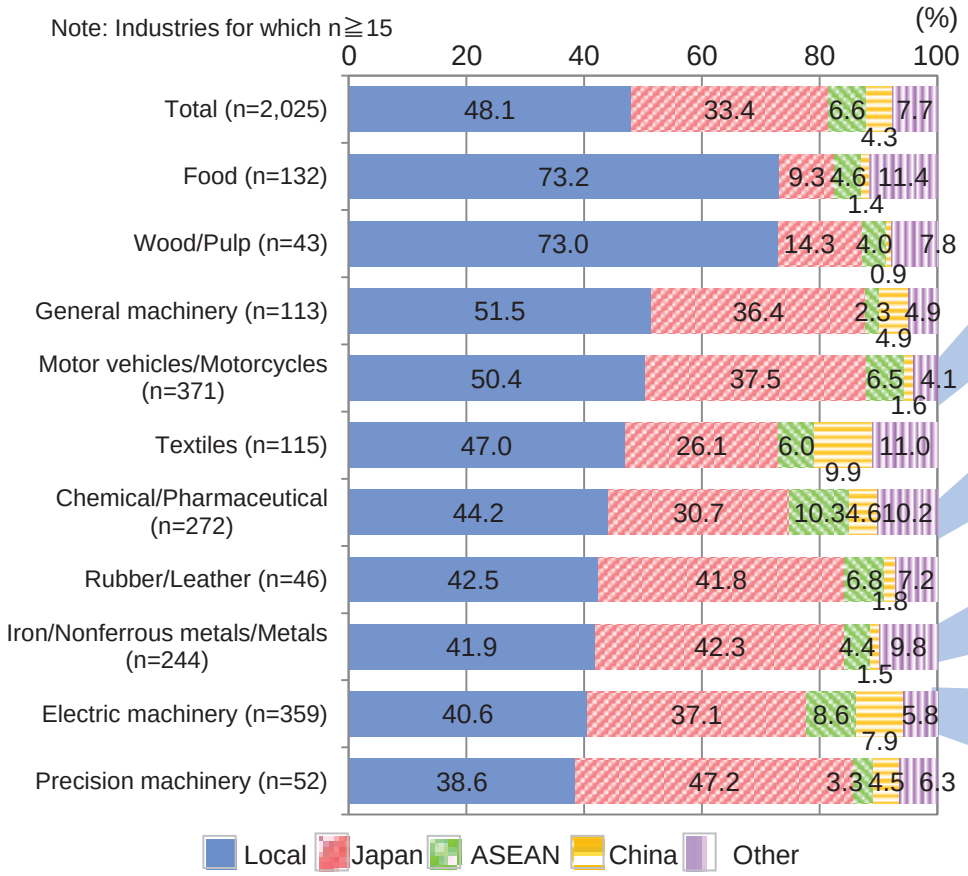
Note：Countries/areas for which n≧10



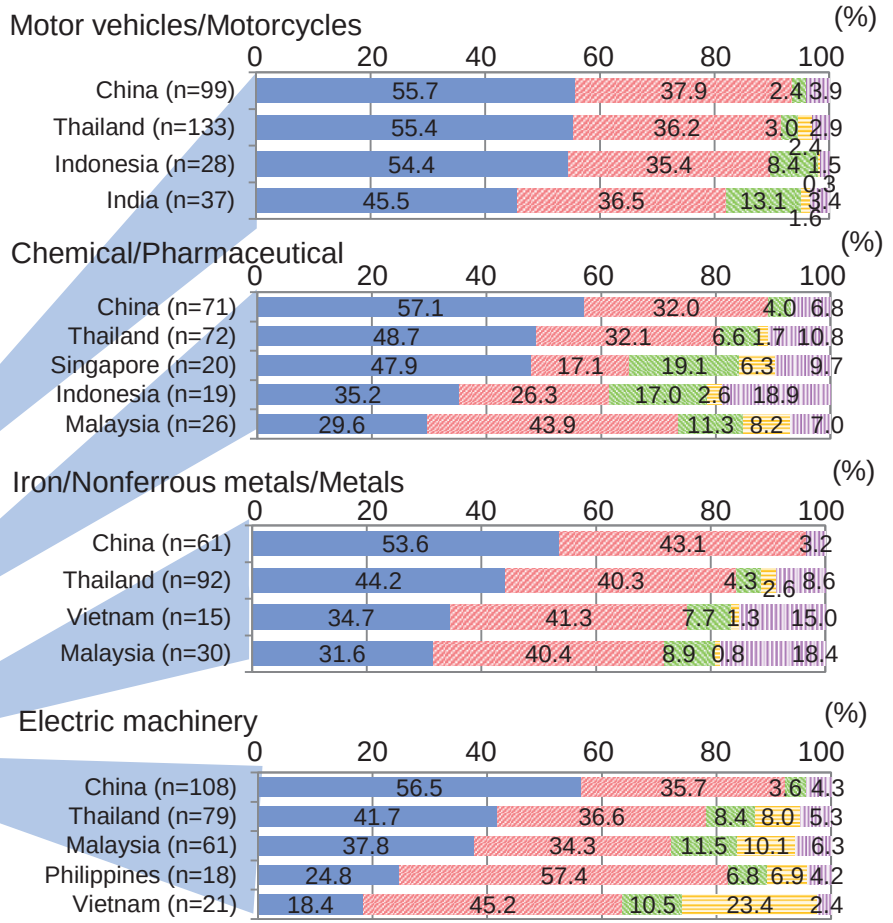
- The largest sources of raw material and parts is “local” (48.1%), followed by “Japan” (33.4%) and “ASEAN” (6.6%). In recent years, there is a trend to procure parts locally, with the local procurement rate increasing from 43.4% in 2008, to 45.3% in 2009, to 48.3% in 2010. The local procurement rate in 2011 remained essentially unchanged from that in 2010. Similarly, the procurement rate from Japan in 2011 was essentially the same as in the year prior (33.5%). Meanwhile, “other” sources increased by 2.1 percentage points, indicating increased procurement from Korea and Taiwan.

6. Procurement of Raw Materials and Parts (2)

Raw materials and parts procurement (manufacturing only) (by industry category, responses total 100%)



Note: Top 4 or 5 countries/areas with high local procurement rates

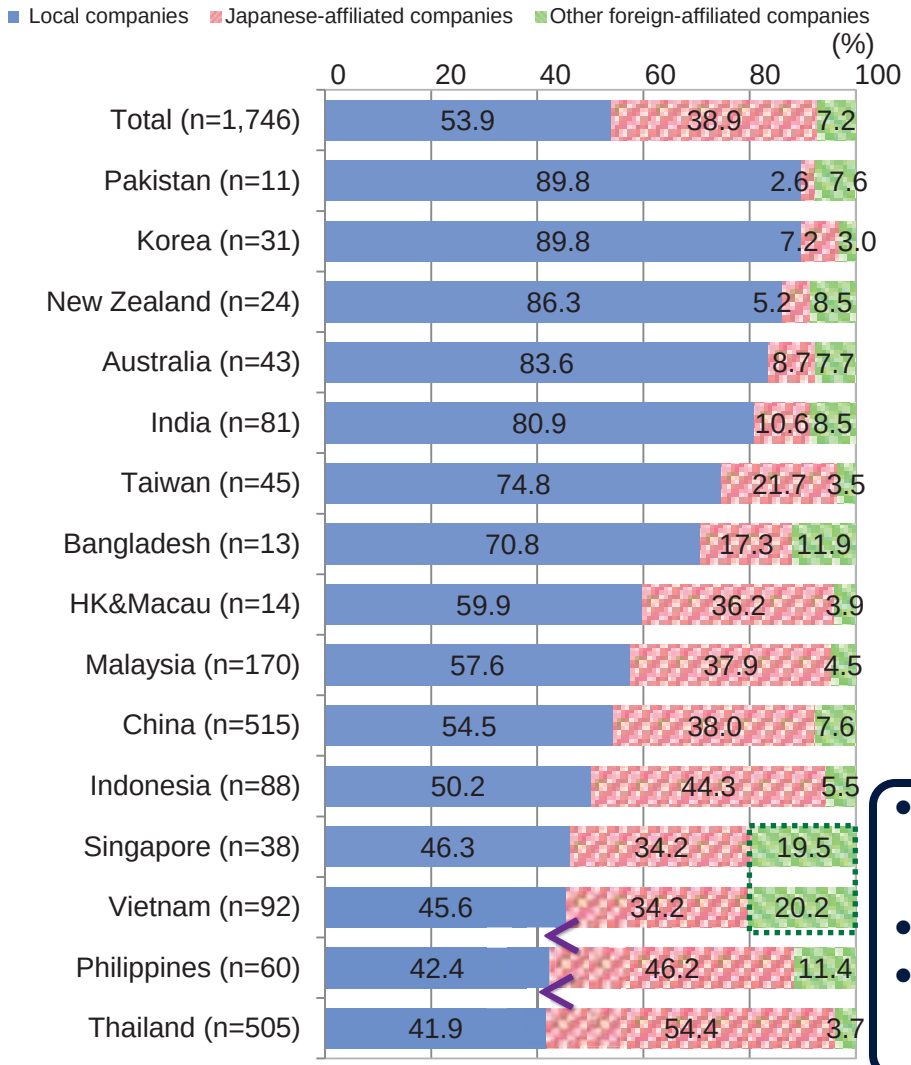


- Industries with high rates of “local” procurement of raw materials and parts include food (73.2%) and wood/pulp (73.0%). Precision machinery, iron/non-ferrous metal/metal, and rubber/leather industries all have relatively high rates (over 40%) of raw material and parts procurement from Japan.
- In terms of the four industries with the highest local raw material and parts procurement rates (motor vehicle/motorcycle, chemical/pharmaceutical, iron/non-ferrous metal/metal, and electric machinery), in China, the local procurement rates in each of these industries exceed 50%. In addition, the local procurement rates of the motor vehicle/motorcycle in Thailand and Indonesia also exceed 50%.

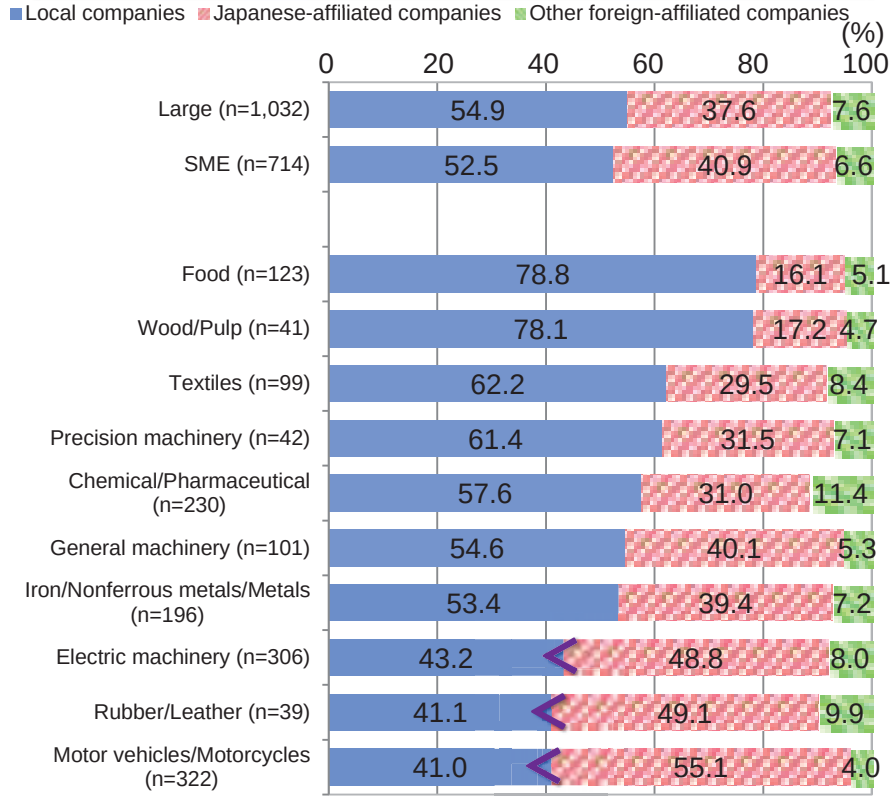
6. Procurement of Raw Materials and Parts (3)

Local raw materials and parts procurement sources (manufacturing only)
(by country/area, total is 100% of responses)

Note: Countries/areas for which n≧10



Local raw materials and parts procurement sources (manufacturing only)
(by business scale and industry, total is 100% of responses)

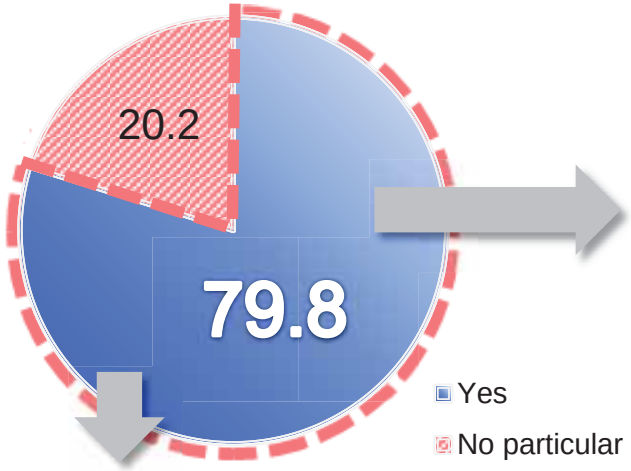


- At 53.9%, “Local firms” was the biggest local source for raw materials and parts, followed by Japanese-affiliated companies, and other foreign-affiliated companies. Compared to 2010, the share of procurement from “local” and “other foreign-affiliated” companies increased slightly by 0.9 and 0.3 percentage points, respectively.
- In Thailand, Japanese-affiliated companies accounted for more than 50% of the sources for local procurement.
- In Vietnam and Singapore, “other foreign-affiliated companies” accounted for approximately 20% of the sources for local procurement. “Foreign-affiliated company” sources were particularly common in textile, electric machinery, and iron/non-ferrous metal/metal industries in Vietnam and the chemical/pharmaceutical industry in Singapore.

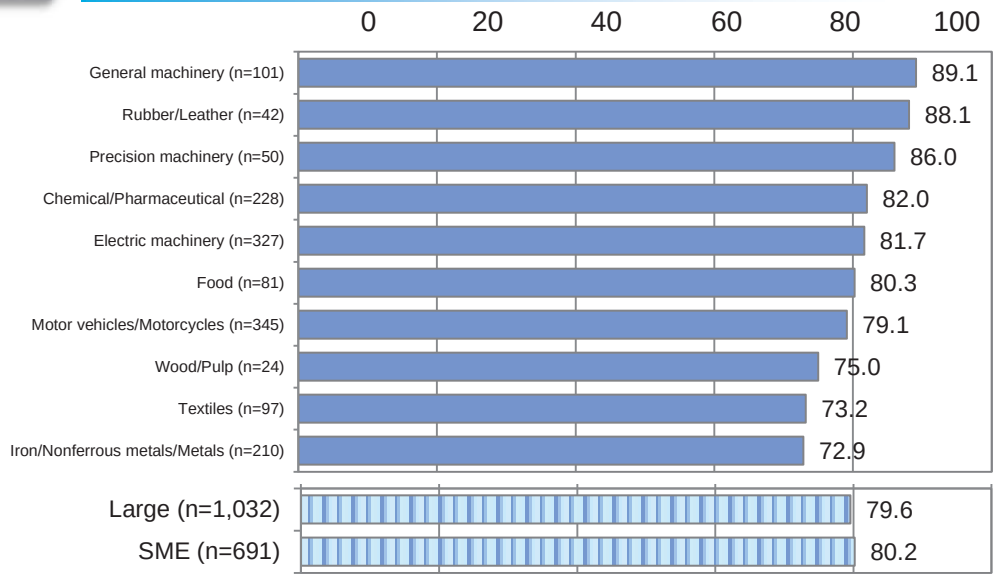
6. Procurement of Raw Materials and Parts (4)

The existence of raw materials/parts sourced from Japan that are only available from Japan

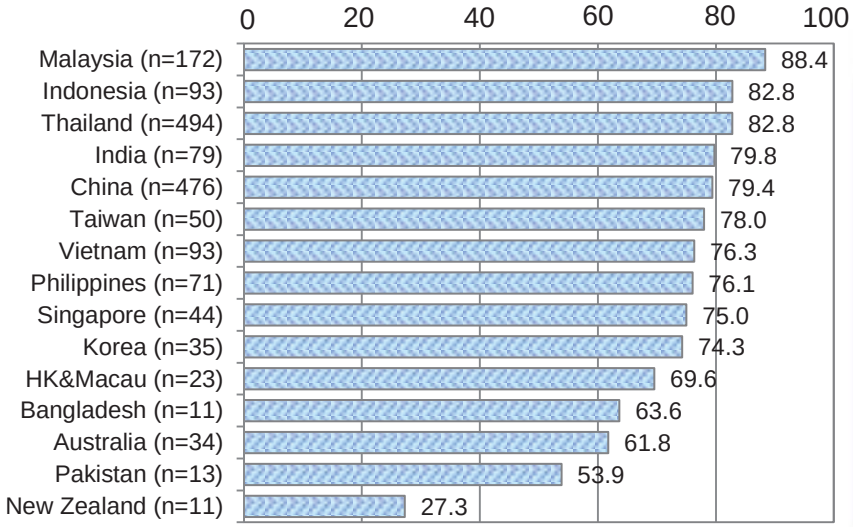
(n=1,723)



Proportion of firms answering "yes" (by industry)



proportion of firms answering "yes" (by country)



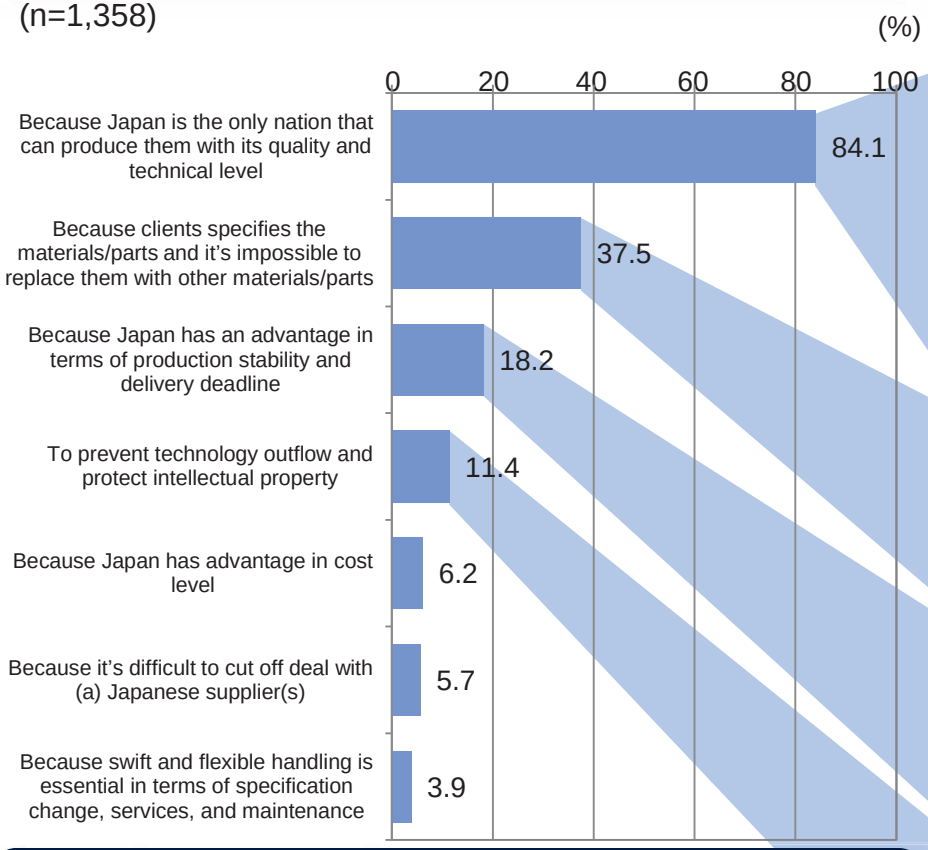
Note: Countries/areas for which n≧10

- Approximately 80% of firms surveyed replied "yes" to the question of whether they use raw materials or parts that are only available from Japan. With the exception of New Zealand, over 50% of firms in each country responded to this question in the affirmative. Over 70% of firms in all industries responded that they used raw materials or parts only available from Japan.
- Specific raw materials and parts only available from Japan include: Food (seasoning, flavoring, packaging, marine products), textiles (cloth, chemicals, resin, accessories), wood/pulp (base paper), chemical/pharmaceutical (chemicals, raw materials for plastic, paints, pigments, medical supplies), rubber/leather (rubber, rubber ingredients, chemicals), iron/non-ferrous metal/metal (steel sheet/raw materials/pipes, specialty steel), general machinery (electronic or metal parts, raw materials, alloys), precision machinery (steel, precision parts), electric machinery (electronic components, semi-conductors, IC, substrates, microcomputers, steel/chemical components, raw materials), motor vehicle/motorcycles (steel sheets/materials, specialty steels, aluminum materials, alloys, rubber, resins, electronic components, (other) steel materials, specialty steels, metals, printing materials, rubber, chemicals, paper, film.

6. Procurement of Raw Materials and Parts (5)

Reasons why raw materials sourced from Japan are difficult to procure elsewhere

(n=1,358)



- 84.1% of firms cited quality and technical aspects as reasons why raw materials and parts currently sourced from Japan are difficult to procure elsewhere. 37.5% of firms responded that sourcing raw materials and parts from Japan was stipulated by their customers.
- Manufacturers of precision machinery also frequently listed various other reasons for procuring raw materials and parts from Japan such as: quality/technical level, reliability/timely delivery, prevention of technology outflow/protection of intellectual property.

proportions by Country/area and industry (highest to lowest)

Country/area		Industry: Manufacturing sector	
	%		%
HK&Macau (n=16)	100.0	Precision machinery (n=41)	90.2
Singapore (n=32)	90.6	Wood/Pulp (n=17)	88.2
India (n=60)	90.0	Chem./Pharma. (n=186)	88.2
Taiwan (n=39)	89.7	Vehicles (n=269)	86.6
Indonesia (n=76)	85.5	Rubber/Leather (n=37)	83.8
Malaysia (n=152)	84.9	Textiles (n=71)	83.1
Thailand (n=403)	84.9	Food (n=64)	82.8
Vietnam (n=70)	84.3	Electric machinery (n=265)	82.3
China (n=377)	83.6	General machinery (n=88)	81.8
Korea (n=26)	76.9	Iron/Nonferrous/Metals (n=151)	78.2
	%		%
Vietnam (n=70)	45.7	Textiles (n=71)	47.9
Philippines (n=52)	44.2	Vehicles (n=269)	44.2
Thailand (n=403)	39.7	Iron/Nonferrous/Metals (n=151)	43.7
China (n=377)	39.5	Chem./Pharma. (n=186)	41.9
Indonesia (n=76)	39.5	Rubber/Leather (n=37)	40.5
	%		%
Philippines (n=52)	30.8	Precision machinery (n=41)	43.9
Indonesia (n=76)	22.4	Iron/Nonferrous/Metals (n=151)	33.8
Singapore (n=32)	21.9	General machinery (n=88)	22.7
Thailand (n=403)	20.1	Rubber/Leather (n=37)	21.6
Vietnam (n=70)	20.0	Vehicles (n=269)	18.2
	%		%
Korea (n=26)	26.9	Precision machinery (n=41)	19.5
HK&Macau (n=16)	25.0	General machinery (n=88)	14.8
India (n=60)	23.3	Food (n=64)	14.1
Taiwan (n=39)	20.5	Chem./Pharma. (n=186)	12.4
Singapore (n=32)	15.6	Vehicles (n=269)	12.3

Note: Includes only countries/areas and industries for which n≧10

6. Procurement of Raw Materials and Parts (6)

Future materials and parts procurement directions (by country/area, multiple answer)

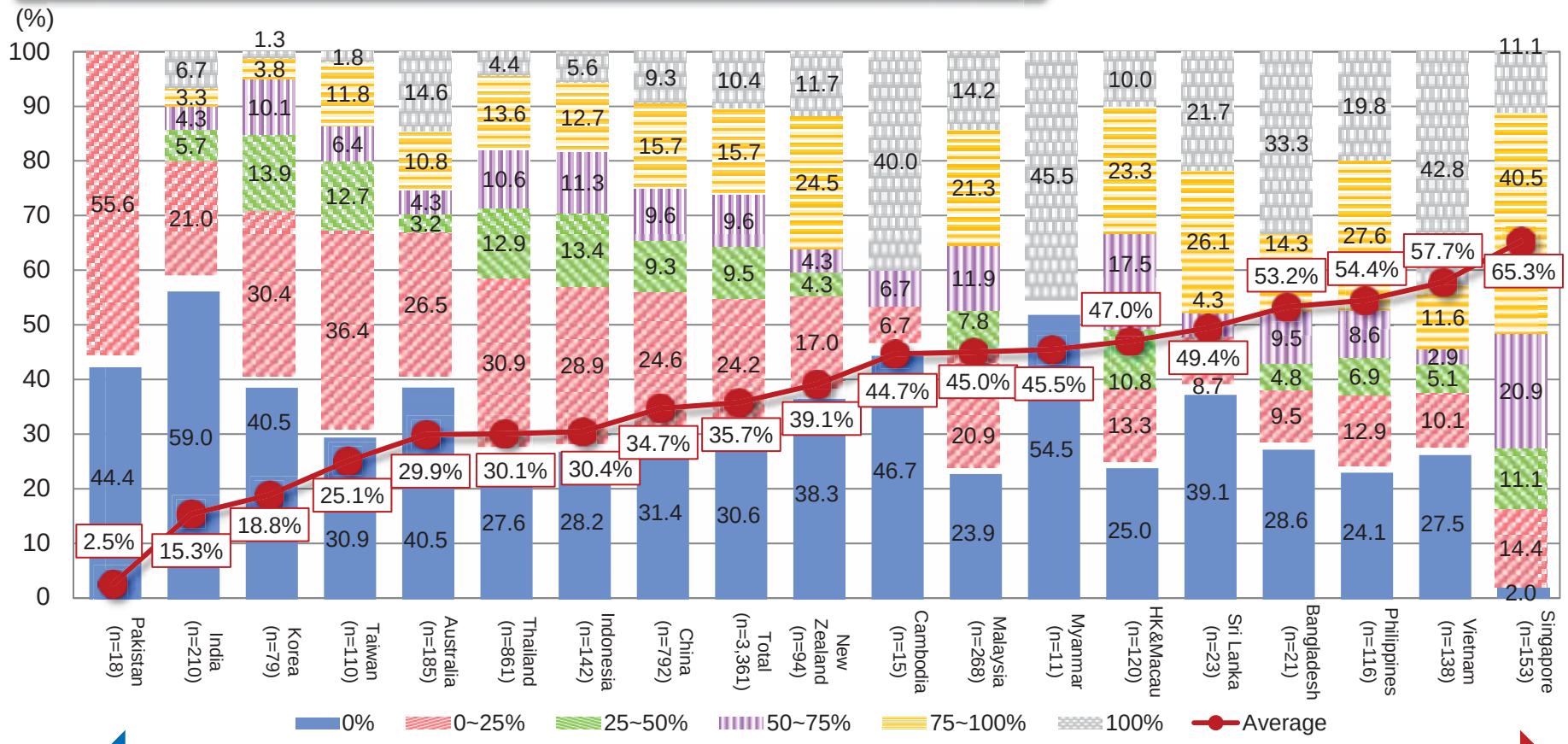
Note: Countries/areas for which n≧10

- In terms of future directions for raw materials and parts procurement, the most common response (59.5%) was “increase local procurement ratio.” This response was particularly common in India (81.8%), China (72.0%), and Thailand (65.2%).
- 26.2% of firms, primarily in ASEAN and southwest Asian countries, responded that they intended to “increase ratio of procurement from ASEAN.”

7. Exports/Imports (1)

Export ratio to sales (by country/area, responses as 0-100%)

Note: Countries/areas for which n＞10



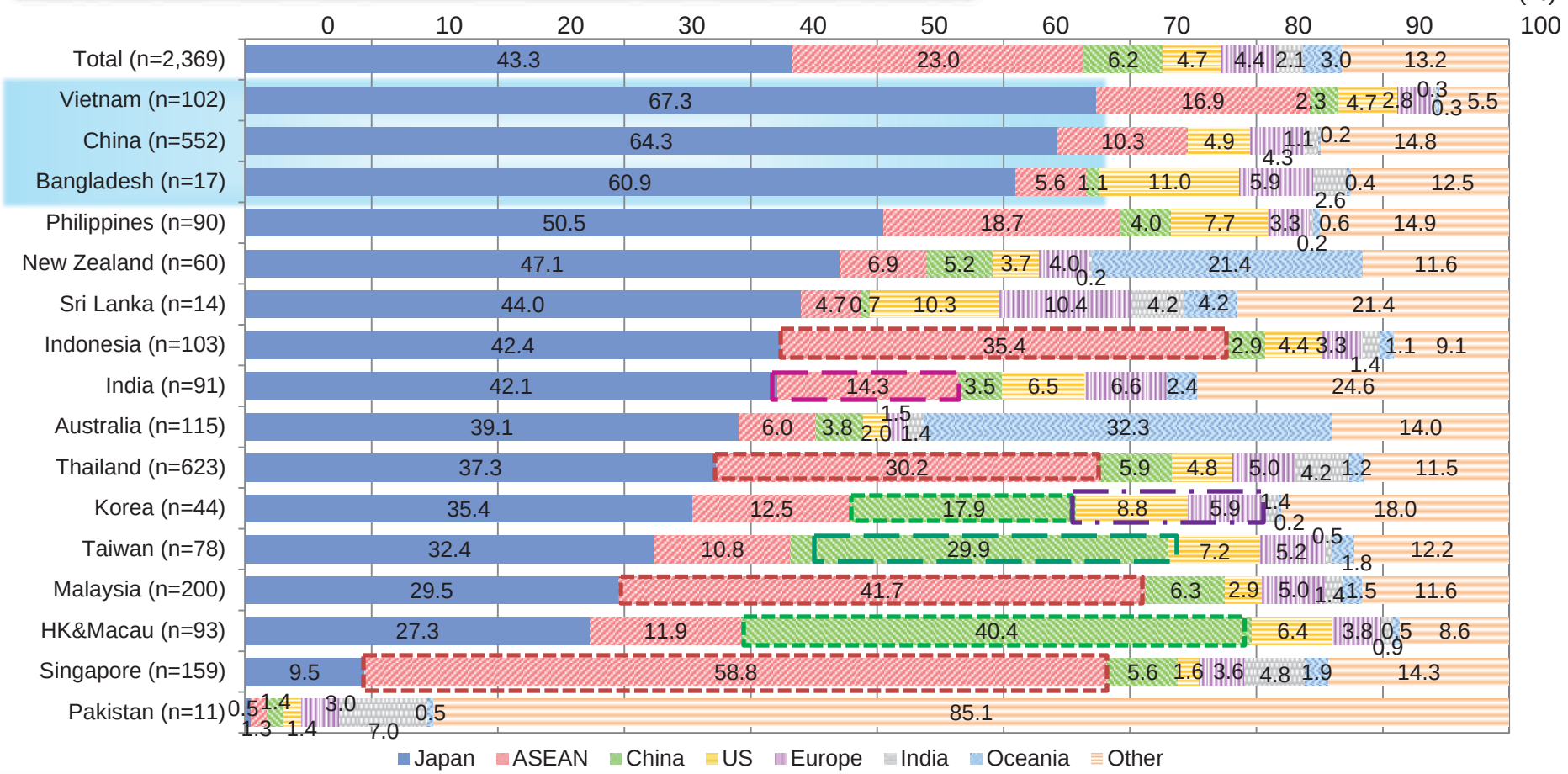
Internal demand oriented ← → **Export-oriented**

- Exports accounted for more than 50% of total sales in Singapore (65.3%), Vietnam (57.7%), the Philippines (54.4%), and Bangladesh (53.2%), while they accounted for less than 20% of total sales of firms in Bangladesh (2.5%), India (15.3%), Korea (18.8%), where domestic sales contributes substantially to overall sales.
- Proportions of firms that produce exclusively for export (i.e. exports account for 100% of sales) were high in Myanmar (45.5%), Vietnam (42.8%), Cambodia (40.0%), and Bangladesh (33.3%). In these countries, firms in textile and electric machinery industries often produce exclusively for export. Nearly 60% of firms in India (59.0%) produced exclusively for the domestic market (exports account for 0% of sales).

7. Exports/Imports (2)

Export destinations (by country/area, responses total 100%)

Note：Countries/areas for which n≧10



- Japan was the most common destination for exports (total of all countries/areas surveyed), accounting for 43.3% of exports, followed by ASEAN, accounting for 23.0% of exports.
- There was little change in the overall composition of export destinations relative to 2010. Exports to Japan increased by 0.1 percentage point, while exports to ASEAN remained unchanged, and exports to China declined by 0.4 point.
- Exports to “Japan” accounted for over 60% of total exports from Vietnam, China, and Bangladesh. In Vietnam, Japan was a particularly common destination for exports in textile (84.3%) and communication/software (98.1%) industries. Also in Vietnam, the proportion of SMEs exporting to Japan exceeded that of large firms (47.3%) by approximately 30 percentage points.
- Indian exports to “ASEAN” increased by 6.2 percentage points over the year prior, accounting for 14.3% of total exports. This is against the backdrop of the ASEAN-India FTA, which has sequentially come into effect starting January, 2010.

7. Exports/Imports (3)

Most important export destination within next 1-3 years (by country/area)

Note: Countries/areas for which n≧10

Total

2010

	Total (n=2,234)	
	Country	%
1	Japan	20.8
2	India	14.5
3	China	14.1
4	Indonesia	9.6
5	Vietnam	7.4

2011

	Total (n=2,708)	
	Country	%
1	Japan	20.1
2	Indonesia	13.2
3	China	12.0
3	India	12.0
5	Vietnam	7.1

China is most important

	Taiwan (n=91)	
	Country	%
1	China	41.8
2	Japan	16.5
3	Indonesia	11.0

	Korea (n=55)	
	Country	%
1	China	40.0
2	Japan	16.4
3	Europe	10.9

	HK&Macau (n=114)	
	Country	%
1	China	46.5
2	India, Thailand	8.8

	New Zealand (n=67)	
	Country	%
1	China	32.8
2	Japan	17.9
3	Oceania	16.4

Japan is most important

	Indonesia (n=109)	
	Country	%
1	Japan	23.9
2	India, Thailand	11.9

	Cambodia (n=11)	
	Country	%
1	Japan	27.3
2	Vietnam, Thailand, CLM, China, Europe	9.1

	Philippines (n=96)	
	Country	%
1	Japan	20.8
2	China	15.6
3	Thailand	14.6

	Bangladesh (n=20)	
	Country	%
1	Japan	30.0
2	China	20.0
3	US	15.0

	Sri Lanka (n=17)	
	Country	%
1	Japan	23.5
2	China, Singapore, Europe	11.8

	India (n=141)	
	Country	%
1	Japan	24.8
2	Middle East	17.0
3	Thailand	11.3

	Vietnam (n=123)	
	Country	%
1	Japan	30.1
2	China	17.9
3	CLM	9.8

	China (n=625)	
	Country	%
1	Japan	35.2
2	India	14.2
3	Vietnam	6.6

Indonesia is most important

	Malaysia (n=221)	
	Country	%
1	Indonesia	23.1
2	Japan	13.6
3	Thailand, India	13.1

	Thailand (n=718)	
	Country	%
1	Indonesia	25.8
2	India	16.9
3	Vietnam	11.8

	Singapore (n=136)	
	Country	%
1	Indonesia	33.8
2	India	18.4
3	Thailand	11.8

Middle East is most important

	Pakistan (n=18)	
	Country	%
1	Middle East	22.2
2	Japan, India, Malaysia, China, US	5.6

Oceania is most important

	Australia (n=136)	
	Country	%
1	Oceania	25.0
2	Japan	22.8
3	China	17.6

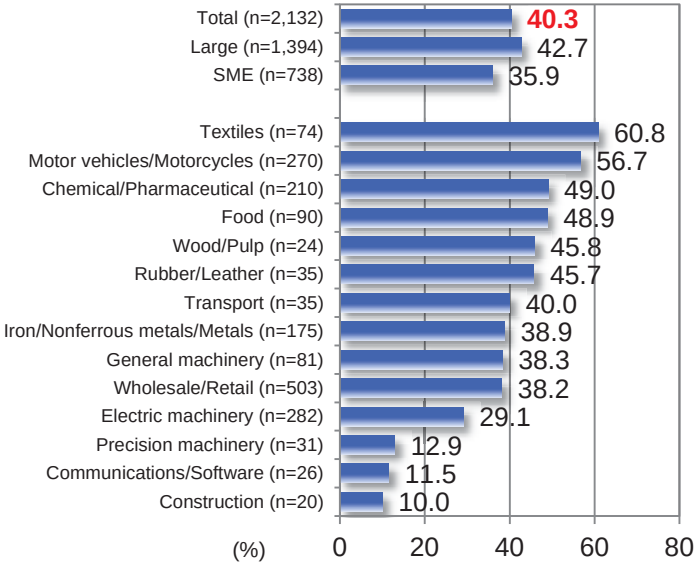
- The most important export destinations in the next 1 to 3 years (total of all countries/areas surveyed) were, in order of importance, 1 Japan, 2 Indonesia, and 3 China and India (tied). Indonesia moved up from being ranked fourth in the year prior to being ranked second in 2011. Meanwhile, firms listing China and India as their most important export destination declined relative to 2010.
- Among Japanese-affiliated companies in Thailand and Singapore, the proportion of firms listing “Indonesia” as the most important export destination increased substantially over the year prior, replacing “India” as number one.

7. Exports/Imports (4)

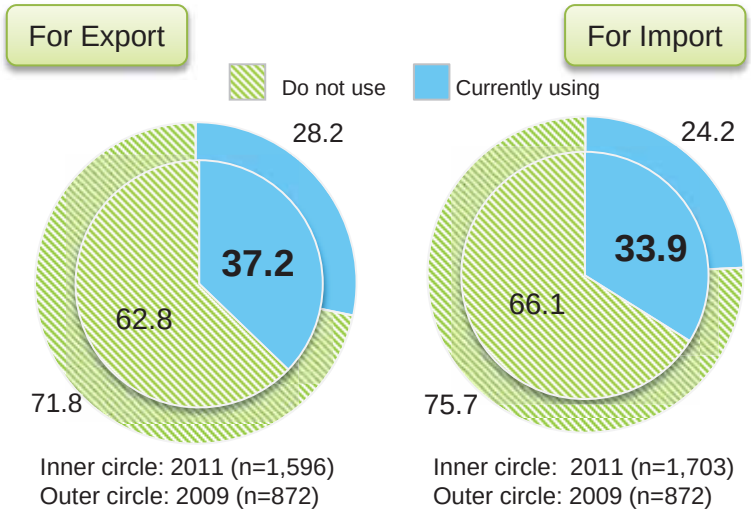
Use of existing (in force) FTA･EPA (only companies involved in import/export)

Note 1: Prior to the 2009 survey, only manufacturing companies were included. Countries/areas for which n≧20.

Proportions of firms using FTA･ EPAs (totals by industry)

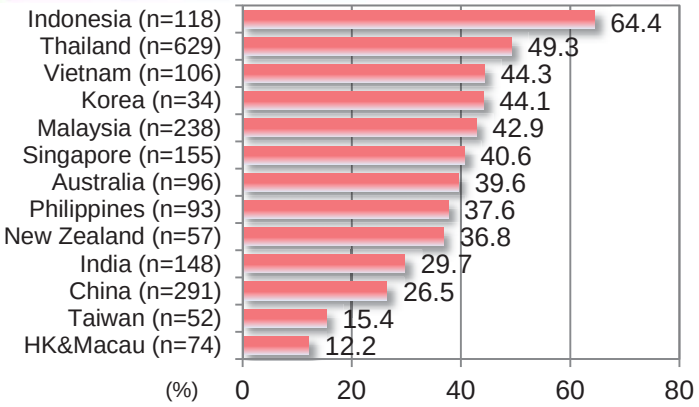


Proportions of firms using FTA/EPAs in 2009 and 2011 (by export/import, total)

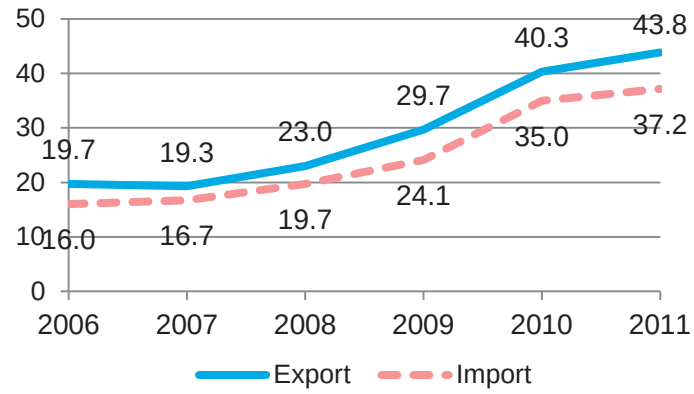


Note 1: “n” denotes number of firms involved in export/import

Proportions of firms using FTA/EPAs (totals by country/area)



Trend in FTA/EPA use by firms located in ASEAN



- 40.3% of Japanese-affiliated companies located in Asia and Oceania are using FTA/EPAs.
- A higher proportion of large firms (42.7%) are using FTA/EPAs than SMEs (35.9%).
- FTA/EPA use is highest in textile and motor vehicle/motorcycle industries.
- FTA/EPA use is highest in Indonesia, where 64.4% of firms use FTA/EPAs, followed by Thailand, Vietnam, and Korea.
- Use of FTA/EPAs in export increased by 9 percentage points relative to 2009. Over the same period, use of FTA/EPAs in import increased by 9.7 percentage points.
- Looking at the trend in FTA/EPA use by Japanese-affiliated firms located in ASEAN, it is apparent that FTA/EPA use has increased steadily for both export and import.

Note 2: The proportions in the 2 figures on the left are calculated as the ratio of firms that are using at least one FTA or EPA to firms that are involved in either export or import, or both.

Note 3: The proportions in the 2 figures on the right are calculated as the ratio of firms using FTA/EPAs for export (or import) to firms involved in export (or import).

7. Exports/Imports (5)

FTA and/or EPA (5+ user firms)

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.
Starting with this year's survey, bilateral FTA/EPAs are included in multi-lateral FTA/EPAs.

		Trade partners	firms involved in import/export	firms making using of FTA/EPAs	% of firms using FTA/EPAs	Top 3 industries where FTA/EPAs are used (numbers of firms) 1		2		3		firms considering use of FTA/EPAs
Thailand	Export	ASEAN	318	148	46.5	Motor Vehicles/Cycles	38	Wholesale/Retail	24	Iron/Nonferrous/Metals	17	53
		Japan	356	112	31.5	Wholesale/Retail	19	Textiles	13	Motor Vehicles/Cycles	13	37
		China	163	46	28.2	Motor Vehicles/cycles	9	Wholesale/Retail	9	Textiles, Electric machinery	6 each	33
		India	132	38	28.8	Electric machinery	8	Motor Vehicles/cycles	8	Wholesale/Retail	6	34
		Australia	71	27	38.0	Electric machinery	6	Motor Vehicles/cycles	6	Iron/Nonferrous/Metals, etc.	4 each	13
		Korea	59	18	30.5	Textiles	4	Electric machinery	3	Iron/Metals, Wholesale/Retail	2 each	10
		New Zealand	36	12	33.3	Electric machinery	5	Motor Vehicles/cycles	2	Textiles, etc.	1 each	8
	Import	Japan	469	140	29.9	Wholesale/Retail	36	Motor Vehicles/cycles	31	Iron/Nonferrous/Metals	16	86
		ASEAN	221	113	51.1	Wholesale/Retail	35	Motor Vehicles/cycles	31	Chem./Pharma., etc.	8 each	26
		China	205	68	33.2	Wholesale/Retail	21	Motor Vehicles/cycles	11	Textiles	7	37
		Korea	65	19	29.2	Wholesale/Retail	8	Textiles, Chem./Pharma., Transport			2 each	12
		India	45	11	24.4	Motor Vehicles/cycles	4	Wholesale/Retail	3	Iron/Nonferrous/Metals, etc.	1 each	10
		Australia	19	8	42.1	Iron/Nonferrous/Metals	2	Food, Electric machinery, Transport, Wholesale/Retail			1 each	1
Malaysia	Export	ASEAN	126	54	42.9	Electric machinery	13	Chem./Pharma.	11	Iron/Nonferrous/Metals	7	11
		Japan	120	42	35.0	Chem./Pharma.	10	Electric machinery	7	Iron/Nonferrous/Metals	5	9
		China	70	22	31.4	Electric machinery	9	Chem./Pharma.	7	Iron/Nonferrous/Metals	2	5
		Korea	26	14	53.8	Chem./Pharma.	5	Motor Vehicles/cycles	3	Wood/Pulp, etc.	1 each	0
		India	30	10	33.3	Chem./Pharma.	4	Electric machinery	2	Iron/Nonferrous/Metals, etc.	1 each	3
		Australia	25	8	32.0	Chem./Pharma.	4	Electric machinery	2	Wood/Pulp, etc.	1 each	2
		New Zealand	13	5	38.5	Chem./Pharma.	3	Iron/Nonferrous/Metals	1	Electric machinery	1	3
	Import	Japan	190	46	24.2	Wholesale/Retail	10	Electric machinery	8	Motor Vehicles/cycles	7	22
		ASEAN	110	43	39.1	Wholesale/Retail	9	Chem./Pharma.	7	Motor Vehicles/cycles	7	9
		China	81	15	18.5	Electric machinery	4	Wholesale/Retail	4	Wholesale/Retail	3	9
		Korea	43	8	18.6	Chem./Pharma.	4	Iron/Nonferrous/Metals	1	Wholesale/Retail	1	6
Singapore	Export	ASEAN	131	48	36.6	Wholesale/Retail	20	Chem./Pharma.	13	Electric machinery	3	13
		Japan	66	21	31.8	Chem./Pharma.	9	Wholesale/Retail	5	Electric machinery	3	9
		China	56	20	35.7	Chem./Pharma.	9	Wholesale/Retail	6	Transport	2	9
		India	64	17	26.6	Wholesale/Retail	9	Chem./Pharma.	6	Food, Precision machinery	1 each	7
		Australia	44	13	29.5	Chem./Pharma.	6	Wholesale/Retail	4	Food, Precision machinery	1 each	0
		US	25	11	44.0	Chem./Pharma.	4	Electric machinery	3	Wholesale/Retail	2	0
		Korea	24	7	29.2	Chem./Pharma.	2	Wholesale/Retail	2	Food, Genral machinery	1 each	2
		New Zealand	25	7	28.0	Chem./Pharma.	3	Wholesale/Retail	2	Food, Precision machinery	1 each	0

- Numerous firms in Thailand and Indonesia (see next page) are making use of AFTA within ASEAN as well as bilateral FTA/EPAs with Japan and China.
- In India, import from ASEAN has increased as a result of the ASEAN-India FTA coming into force (see next page). Sixteen firms in India are already making use of the Japan-India EPA for import from Japan, despite the short time since the EPA came into effect in August of 2011 (survey conducted between August 1 and September 15). Interest in the EPA is evident from the 56 firms considering use.
- FTA/EPA use is also increasing in Northeast Asia, with firms in China primarily making use of FTA/EPAs between China and ASEAN, those in Taiwan making use of FTA/EPAs with China, and those in Korea making using of FTA between EU-South Korea, which came into effect in July 2011.

7. Exports/Imports (5)

FTA and/or EPA (5+ user firms)

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.
Starting with this year's survey, bilateral FTA/EPAs are included in multi-lateral FTA/EPAs.

		Trade partners	firms involved in import/export	firms making using of FTA/EPAs	% of firms using FTA/EPAs	Top 3 industries where FTA/EPAs are used (numbers of firms) 1		2		3		firms considering use of FTA/EPAs
Indonesia	Export	ASEAN	65	37	56.9	Motor Vehicles/cycles	7	Textiles	6	Chem./Pharma.	5	7
		Japan	68	27	39.7	Textiles	10	Rubber/Leather	3	Wholesale/Retail	3	9
		China	22	10	45.5	Textiles	3	Rubber/Leather	3	Chem./Pharma.	2	4
	Import	Japan	100	49	49.0	Motor Vehicles/cycles	14	Chem./Pharma.	6	Textiles	5	16
		ASEAN	76	40	52.6	Motor Vehicles/cycles	13	Chem./Pharma., Rubber/Leather, Wholesale/Retail			4	10
		China	43	19	44.2	Chem./Pharma.	5	Wholesale/Retail	4	Electric machinery	3	9
		Korea	26	7	26.9	Motor Vehicles/cycles	2	Wholesale/Retail	2	Textiles, Rubber/Leather	1	6
Vietnam	Export	Japan	66	28	42.4	Textiles	6	Chem./Pharma.	4	Electric machinery	4	4
		ASEAN	42	16	38.1	Chem./Pharma.	3	Electric machinery	3	Food, Rubber,etc.	2 each	6
		China	23	9	39.1	Electric machinery	2	Chem. Rubber, Iron, Vehicles, Precision machinery			1 each	3
		Korea	12	6	50.0	Rubber/Leather	2	Rubber/Leather, Vehicles, Precision machinery, etc.			1 each	0
	Import	Japan	66	22	33.3	Electric machinery	5	Textiles, Chem./Pharma., Vehecles, Wholesale/Retail			2 each	3
		ASEAN	51	19	37.3	Electric machinery	3	Motor Vehicles/cycles	3	Textiles, Chem./Pharma., etc.	2 each	5
		China	35	9	25.7	Electric machinery	3	Textiles, Rubber, Iron, General machinery Vehecles, etc.			1 each	7
Philippines	Export	ASEAN	37	21	56.8	Motor Vehicles/cycles	8	Iron/Nonferrous/Metals	4	Chem./Pharma.	2	3
		Japan	65	10	15.4	Motor Vehicles/cycles	3	Chem./Pharma.	2	Iron/Nonferrous/Metals, etc.	1 each	6
		China	26	7	26.9	Motor Vehicles/cycles	3	Chem./Pharma.	2	General machinery, Transport	1 each	2
	Import	ASEAN	50	17	34.0	Motor Vehicles/cycles	4	Wholesale/Retail	4	Chem./Pharma.	3	4
		Japan	75	13	17.3	Chem./Pharma., Electric machinery, Motor Vehicles/cycles, Wholesale/Retail					2 each	14
		China	31	8	25.8	Chem./Pharma.	3	Electric machinery	2	Wholesale/Retail	2	2
China	Export	ASEAN	124	33	26.6	Motor Vehicles/cycles	11	Food	4	Chem./Pharma.	4	26
		Hong Kong	155	26	16.8	Electric machinery	6	Food	5	Chem./Pharma., Vehecles	3 each	20
		Taiwan	51	8	15.7	Food	2	Motor Vehicles/cycles	2	Electric machinery,etc.	1 each	9
	Import	ASEAN	76	30	39.5	Chem./Pharma.	9	Motor Vehicles/cycles	9	Wholesale/Retail	5	19
		Taiwan	62	15	24.2	Motor Vehicles/cycles	5	Chem./Pharma.	3	Electric machinery	3	18
		Hong Kong	114	12	10.5	Electric machinery	5	Chem./Pharma.	3	Wholesale/Retail	2	17
Hong Kong	Export	China	62	5	8.1	Wholesale/Retail	5	—		—		9
Taiwan	Export	China	43	8	18.6	Chem./Pharma.	4	Wholesale/Retail	3	Rubber/Leather	1	9
Korea	Export	EU	16	8	50.0	Chem./Pharma.	3	Motor Vehicles/cycles	2	Electric machinery, etc.	1 each	3
		ASEAN	22	7	31.8	Chem./Pharma.	3	Iron/Nonferrous/Metals	2	Vehicles, Wholesale/Retail	1 each	5
	Import	ASEAN	13	5	38.5	Wholesale/Retail	3	Motor Vehicles/cycles	1	Other manufacturing	1	4
India	Import	ASEAN	86	30	34.9	Wholesale/Retail	9	Motor Vehicles/cycles	9	Electric machinery	4	25
		Japan	119	16	13.4	Wholesale/Retail	5	Motor Vehicles/cycles	4	Chem./Pharma. etc.	1 each	56
Australia	Export	New Zealand	44	10	22.7	Wholesale/Retail	5	Food, Textiles, General machinery, Vehecles, etc.			1 each	3
		ASEAN	37	8	21.6	Food	4	Wholesale/Retail	2	Vehicles, Precision machinery	1 each	4
	Import	ASEAN	43	21	48.8	Wholesale/Retail	10	Motor Vehicles/cycles	7	Iron, Electric machinery	1 each	3
		US	29	8	27.6	Wholesale/Retail	3	Motor Vehicles/cycles	2	Food, etc.	1 each	3
		New Zealand	18	7	38.9	Electric machinery	2	Food, Textiles, General machinery, Precision machinery			1 each	0
New Zealand	Export	Australia	25	12	48.0	Food	4	Textiles	2	Wood/Pulp	2	1
		China	18	7	38.9	Wholesale/Retail	3	Food	2	Wood/Pulp	2	2
	Import	Australia	33	8	24.2	Textiles	2	Wholesale/Retail	2	Food,Iron, etc.	1 each	1

7. Exports/Imports (6)

Problems with using FTA/EPAs (by export/import, stage)

For Export

Firms using FTA/EPAs (n=594)		Response rate
1	It takes time to process documents for obtaining a certificate of origin	40.2%
2	No specific problems	34.5%
3	The procedures for obtaining a certificate of origin are complicated	24.2%

Firms considering using FTA/EPAs (n=209)		Response rate
1	It takes time to process documents for obtaining a certificate of origin	29.7%
2	Facing staff shortage on handling FTA/EPA matters	25.4%
3	The procedures for obtaining a certificate of origin are complicated	23.9%

Firms not using (not planning to use) FTA/EPAs (n=793)		Response rate
1	No specific problems	30.9%
2	Facing staff shortage on handling FTA/EPA matters	11.2%
3	It takes time to process documents for obtaining a certificate of origin	10.3%

For Import

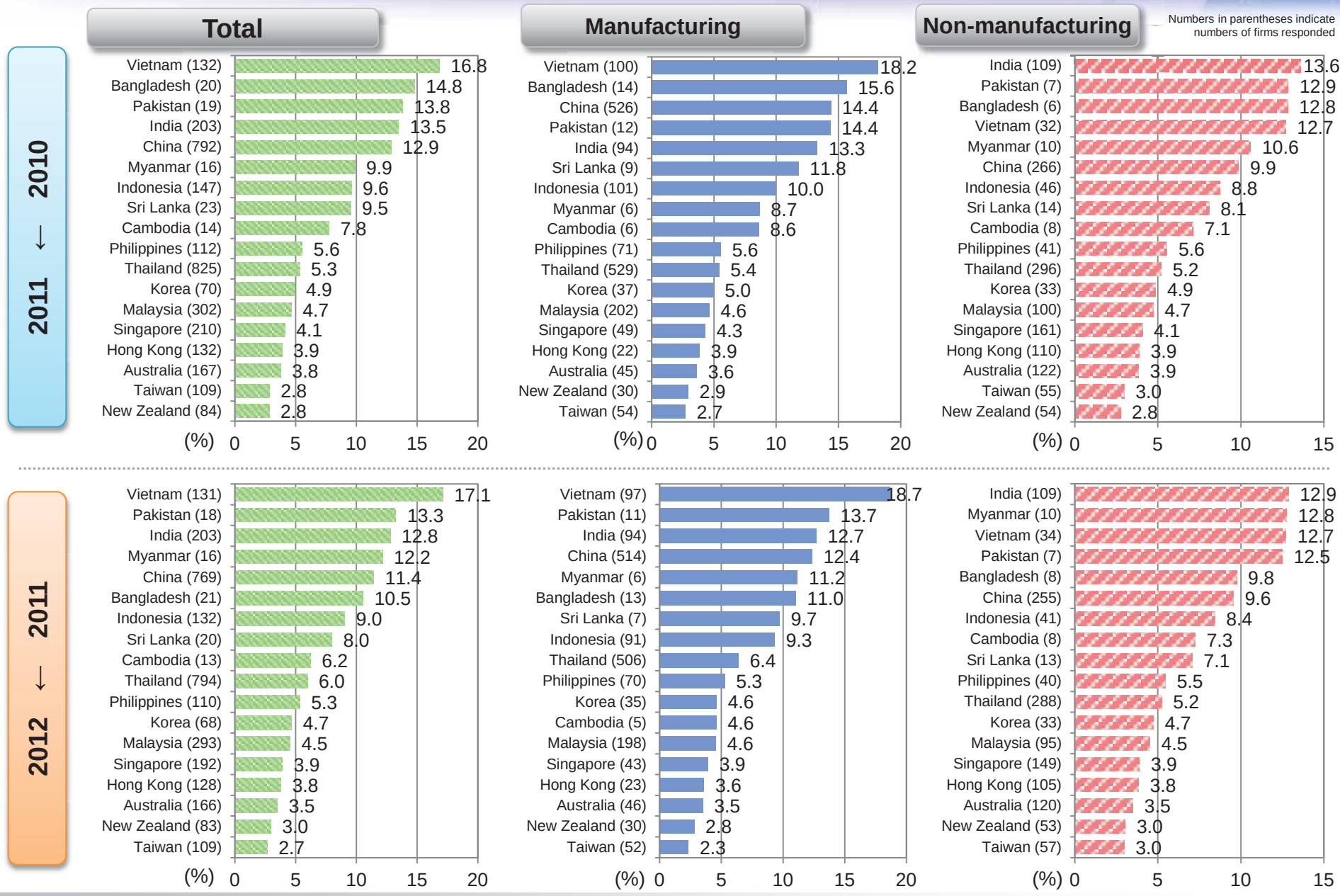
Firms using FTA/EPAs (n=578)		Response rate
1	No specific problems	49.5%
2	It's hard to obtain cooperation from suppliers in terms of utilizing FTA/EPA	12.1%
3	A strict customs inspection for approving the preferential tariff treatment at an importing country	10.6%

Firms considering using FTA/EPAs (n=762)		Response rate
1	No specific problems	39.5%
2	No EPA/FTA with main trading partners	10.1%
3	The difference between the FTA's graded custom tariff rate reductions and general custom tariffs is small	8.7%

Firms not using (not planning to use) FTA/EPAs (n=363)		Response rate
1	No specific problems	26.2%
2	It's hard to obtain cooperation from suppliers in terms of utilizing FTA/EPA	13.5%
3	The difference between the FTA's graded custom tariff rate reductions and general custom tariffs is small	11.8%

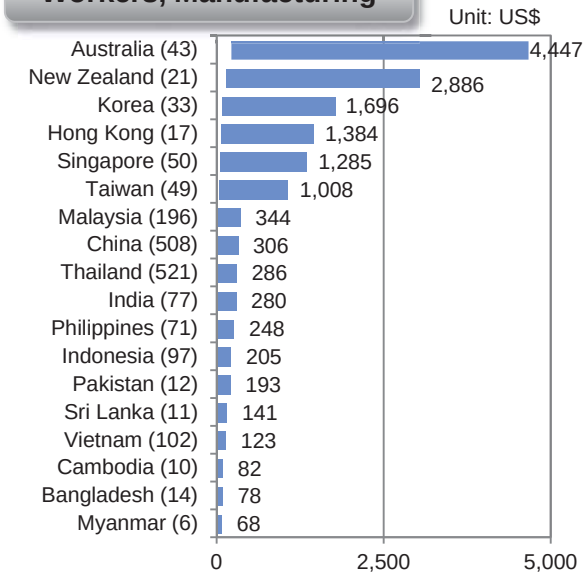
- Many firms cited "time required to process documents for obtaining a certificate of origin" as a problem of using FTA/EPAs for export.
- Approximately half of firms using FTA/EPAs for import responded that they experienced "no specific problems." Some firms listed "difficulty in obtaining cooperation from suppliers in terms of utilizing FTA/EPAs" and "strict customs inspections for approving the preferential tariff treatment at the importing country" as problems.

8. Wages (1): Wage increase over the previous year

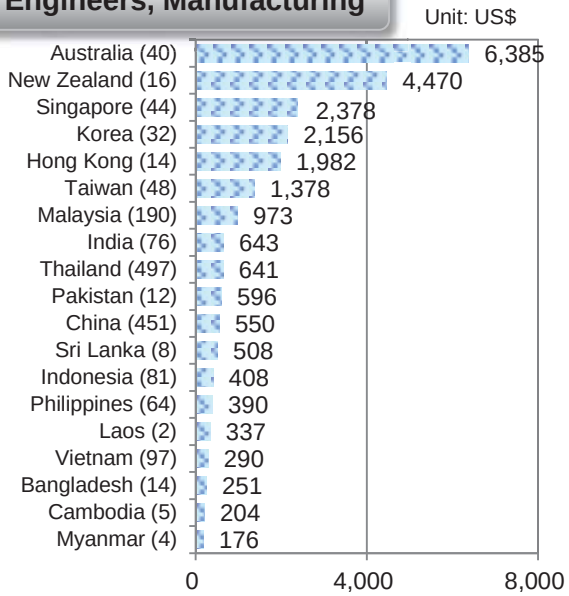


8. Wages (2): Monthly wage (base salary)

Workers, Manufacturing

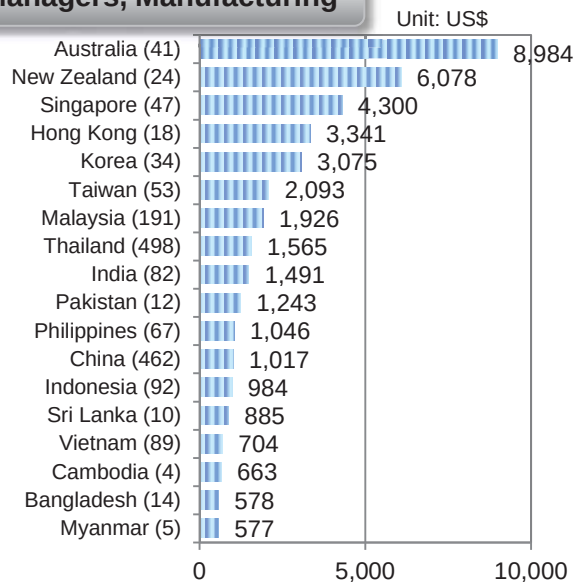


Engineers, Manufacturing

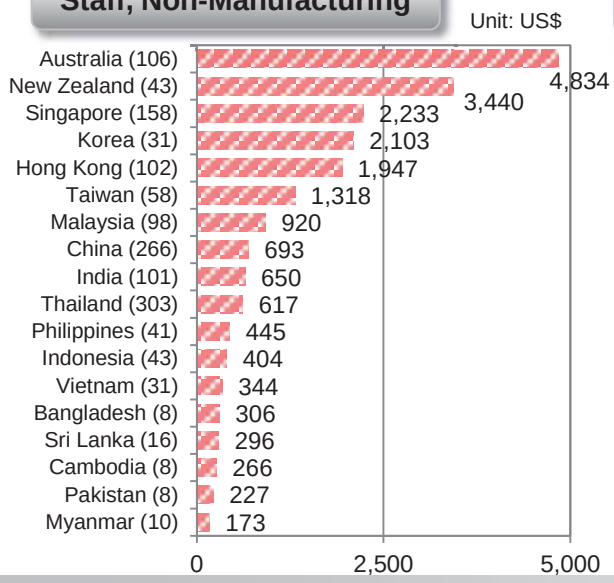


Managers, Manufacturing

Numbers in parentheses Indicate numbers of firms responded



Staff, Non-Manufacturing



Managers, Non-Manufacturing

Base salary: as of August, 2011, excluding benefits and allowances.

Worker: Full time employee with three years experience in manufacturing operations. Excludes contract and probationary workers.

Engineer: Full time employee who is a graduate of a vocational school or college with five years of experience.

Manager (Manufacturing): Full time employee with college degree and the rank of section chief or higher, with 10 years experience.

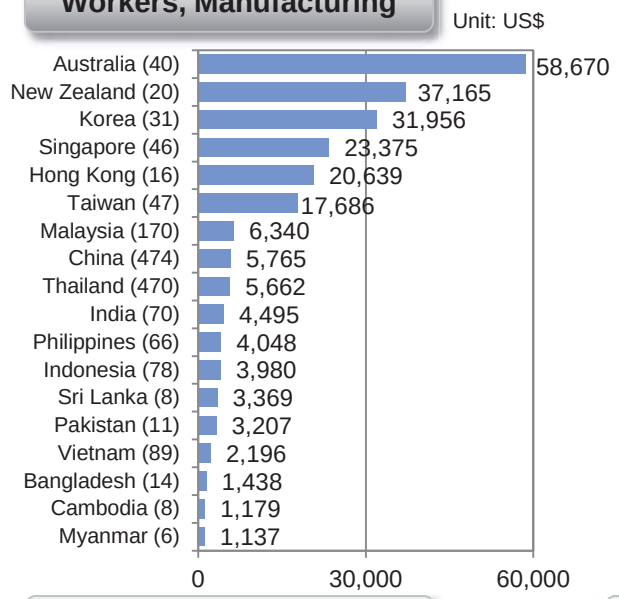
Staff: Full time employees with 3 years experience in routine office work. Excludes temporary and probationary employees.

Manager (Non-manufacturing) : Full time employee with sales responsibility at the rank of section chief or above and 10 years of experience.

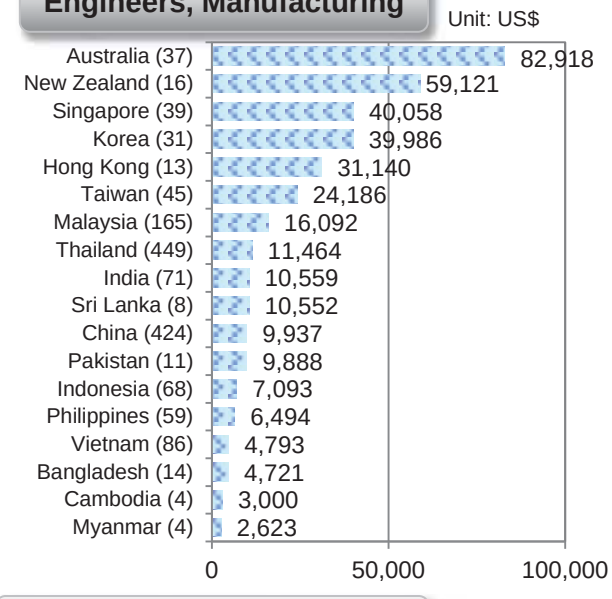
Note: Except for Vietnam, Myanmar, and Cambodia, average salaries were reported in local currency and converted to US dollars at the average rate prevailing in August, 2011 (as announced by each country's central bank). For Myanmar, salaries were converted using the average actual local exchange rate as of August, 2011. In Vietnam and Myanmar, because some firms used different currencies (the local currency or US$), averages were calculated after converting salaries to US dollars.

8. Wages (3): Annual total pay burden

Workers, Manufacturing

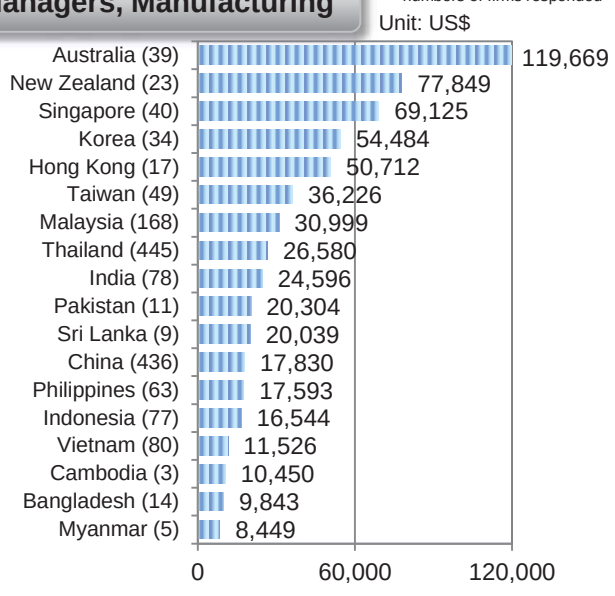


Engineers, Manufacturing

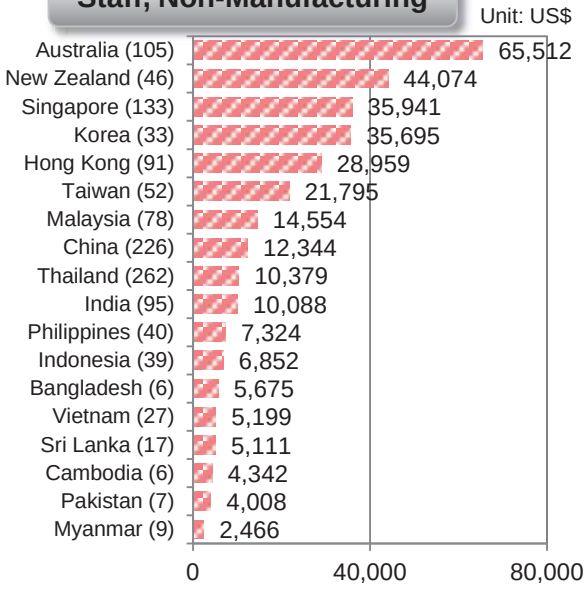


Managers, Manufacturing

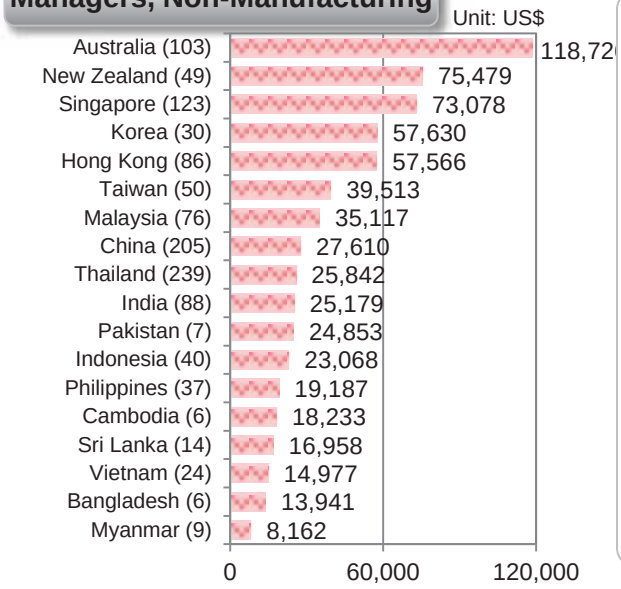
Numbers in parentheses indicate numbers of firms responded



Staff, Non-Manufacturing



Managers, Non-Manufacturing



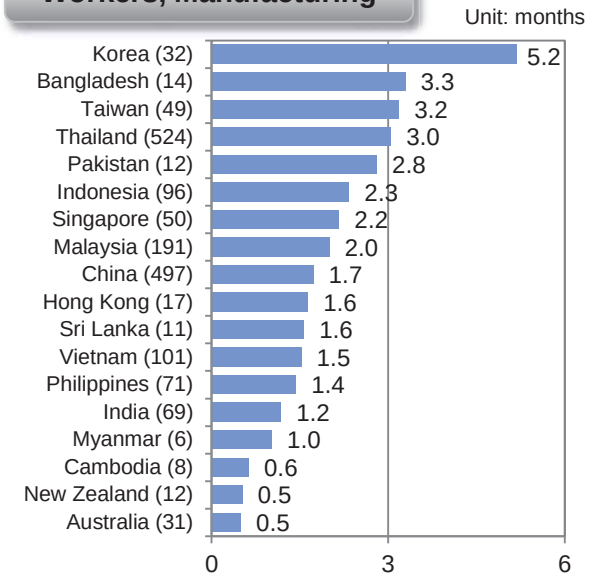
Annual total pay burden: Total annual payout per employee including base salary, allowances, social insurance premiums, overtime and bonuses, and excluding retirement allowances as of 2011.

See previous page for definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

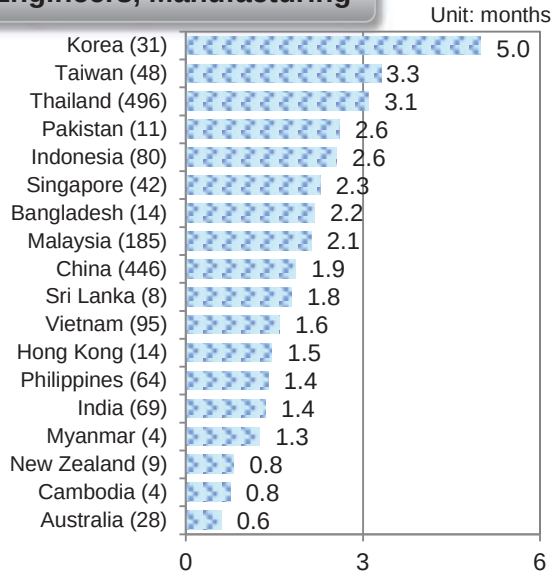
Note: Except for Vietnam and Myanmar, average total pay burdens were reported in local currency and converted to US dollars at the average exchange rate as of August, 2010 (announced by each country's central bank). For Myanmar annual total pay burdens were converted using the average actual local exchange rate as of August, 2011. For Vietnam and Myanmar, because some firms used different currencies (the local currency or US$), averages were calculated after converting total pay burdens to US dollars.

8. Wages (4): Bonuses

Workers, Manufacturing

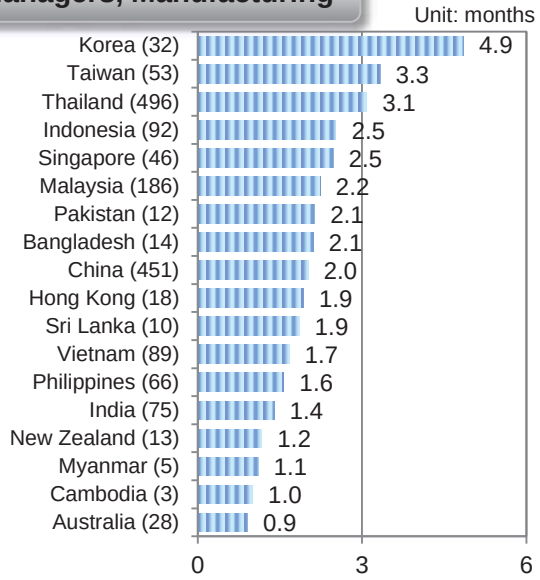


Engineers, Manufacturing

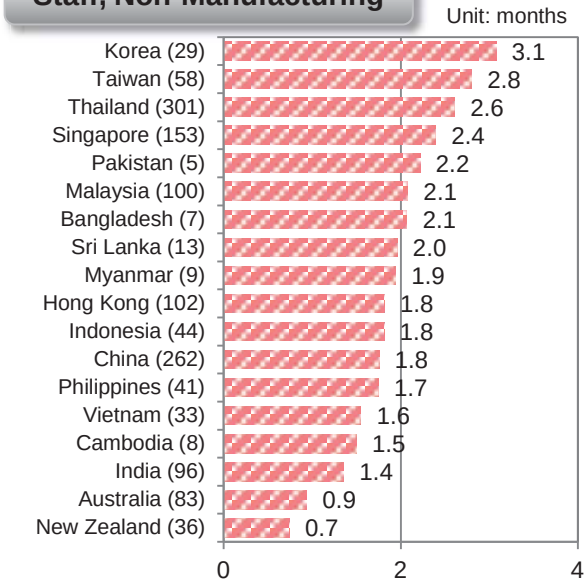


Managers, Manufacturing

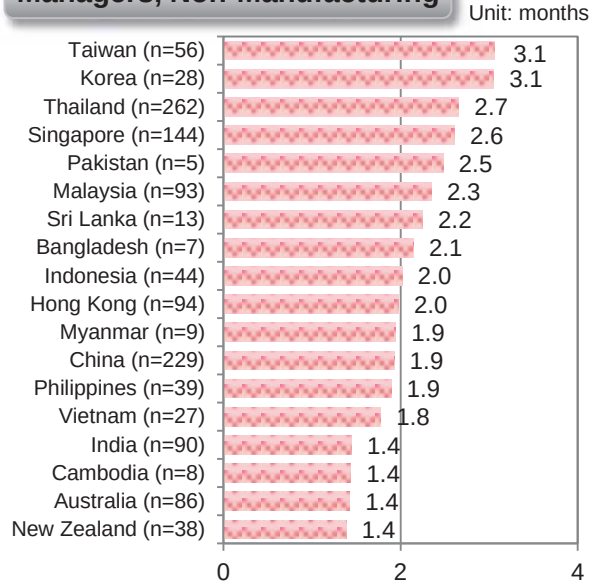
Numbers in parentheses indicate numbers of firms responded



Staff, Non-Manufacturing

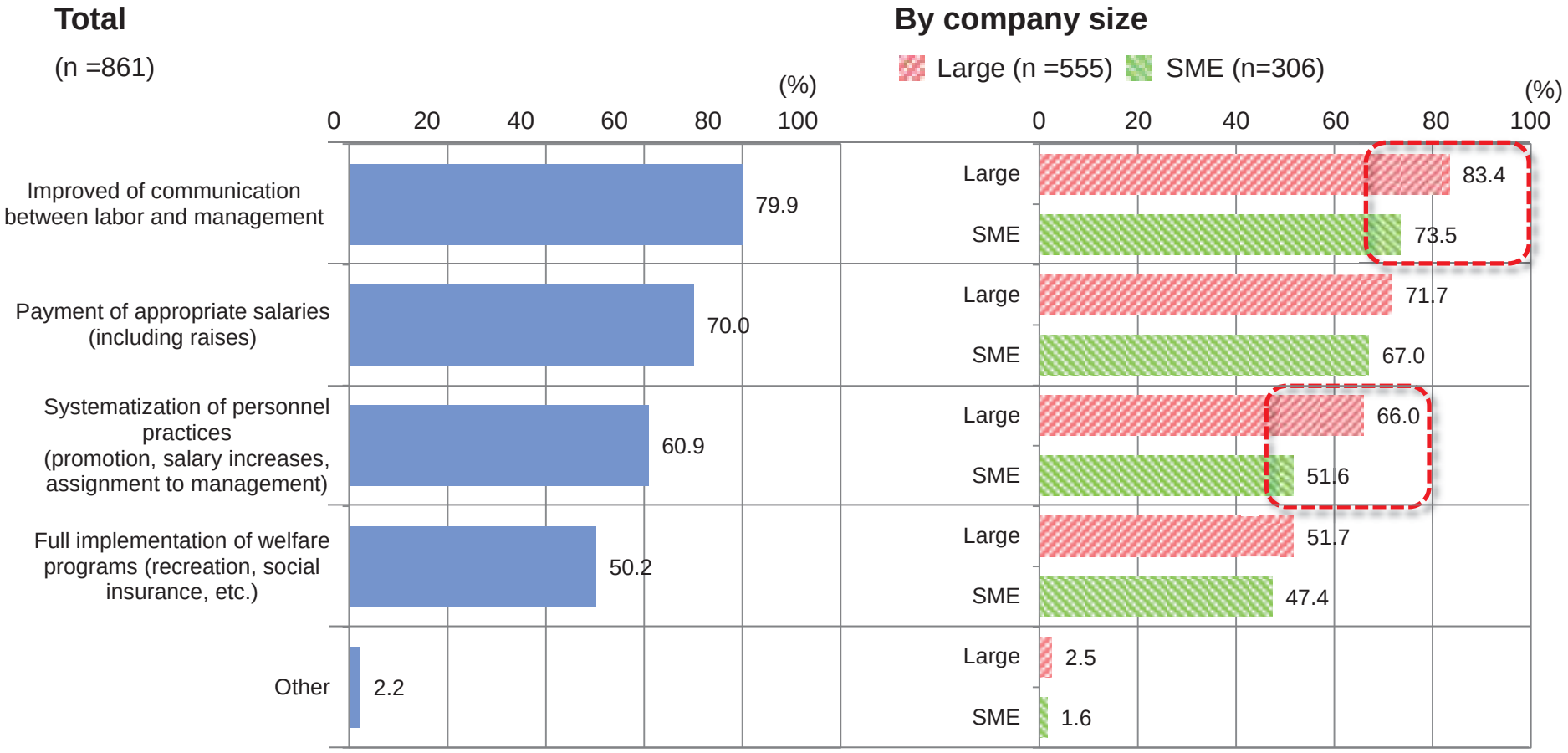


Managers, Non-Manufacturing



9. China (1) Labor management -1

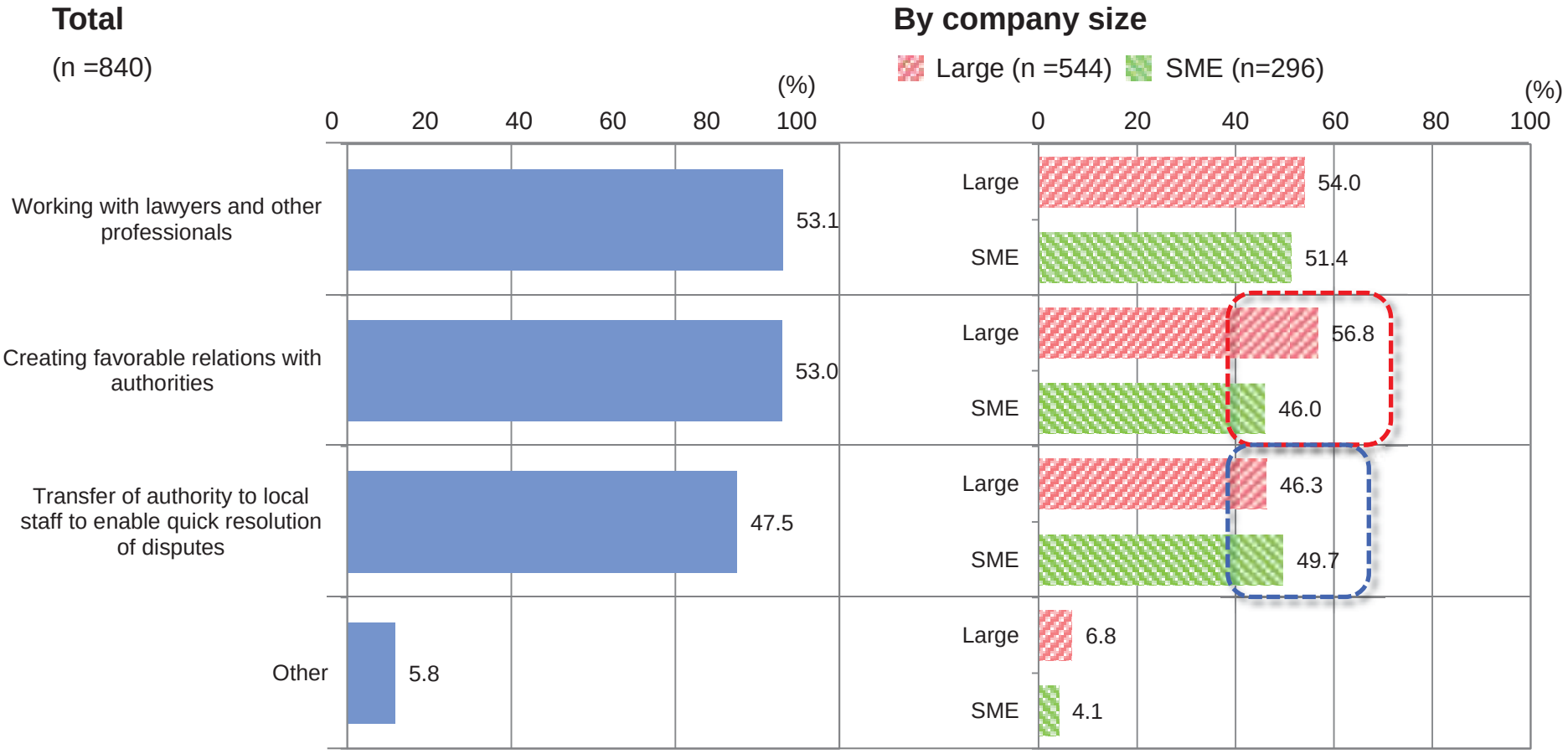
Precautionary measures to prevent labor disputes (totals, by company size, multiple answer)



- Asked what was important for the prevention of labor disputes, the most common answer (provided by approximately 80% of firms), allowing for multiple responses, was “improved communication between labor and management.” This was followed by “payment of appropriate salaries” (70.0%), “systematization of personnel practices” (60.9%), and “full implementation of welfare programs” (50.2%).
- For all items, the proportion of large firms responding in the affirmative was greater than that of SMEs, with particular large disparities on the order of 10 to 15 percentage points observed for “improved communication between labor and management” and “systematization of personnel practices.”

9. China (1) Labor management -2

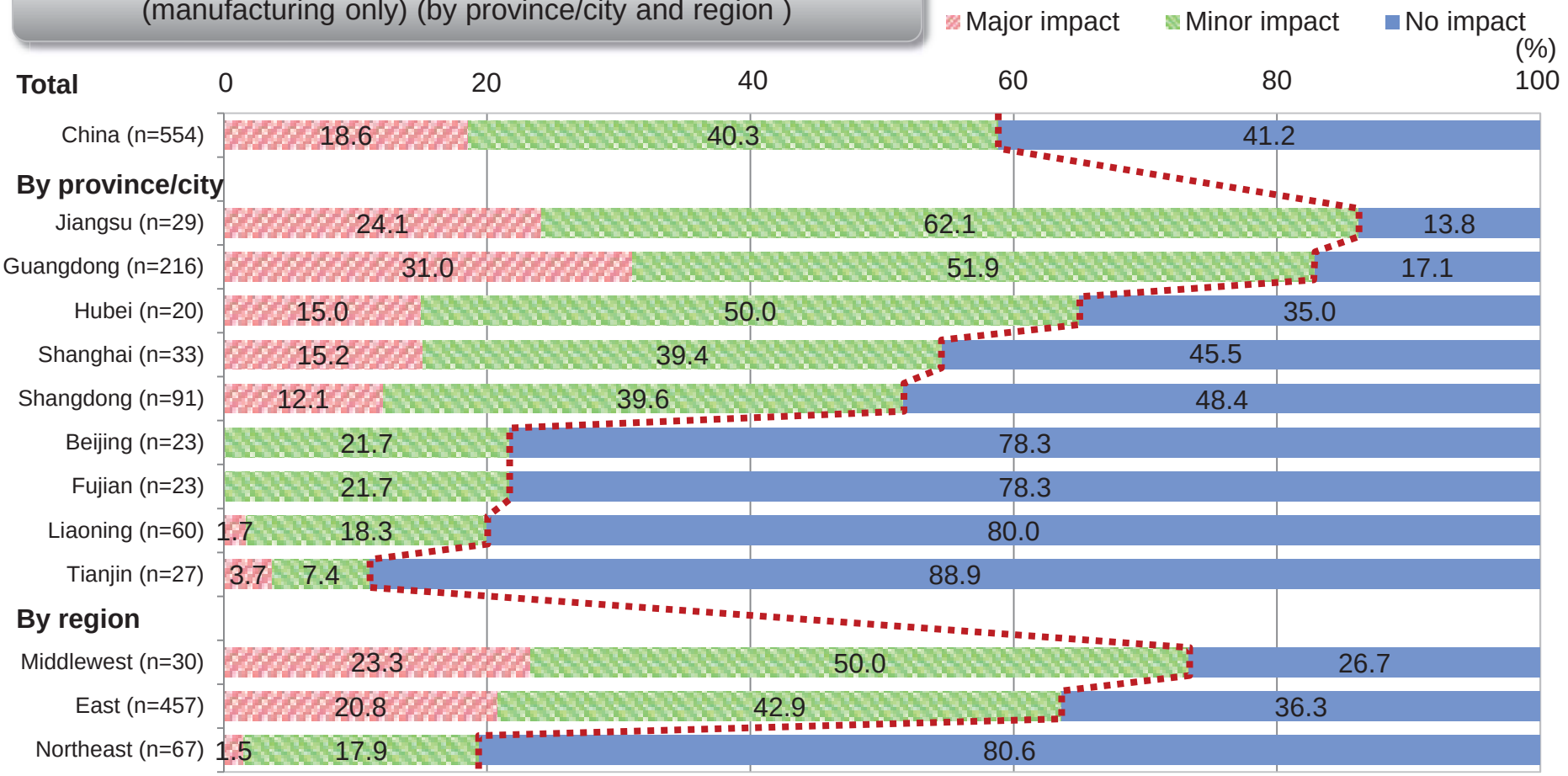
Strategies to resolve labor disputes (totals, by company size, multiple answer)



- Allowing for multiple responses, over 50% of firms responded that “working with lawyers and other professionals” (53.1%) and “developing favorable relations with authorities” (53.0%) were important strategies for resolving labor disputes, followed by “transfer of authority to local staff to enable quick resolution of disputes” (47.5%).
- Minor differences were observed in what large firms and SMEs considered important for dispute resolution, with approximately 10 percentage points more large firms listing “developing favorable relations with authorities” as important than SMEs and slightly more SMEs listing “transfer of authority to local staff to enable quick resolution of disputes” as important than large firms.
- With regard to “other” strategies, a relatively large number of firms listed “working with employee associations (labor unions)” as being important.

9. China (2) Electricity shortages -1

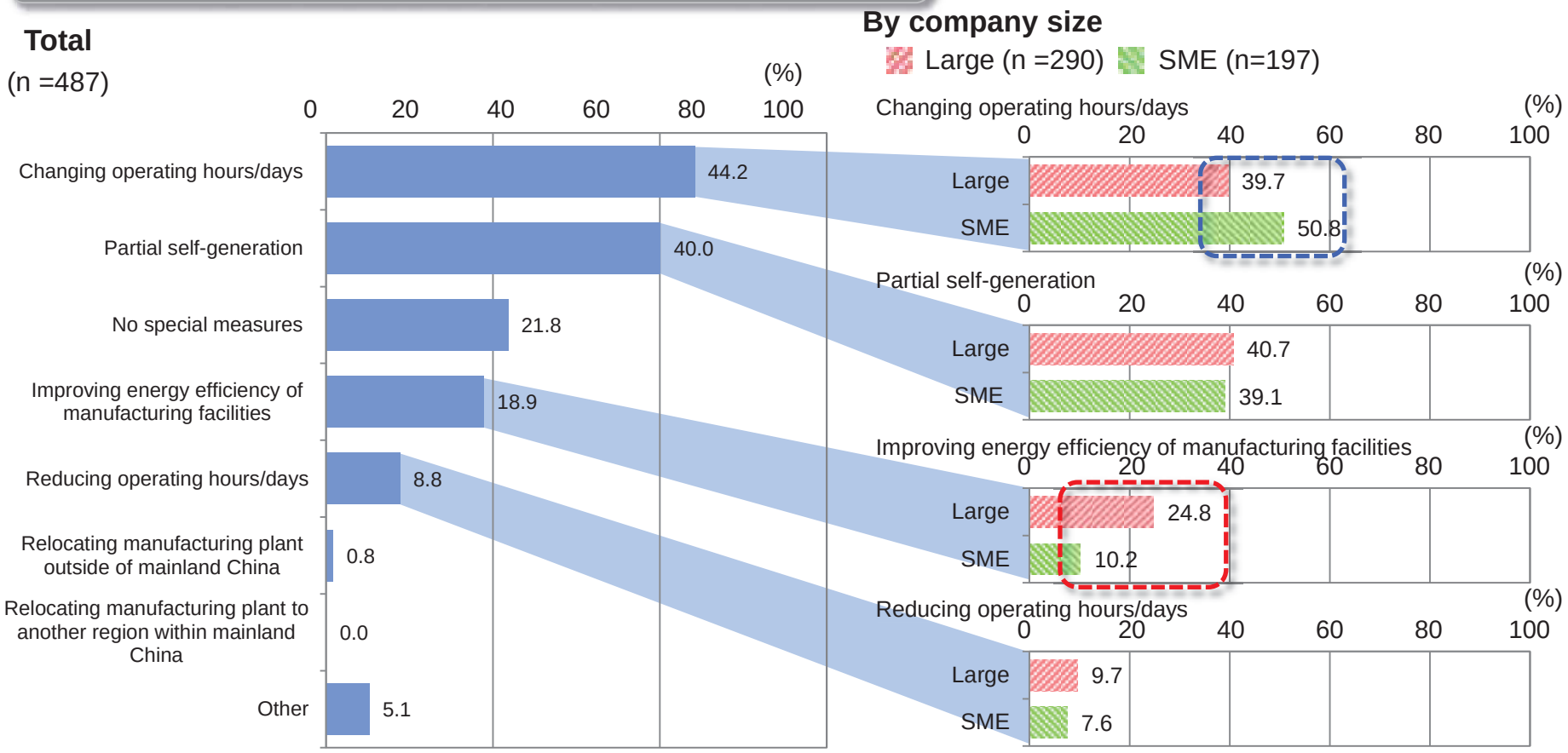
Existence of problems associated with electricity shortages
(manufacturing only) (by province/city and region)



- At total of 58.9% firms reported experiencing some “impact” from electricity shortages, with 18.6% and 40.3% of firms reporting “major” and “minor” impacts, respectively.
- More than 80% of firms in Jiangsu and Guangdong provinces reported experiencing some level of “impact” from electricity shortages, with more than 30% of firms in Guangdong reporting “major” impact. In contrast, less than 20% of firms in Tianjin city and Liaoning province reported any “impact” from electricity shortages, indicating the wide range of experiences depending on region.

9. China (2) Electricity shortages -2

Measures to counteract electricity shortages
(manufacturing only) (total and by company size, multiple answer)



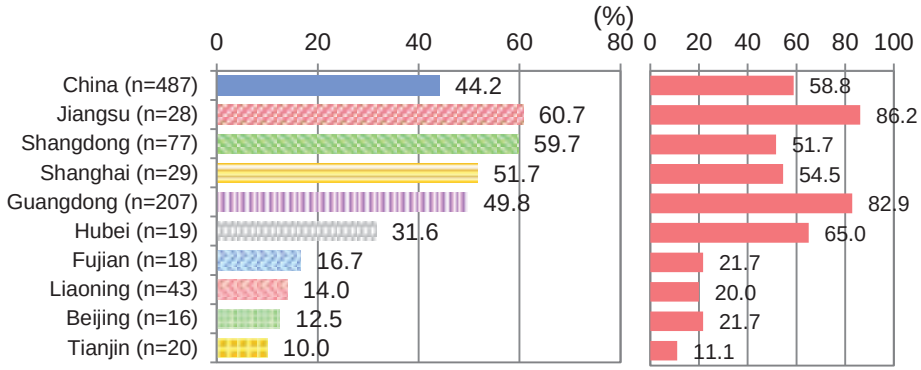
- The most common strategy to counter electricity shortages was “changing operating hours/days” (44.2%), followed by “partial self-generation” (40.0%).
- Over 20% of firms responded that they were taking “no special measures.” However, the majority of firms selecting this response were located in Beijing, Fujian province, Liaoning province, and Tianjin, where a large proportion of firms reported experience “no impact” from electricity shortages.
- The proportion of SMEs (50.8%) counteracting electricity shortages by “changing operating hours/days” was approximately 10 percentage points higher than large firms (39.7%). In contrast, the proportion of large firms (24.8%) taking steps to “improve energy efficiency of manufacturing facilities” exceeded that of SMEs (10.2%) by approximately 15 percentage points.

9. China (2) Electricity shortages -3

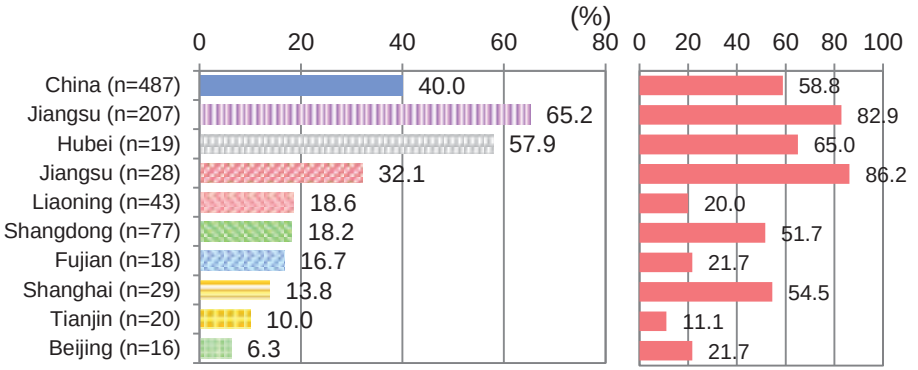
Measures to counteract electricity shortages
(manufacturing only) (by province/city, multiple answer)

Proportion of firms reporting some "impact" from electricity shortages.

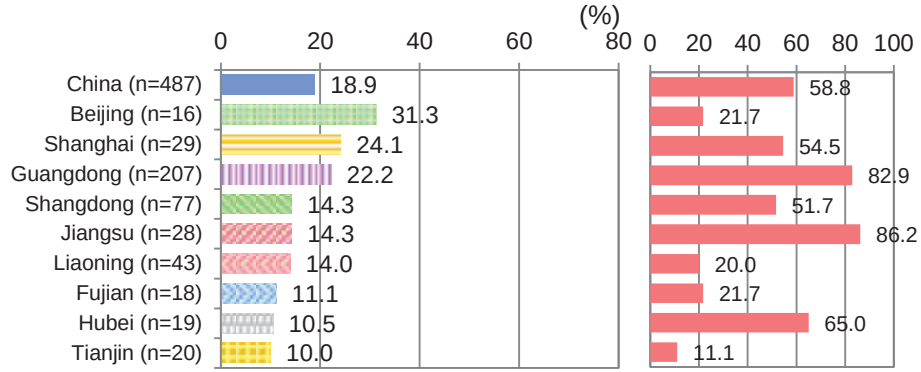
Changed (or are considering) operating hours/days



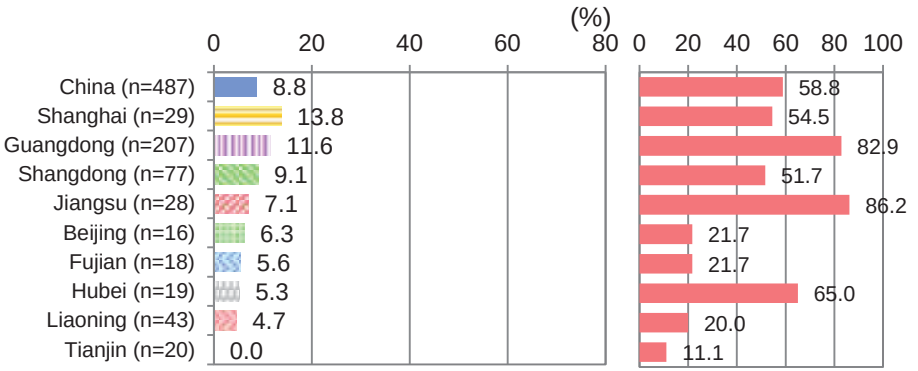
Introduced (or are considering) partial self-generation



Improver (or are considering) energy efficiency of facilities



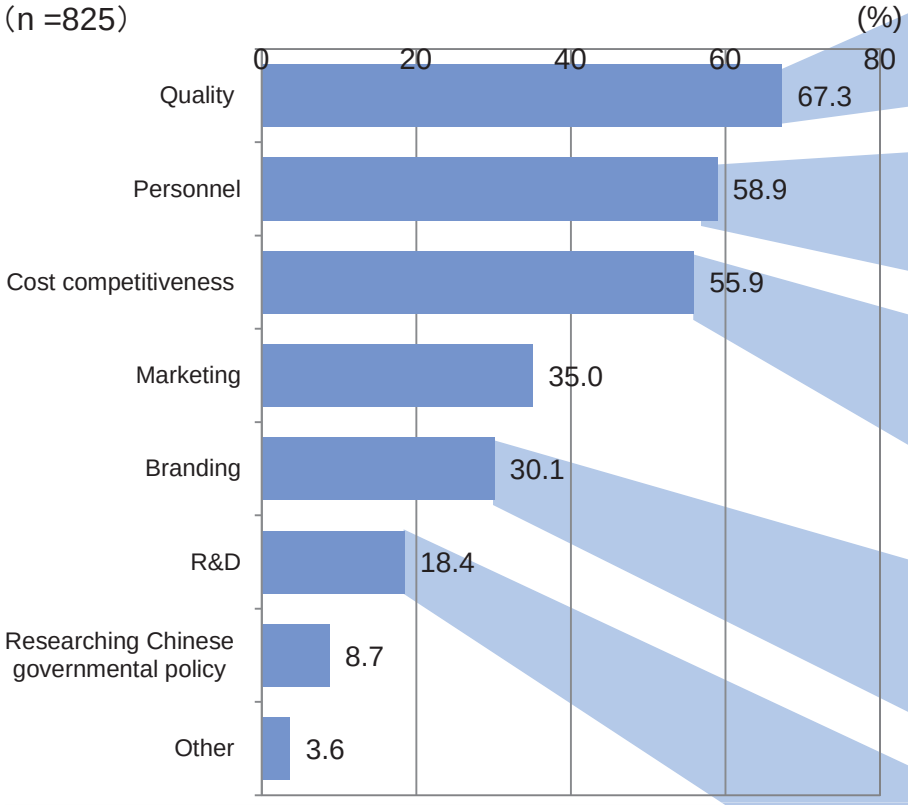
Reduced (or are considering) operating hours/days



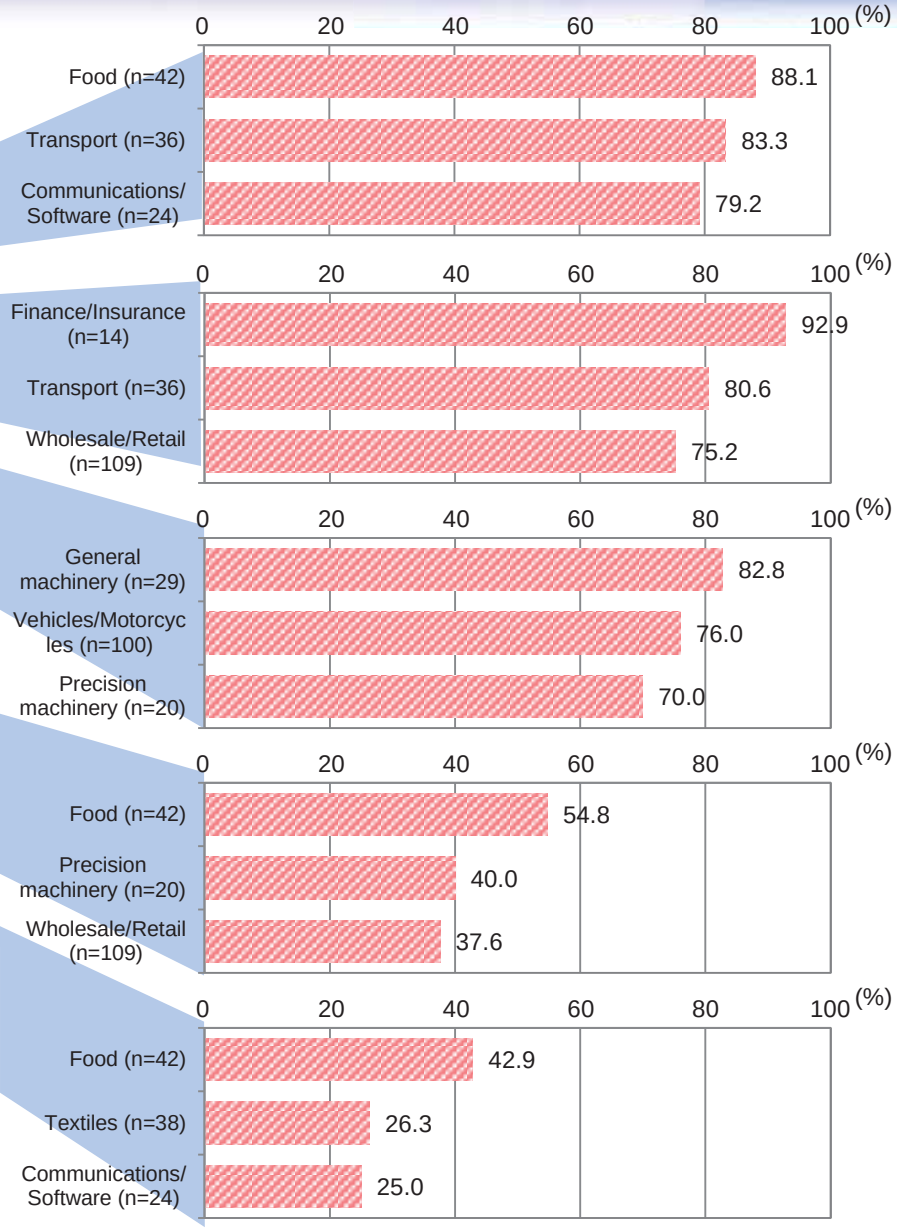
- Between 50 and 60% of firms in Jiangsu province, Shangdong province, Shanghai, and Guangdong province have changed or are considering changing operating hours/days as a countermeasure to electricity shortages. A substantially higher proportion of firms in Guangdong and Hubei provinces have introduced or are considering introducing partial self-generation.
- There is tendency for firms in areas experiencing electricity shortages to have implemented (or to be considering implementing) "changes in operating hours/days," "partial self-generation," and "reduction in operating hours/days." It appears that "improving energy efficiency of manufacturing facilities" is being advanced primarily in large cities such as Beijing and Shanghai.

9. China (3) Domestic market

Points of emphasis with regard to increasing competitiveness in the domestic market
(total, by industry, multiple answer)



Note: Industries for which n≧10



- Allowing for multiple answers, the most commonly cited point of emphasis for improving competitiveness in the domestic market was quality (67.3%), followed by personnel (58.9%), and cost competitiveness (55.9%), all of which were selected by over 50% of firms surveyed.
- By industry, “quality,” “branding,” and “research and development” were most commonly cited by firms in the food industry, “personnel” was cited by 92.9% of firms in the finance/insurance industry, and “cost competitiveness” was cited by 82.8% of firms in the general machinery industry as being important for improving competitiveness in the domestic market.