

2014 JETRO Survey
Business Conditions of Japanese Companies
in Europe

March 2015

Japan External Trade Organization (JETRO)

Overseas Research Department,

JETRO offices in Europe and Turkey

Europe, Russia and CIS Division

Preface

This survey of “Business Conditions of Japanese Companies in Europe” researched and analyzed the business situation (e.g., each company’s business outlook, future business development plans, and managerial issues) of Japanese companies operating in Europe and Turkey. Replacing the survey of “Japanese Manufacturing Affiliates in Europe and Turkey” that had been conducted continuously since 1983 ¹, starting with fiscal 2012 this survey has expanded the scope of industries surveyed to include both manufacturing and non-manufacturing industries ².

We would like to express our great appreciation for the sincere responses received from each company which, over the years, have enabled us to constantly improve both the survey itself and the report on the results. We hope that this report helps the companies and other interested parties understand business development in Europe and Turkey.

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¹ Central and Eastern Europe were added to the survey beginning in 1998, and Turkey was added beginning in 1999.

² In Turkey, only companies in manufacturing industries were surveyed.

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Overview of the Survey

1. Purpose of the Survey

This survey researches, collects data on, and analyzes the activities of Japanese companies operating in Europe and Turkey to make clear the managerial issues and other matters directly impacting their business performance, for the purpose of assisting the implementation of strategic international business planning at Japanese enterprises and policy planning at related agencies. It also is intended to help identify and provide efficient support to the facilities of Japanese companies operating in Europe and Turkey.

2. Targets of the Survey

The survey subjects consisted of Japanese affiliates in 16 nations of Western Europe*, 8 nations of Central and Eastern Europe**, and Turkey, for which the Japanese direct or indirect investment ratio is 10% or more. (For Turkey, the survey targeted Manufacturers only.) This includes companies established by Japanese affiliates operating in Europe or elsewhere (i.e., lower-tier affiliates). Its subjects did not include representative offices, liaison offices, or companies set up by Japanese persons locally.

* 16 nations of Western Europe: UK, Germany, France, Italy, Spain, Netherlands, Belgium, Sweden, Ireland, Portugal, Denmark, Austria, Finland, Switzerland, Luxembourg, Greece

** 8 nations of Central and Eastern Europe: Czech Republic, Poland, Hungary, Romania, Slovakia, Bulgaria, Montenegro, Slovenia

3. Method of Conducting the Survey

The survey was conducted by sending an e-mail containing an Internet link (URL) to the online questionnaire form to the respondents and by asking them to reply directly online.

4. Period of the Survey

October 14 through November 14, 2014

5. Response Status

Of the 1,496 Japanese enterprises in Europe or Turkey to which we sent questionnaires, we received responses from 984 companies (response rate of 65.8%).

6. Notes on the Survey Results

(1) Survey results were totaled using information sources that can be considered reliable by the JETRO offices in Europe and Turkey. However, we do not guarantee the accuracy and comprehensiveness of the information.

(2) Not all the respondents answered every question. The component percentages in the tables and charts in this document have been rounded and therefore do not necessarily add up to 100%. The percentages for questions on which multiple answers were acceptable do not necessarily add up to 100%. Analysis of specific industries was performed for industries from which at least five companies responded.

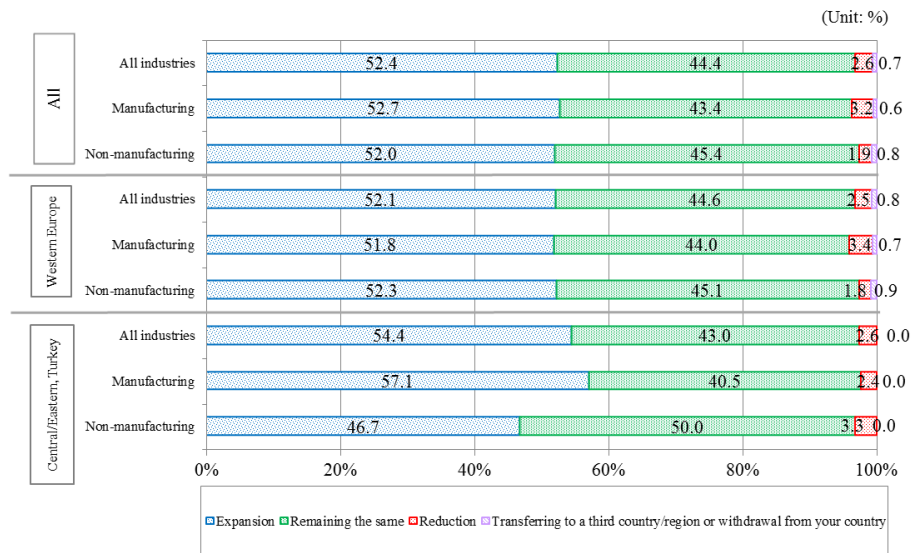
Survey Results

I. Future business outlook

1. Business outlook in the next one or two years

Asked about their business outlook in the next one or two years, from all industries in Europe and Turkey 52.4% of respondents reported expecting “Expansion,” 44.4% “Remaining the same,” 2.6% “Reduction,” and 0.7% “Transferring to a third country/region or withdrawal from your country.” Similarly, in all region and industry categories roughly 40 - 60% of respondents reported outlooks of “Expansion” or “Remaining the same,” respectively.

Fig. 1: Business outlook in the one or two years



A look at the responses by industry shows that for Europe and Turkey together the industry with the greatest number of “Expansion” responses was clothing and textile products (80.0%), while for Western Europe it was construction/plants (71.4%) and for Central/Eastern Europe and Turkey rubber products was tied with electric machinery and electronic equipment (both at 66.7%).

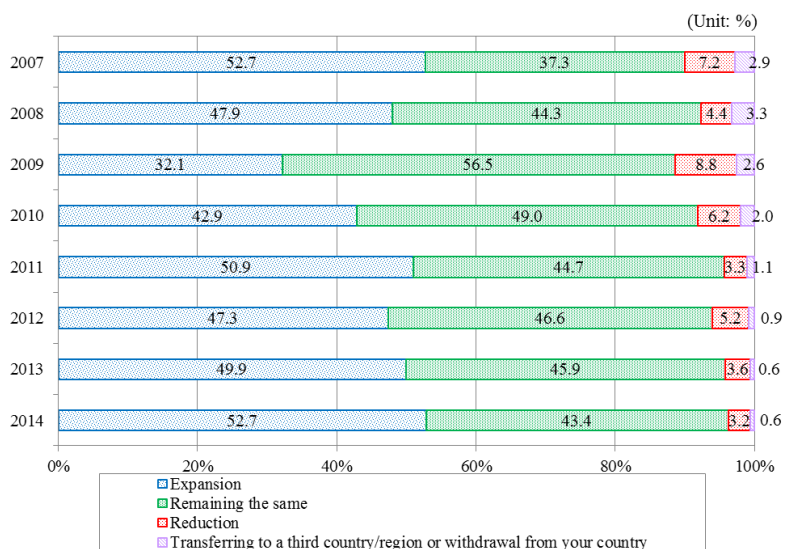
Fig. 2: Industries with large numbers of respondents reporting future outlooks of “Expansion” or “Remaining the same” in the next one or two years

Industries with high percentages of respondents answering "Expansion"											
[Europe/Turkey]		(Units: cos., %)		[Western Europe]		(Units: cos., %)		[Central/Eastern Europe, Turkey]		(Units: cos., %)	
Industry	Responses	Percentage	Industry	Responses	Percentage	Industry	Responses	Percentage	Industry	Responses	Percentage
1 Clothing and textile products	4	80.0	1 Construction/plants	5	71.4	1 Rubber products	4	66.7			
2 Food/agricultural/fishery processing	19	70.4	2 Food/agricultural/fishery processing	17	68.0	1 Electric and electronic parts and components	4	66.7			
3 Securities	4	66.7	3 Securities	4	66.7	3 Electric machinery/electronic equipment	3	60.0			
4 Chemicals and Petroleum products	33	64.7	4 Chemicals and Petroleum products	33	66.0	4 Trading company	5	55.6			
5 Banking	14	63.6	5 Banking	14	63.6	5 Sales company	5	50.0			
5 Insurance	14	63.6	5 Insurance	14	63.6						

Industries with high percentages of respondents answering "Remaining the same"											
[Europe/Turkey]		(Units: cos., %)		[Western Europe]		(Units: cos., %)		[Central/Eastern Europe, Turkey]		(Units: cos., %)	
Industry	Responses	Percentage	Industry	Responses	Percentage	Industry	Responses	Percentage	Industry	Responses	Percentage
1 Transport/warehousing	41	69.5	1 Transport/warehousing	39	69.6	1 Motor vehicle and motorcycle parts and accessories	20	50.0			
2 Iron and steel (including cast and forged products)	9	56.3	2 Motor vehicles and motorcycles	11	57.9	1 Sales company	5	50.0			
3 Electric machinery/electronic hardware	34	54.8	3 Electric machinery/electronic hardware	32	56.1	3 Trading company	4	44.4			
4 Motor vehicles and motorcycles	12	54.5	4 Other non-manufacturing	32	53.3	4 Electric machinery/electronic equipment	2	40.0			
5 Other non-manufacturing	33	52.4	5 Other manufacturing	14	51.9	5 Rubber products	2	33.3			
						5 Electric and electronic parts and components	2	33.3			

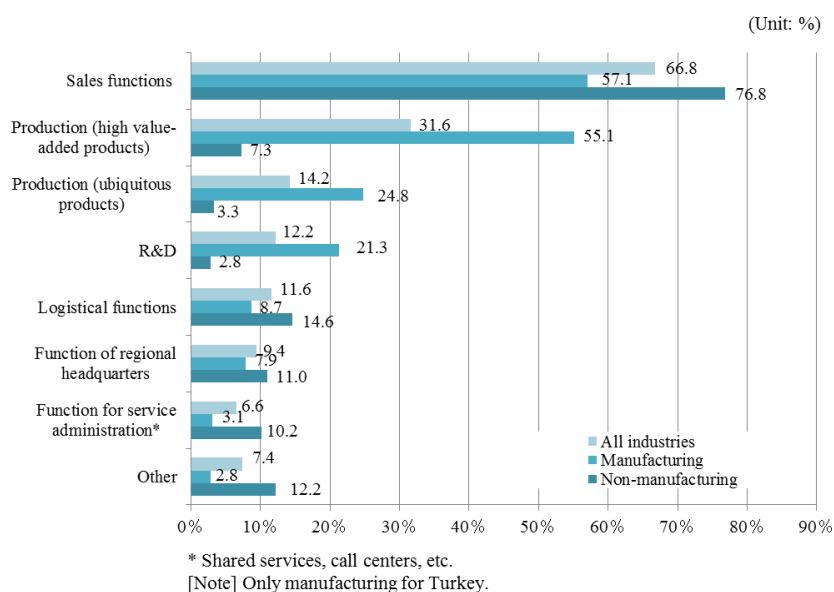
The percentage of Japanese-affiliated manufacturers in Europe reporting future outlooks of “Expansion” in the next one or two years came to 52.7%, representing a 2.8 point increase from the 49.9% in 2013, which constitutes a recovery to the levels from prior to the outbreak of the global financial crisis precipitated by the collapse of Lehman Brothers and the European debt crisis (this was 52.7% in 2007).

Fig. 3: [Manufacturing industry] Business outlook in the next one or two years



When Japanese affiliates in Europe who responded that they expected business “Expansion” over the next one or two years were asked about specific details, in both manufacturing and non-manufacturing industries the highest percentage of companies reported an expansion in “Sales functions.” In manufacturing industries, the highest percentage, at over 50%, answered an expansion in “Production functions (high value-added products).”

Fig. 4: Specific functions being expanded (multiple answers)



When asked about the reasons for business expansion in the next one or two years, across all industry categories in both the manufacturing and non-manufacturing industries the greatest number of respondents answered “Sales increase,” followed by “High growth potential.” In manufacturing industries, many respondents also reported “High receptivity for high value-added products,” which was the third most cited reason.

Fig. 5: Reasons for business expansion in one or two years (multiple answers)

"All industries"			"Manufacturing"			"Non-manufacturing"		
(Units: cos., %)			(Units: cos., %)			(Units: cos., %)		
	Responses	Percentage		Responses	Percentage		Responses	Percentage
1	Sales increase	424 83.8	1	Sales increase	228 88.7	1	Sales increase	196 78.7
2	High growth potential	192 37.9	2	High growth potential	95 37.0	2	High growth potential	97 39.0
3	High receptivity for high value-added products	136 26.9	3	High receptivity for high value-added products	91 35.4	3	Relationship with clients	49 19.7
4	Reviewing production and distribution networks	85 16.8	4	Reviewing production and distribution networks	44 17.1	4	High receptivity for high value-added products	45 18.1
5	Relationship with clients	80 15.8	5	Relationship with clients	31 12.1	5	Reviewing production and distribution networks	41 16.5

* Excluding Turkey.

In addition, when Japanese affiliates reporting business outlooks of “Reduction” or “Transferring to a third country/region or withdrawal from your country” in one or two years were asked the reasons why, the answer “Sales decrease” was given by more than 70% of the respondents in all industries.

Fig. 6: Reasons for business reduction or transferring to a third country/region or withdrawal in one or two years (multiple answers)

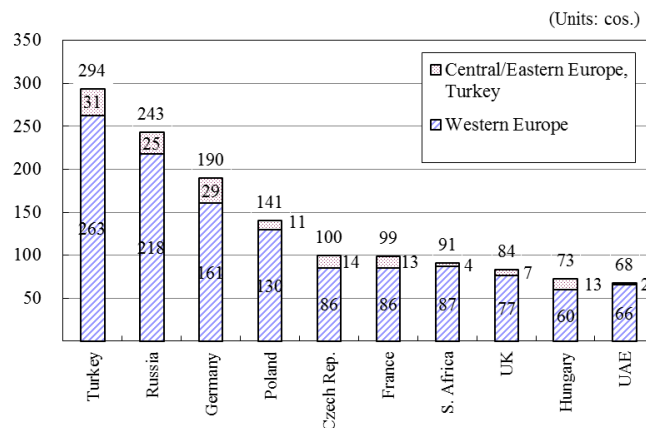
"All industries"				"Manufacturing"				"Non-manufacturing"			
(Units: cos., %)				(Units: cos., %)				(Units: cos., %)			
		Responses	Percentage			Responses	Percentage			Responses	Percentage
1	Sales decrease	21	72.4	1	Sales decrease	14	82.4	1	Sales decrease	7	58.3
2	Low growth potential	11	37.9	2	Low growth potential	5	29.4	2	Low growth potential	6	50.0
3	Reviewing production and distribution networks	8	27.6	3	Reviewing production and distribution networks	5	29.4				
4	Increase of costs (e.g., procurement costs, labor costs)	7	24.1								
5	Relationship with clients	6	20.7								

* Excluding Turkey.

2. Promising future sales destinations

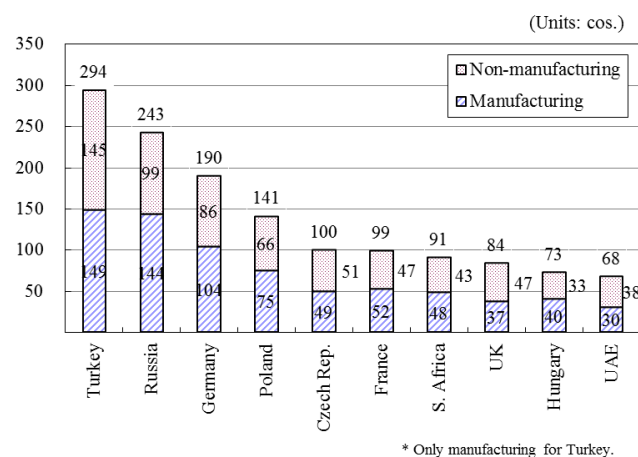
When looking at promising future sales destinations by country and region, Turkey came in first place. Russia, with its political and exchange rate risks, receded from first place in the previous survey to second place.

Fig. 7: Promising future sales destinations (by country and region) (multiple answers)



A look at responses by industry shows that in both the manufacturing and non-manufacturing industries Turkey was the most commonly cited, followed by Russia. For non-manufacturing industries in particular, Turkey far surpassed Russia as a promising future sales destination.

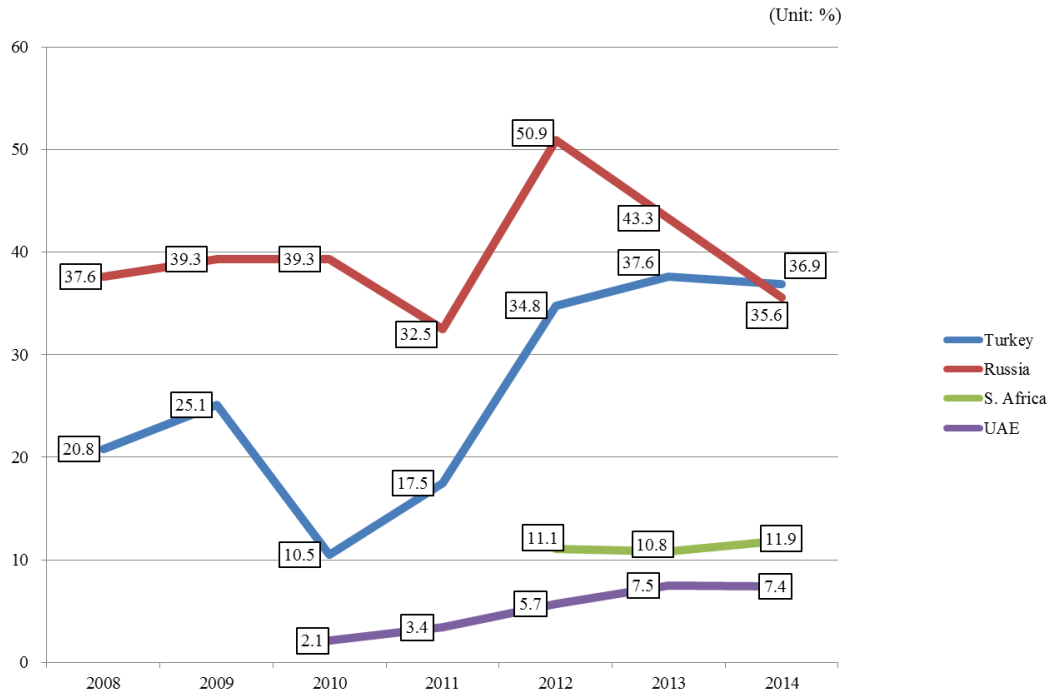
Fig. 8: Promising future sales destinations (by industry) (multiple answers)



Moreover, in recent years a trend toward sales expansion into Turkey and other nearby emerging markets with Europe as a base can be seen in the manufacturing industry. Many responses also cited

countries such as the Republic of South Africa and the United Arab Emirates as promising future sales destinations.

Fig. 9: Promising future sales destinations in the manufacturing industry (outside Europe)



Note 1: Since this survey only covered manufacturing industries through to FY2011, the comparison is only on manufacturing industries when viewing the data further in the past.
 Note 2: Data for the Republic of South Africa from 2008 to 2011 and for the UAE from 2008 to 2009 is unavailable.

When respondents were asked the reasons why they considered the regions to which the top ten countries belonged to be promising future sales destinations, in every case the highest percentage answered “Because it is a country where growth in demand is expected.” Many respondents’ reason for choosing countries in the Middle East, Africa, or Central/Eastern Europe was that they not only have existing clients there but have discovered new clients there. When respondents were asked their reasons for choosing Western European countries, a high percentage also answered, “Because of the good receptivity of high value-added products/services.”

Fig. 10: Reasons for choosing future sales destinations (multiple answers)

Reasons for choosing countries in Middle East

(Units: cos., %)

		Responses	Percentage
1	It is a country where sales growth is expected.	278	79.4
2	Existing clients have bases in the country/region.	103	29.4
3	New clients have been found in the country/region.	58	16.6

Reasons for choosing countries in Russia/CIS

(Units: cos., %)

		Responses	Percentage
1	It is a country where sales growth is expected.	199	79.0
2	Existing clients have bases in the country/region.	65	25.8
3	Good receptivity of high value-added products/services.	37	14.7

Reasons for choosing countries in Western Europe

(Units: cos., %)

		Responses	Percentage
1	It is a country where sales growth is expected.	181	46.2
2	Good receptivity of high value-added products/services.	141	36.0
3	Existing clients have bases in the country/region.	136	34.7

Reasons for choosing countries in Central/Eastern Europe

(Units: cos., %)

		Responses	Percentage
1	It is a country where sales growth is expected.	210	72.9
2	Existing clients have bases in the country/region.	95	33.0
3	New clients have been found in the country/region.	61	21.2

Reasons for choosing countries in Africa

(Units: cos., %)

		Responses	Percentage
1	It is a country where sales growth is expected.	137	73.3
2	Existing clients have bases in the country/region.	44	23.5
3	New clients have been found in the country/region.	33	17.6

Reasons for choosing other countries

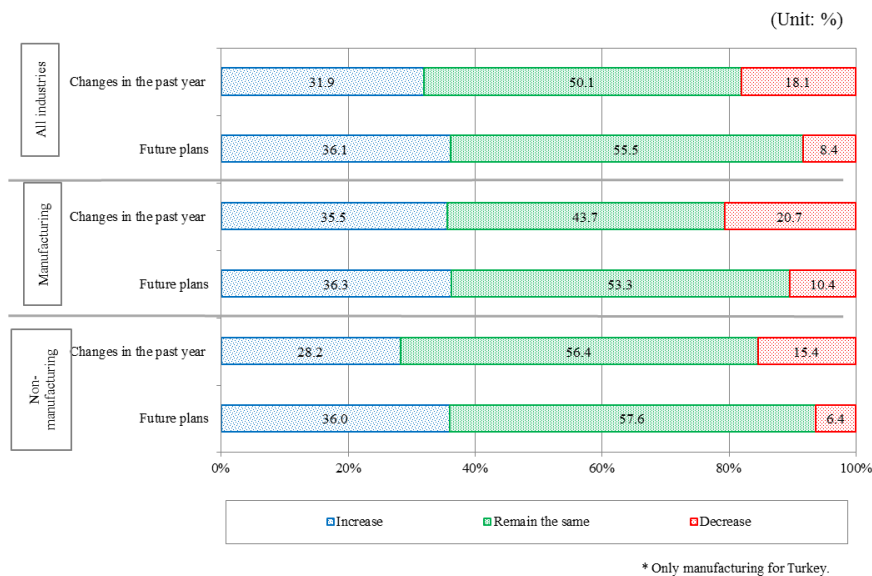
(Units: cos., %)

		Responses	Percentage
1	It is a country where sales growth is expected.	166	76.1
2	Existing clients have bases in the country/region.	70	32.1
3	Good receptivity of high value-added products/services.	47	21.6

3. Changes in the number of employees

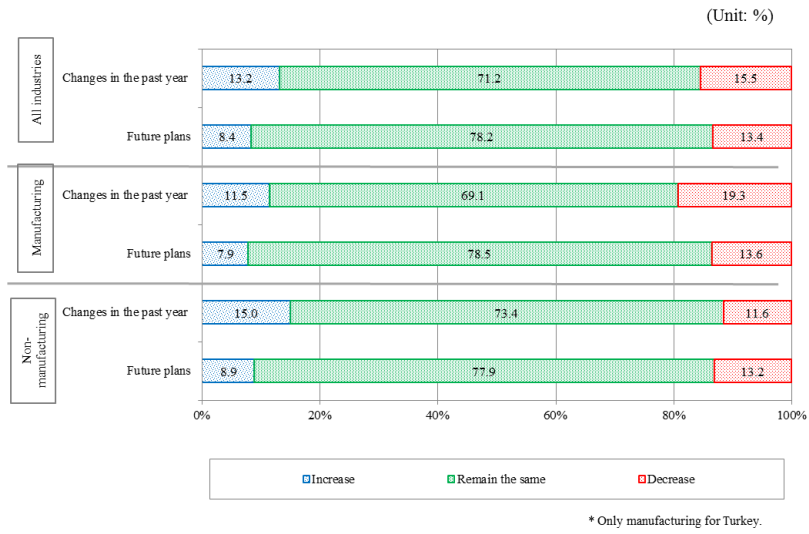
When asked about changes in the number of employees in Europe and Turkey, across all regions and industries the highest percentage of respondents reported “No change” both for changes this year compared to last year and for future plans. Companies responding “Decrease” for their future plans was 10.4% in the manufacturing industries, but only 6.4% in the non-manufacturing industries.

Fig. 11: Changes in the number of employees this year compared to last year and for future plans



Similarly, when asked about changes in numbers of Japanese expatriates, a high percentage reported “No change” both for changes this year compared to last year and for future plans across all industries. What is more, in the manufacturing industries the percentage answering “Decrease” for changes in the past year was just under 20%. In terms of future plans, about 13% of companies in both the manufacturing industries and non-manufacturing industries answered “Decrease.”

Fig. 12: Changes in the number of Japanese expatriates this year compared to last year and for future plans

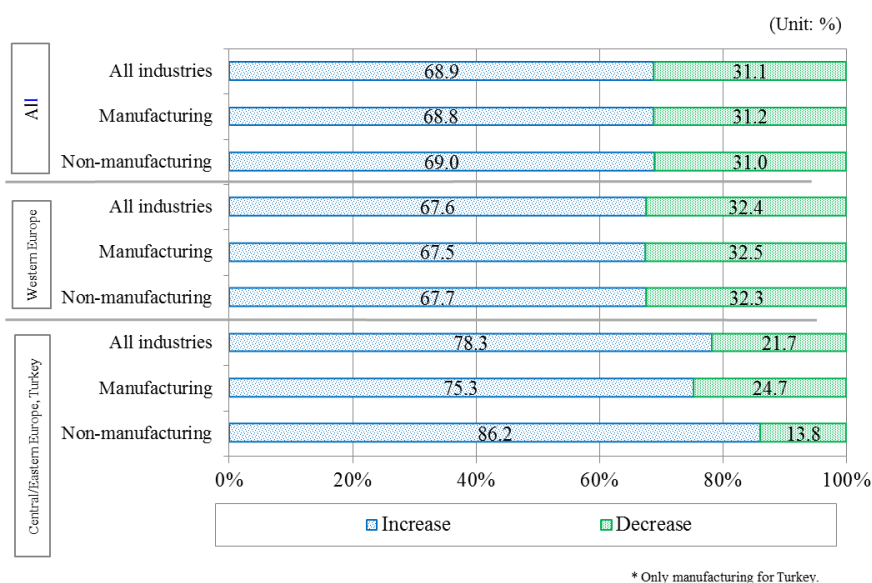


II. Business forecasts

1. Sales forecasts for 2014

A look at sales forecasts for 2014 across the board shows the number of respondents forecasting increases stands out. In Central and Eastern Europe and Turkey in particular, 75.3% of manufacturing companies and 86.2% of non-manufacturing companies were forecasting an increase, totaling 78.3% across all industries.

Fig. 13: Sales forecasts for 2014



When asked about the reasons for these forecasts, for all industries the most common reason given for forecasting a sales increase was “Increase of demand in your country market,” followed by “Improvement of sales system” and “Improvement of quality of your products or service.” Across all industry categories the most commonly given reason for forecasting a sales decrease was “Decrease of demand in your country market.” A comparison of the manufacturing and non-manufacturing industries reveals the difference in that whereas “Fall of price of your products or service” was the second most commonly given response for the manufacturing industries, for non-manufacturing industries this was “Decrease of demand outside your country market.”

Fig. 14: Reasons for forecasting sales increase/decrease

Reasons for a sale increase
"All industries"

		(Units: cos., %)	
		Responses	Percentage
1	Increase of demand in your country market	340	57.2
2	Improvement of sales system	265	44.6
3	Improvement of quality of your products or service	210	35.4
4	Increase of demand outside your country market	161	27.1
5	Raise of price of your products or service	43	7.2

"Manufacturing"

		(Units: cos., %)	
		Responses	Percentage
1	Increase of demand in your country market	184	59.5
2	Improvement of quality of your products or service	123	39.8
3	Improvement of sales system	117	37.9
4	Increase of demand outside your country market	98	31.7
5	Raise of price of your products or service	23	7.4

"Non-manufacturing"

		(Units: cos., %)	
		Responses	Percentage
1	Increase of demand in your country market	156	54.7
2	Improvement of sales system	148	51.9
3	Improvement of quality of your products or service	87	30.5
4	Increase of demand outside your country market	63	22.1
5	Raise of price of your products or service	20	7.0

* Excluding Turkey.

Reasons for a sales decrease
"All industries"

		(Units: cos., %)	
		Responses	Percentage
1	Decrease of demand in your country market	170	64.4
2	Fall of price of your products or service	63	23.9
3	Decrease of demand outside your country	62	23.5
4	Rise of a competitor(s) in your country	61	23.1
5	Deterioration of sales system	27	10.2

"Manufacturing"

		(Units: cos., %)	
		Responses	Percentage
1	Decrease of demand in your country market	91	66.4
2	Fall of price of your products or service	38	27.7
3	Rise of a competitor(s) in your country	36	26.3
4	Decrease of demand outside your country market	32	23.4
5	Deterioration of sales system	8	5.8

"Non-manufacturing"

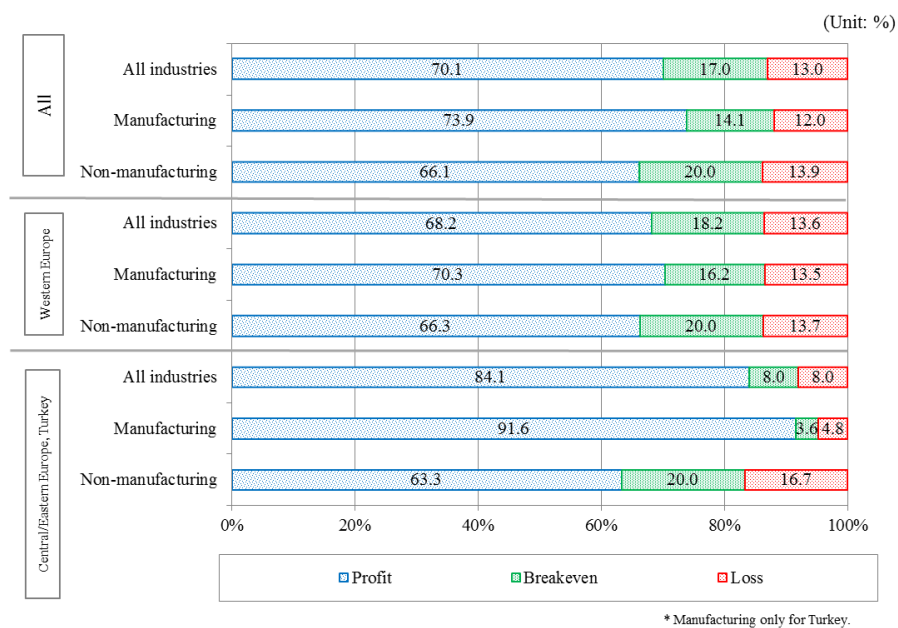
		(Units: cos., %)	
		Responses	Percentage
1	Decrease of demand in your country market	79	62.2
2	Decrease of demand outside your country market	30	23.6
3	Rise of a competitor(s) in your country	25	19.7
4	Fall of price of your products or service	25	19.7
5	Deterioration of sales system	19	15.0

* Excluding Turkey.

2. Operating profit forecasts for 2014

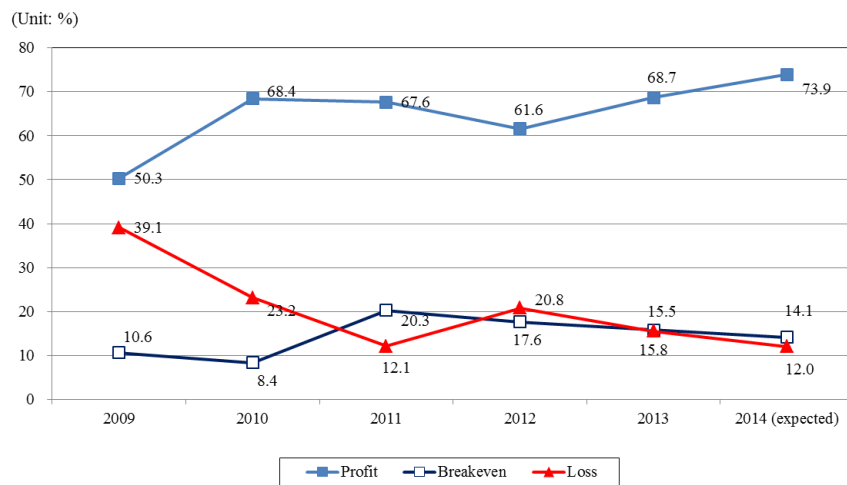
Across all industries in Europe and Turkey, 70.1% of respondents reported operating profit forecasts for 2014 (from January to December) of “Profit,” 17.0% forecast they would “Breakeven,” and 13.0% forecast a “Loss.” With regard to Central and Eastern Europe and Turkey, a discrepancy was seen between the 91.6% of manufacturing industries forecasting a “profit” versus the 63.3% from non-manufacturing industries.

Fig. 15: Operating profit forecasts for 2014



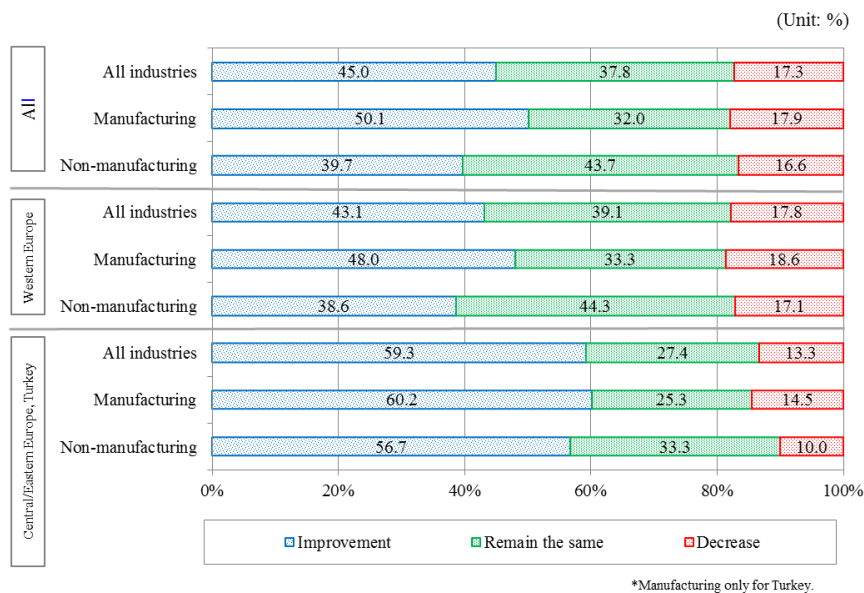
A look at changes in operating profit forecasts from manufacturing industries shows that the percentage of 2014's (forecasts of) “Profit” was the highest it has been in the past six years, at 73.9%. Meanwhile, the percentage forecasting a “Loss” has been falling since its peak in 2009, reaching its lowest level in six years at 12.0% in 2014.

Fig. 16: Trends in operating profit forecasts in manufacturing industries



When respondents were asked how their operating profits for 2014 would change compared to the previous year (2013), across all industries in Europe and Turkey 45.0% answered “Increase,” 37.8% answered “Remain the same,” and 17.3% answered “Decrease.” A comparison by country/region shows that in Central and Eastern Europe and Turkey the number of manufacturing industry respondents forecasting an “Increase” stands out.

Fig. 17: Expected operating profits in 2014 compared to the previous year’s (2013) performance



When viewed by industry type for Europe and Turkey, forecasts of an “Increase” were notable in ceramic/stone/clay, precision equipment, and motor vehicle and motorcycle parts and accessories. Conversely, many industries in clothing and textile products, food/agricultural/fishery processing, and chemicals and petroleum products forecast a “Decrease.”

Fig. 18: Industries with high percentages of companies forecasting an “Increase” or “Decrease” in operating profit forecasts for 2014 compared to the previous year (2013)

Industries with high percentages of respondents forecasting an "Increase"

(Units: cos., %)

		Responses	Percentage
1	Ceramic/stone/clay	5	83.3
2	Precision equipment	10	62.5
3	Motor vehicle and motorcycle parts and accessories	13	61.9
4	Other manufacturing	19	61.3
5	Clothing and textile products	3	60.0

* Manufacturing only for Turkey.

Industries with high percentages of respondents forecasting a "Decrease"

(Units: cos., %)

		Responses	Percentage
1	Clothing and textile products	2	40.0
2	Food/agricultural/fishery processing	9	33.3
3	Chemicals and Petroleum products	15	29.4
3	Transport/warehousing	15	25.4
5	Motor vehicle and motorcycle parts and accessories	22	25.3

* Manufacturing only for Turkey.

A look at the reasons for expecting an “Increase” in operating profit forecasts for 2014 across all industries in Europe and Turkey shows that at 60.9% the highest percentage chose the answer “Sales increase in your country.” What is more, nearly 30% chose the answer “Sales increase due to expansion of exports.” Among reasons for expecting a “Decrease,” the number one reason chosen was a “Sales decrease in your country” (51.2%).

Fig. 19: Reasons for expecting an “Increase” or “Decrease” in operating profit forecasts for 2014 compared to the previous year (2013) (multiple answers)

Reasons for forecasting an “Increase”

(Units: cos., %)

		Responses	Percentage
1	Sales increase in local markets	266	60.9
2	Sales increase due to export expansion	125	28.6
3	Effects of exchange rate fluctuation	104	23.8
4	Reduction of other expenditures (e.g., administrative/utility costs)	100	22.9
5	Decrease in procurement costs	96	22.0

Reasons for forecasting a “Decrease”

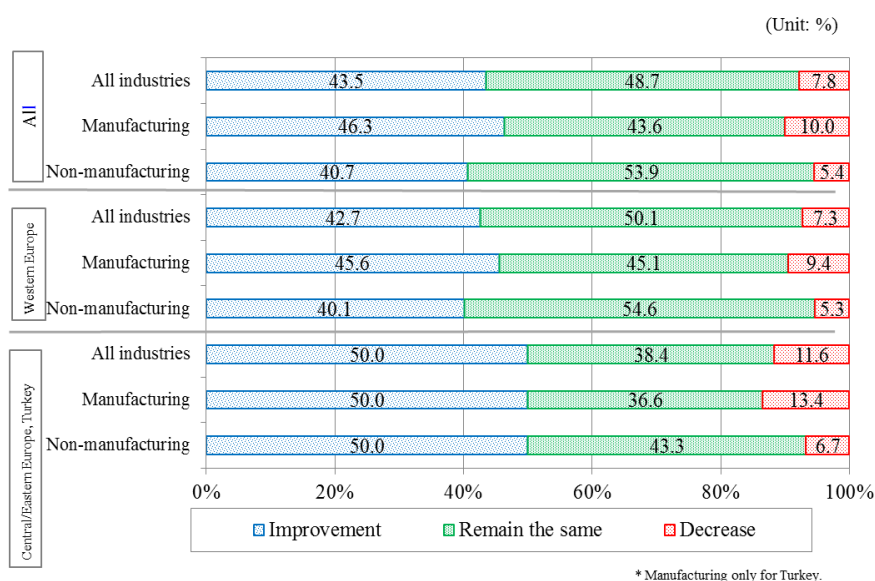
(Units: cos., %)

		Responses	Percentage
1	Sales decrease in local markets	86	51.2
2	Sales decrease due to export slowdown	39	23.2
3	Other	33	19.6
4	Production costs insufficiently shifted to selling price of goods	30	17.9
5	Increase of labor costs	29	17.3

3. Operating profit forecasts for 2015 compared to 2014

When respondents were asked how their operating profits for 2015 would change compared to 2014, across all industries in Europe and Turkey 43.5% answered “Increase” (down 8.3 points from last year), 48.7% answered “Remain the same” (up 7.2 points), and 7.8% answered “Decrease” (up 1.1 points). About half the companies expect operating profits to remain unchanged in 2015.

Fig. 20: Operating profit forecasts for 2015 compared to 2014



Looking at the results by industry in Europe and Turkey shows that a high percentage of respondents, at 66.7%, in the plastic products industry expect an “Increase,” placing the industry in the top slot as it was in the previous year’s survey. The runner up was motor vehicle and motorcycle parts and accessories, followed by clothing and textile products. On the other hand, there were some industries such as food/agricultural/fishery processing and medical devices in which high percentages of respondents forecast a “Decrease,” although such responses came to no more than 30% in each case.

Fig. 21: Industries with high percentages of companies forecasting an “Increase” or “Decrease” in operating profit forecasts for 2015 compared to 2014 (multiple answers)

Industries with high percentages of respondents forecasting an "Increase"

Industries with high percentages of respondents forecasting a "Decrease"

(Units: cos., %)

		Responses	Percentage
1	Plastic products	10	66.7
2	Motor vehicle and motorcycle parts and accessories	13	61.9
3	Clothing and textile products	3	60.0
4	Other manufacturing	17	54.8
5	Rubber products	8	53.3

* Manufacturing only for Turkey.

(Units: cos., %)

		Responses	Percentage
1	Food/agricultural/fishery processing	7	28.0
2	Medical devices	2	25.0
3	Securities	1	16.7
4	Motor vehicle and motorcycle parts and accessories	13	14.9
5	Rubber products	2	13.3

* Manufacturing only for Turkey.

A look at reasons for expecting an “Increase” in operating profit forecasts for 2015 compared with 2014 across all industries in Europe and Turkey shows that the highest percentage chose the answer “Sales increase in your country.” Among reasons for expecting a “Decrease,” the highest percentage chose the answer “Sales decrease in your country.”

Fig. 22: [Europe/Turkey, all industries] Reasons for expecting an “Increase” or “Decrease” in operating profit forecasts for 2015 compared to 2014 (multiple answers)

Reasons for forecasting “Increase”

Reasons for forecasting “Decrease”

(Units: cos., %)

		Responses	Percentage
1	Sales increase in local markets	295	70.6
2	Sales increase due to export expansion	131	31.3
3	Improvement of sales efficiency	115	27.5
4	Improvement of production efficiency	83	19.9
5	Reduction of other expenditures (e.g., management/utility costs)	76	18.2

(Units: cos., %)

		Responses	Percentage
1	Sales decrease in local markets	39	52.0
2	Sales decrease due to export slowdown	22	29.3
3	Production costs insufficiently shifted to selling price of goods	16	21.3
4	Increase of labor costs	13	17.3
4	Other	13	17.3

III. Challenges in management

1. Challenges in management

The greatest challenge cited was “High labor costs” at 45.0%, up 5.1 points from the prior year’s survey. The response “Securing human resources” rose 4.8 points to 42.6% as issues related to human resources intensify. The percentage of companies citing “Economic slowdown, market contraction” declined from 45.7% in last year’s survey.

Fig. 23: Challenges in management (1) (multiple answers)

"All industries"

(Units: cos., %)

		Responses	Percentage
1	High labor costs	421	45.0
2	Securing human resources	398	42.6
3	Economic slowdown, market contraction	369	39.5
4	Transfer pricing taxation	330	35.3
5	Lower prices offered by competitors	328	35.1
6	Stringent dismissal laws	304	32.5
7	Exchange rate fluctuations	290	31.0
8	Entry of new competitors	276	29.5
9	Heavy social security burdens	274	29.3
10	Visa/work permits	249	26.6

Viewing the results by industry reveals that in manufacturing industries the highest percentage cited “High labor costs” (46.3%), followed by “Securing human resources” (43.1%) and “Lower prices offered by competitors” (41.6%). In non-manufacturing industries as well, the highest percentage cited “High labor costs” (43.7%), followed by “Securing human resources” (42.0%) and “Economic slowdown, market contraction” (39.0%).

Fig. 24: Challenges in management (2) (multiple answers)

"Manufacturing"

(Units: cos., %)

		Responses	Percentage
1	High labor costs	219	46.3
2	Securing human resources	204	43.1
3	Lower prices offered by competitors	197	41.6
4	Economic slowdown, market contraction	189	40.0
5	Exchange rate fluctuations	176	37.2
6	Transfer pricing taxation	175	37.0
7	Entry of new competitors	149	31.5
8	Stringent dismissal laws	146	30.9
9	Heavy social security burdens	143	30.2
10	Procurement costs	132	27.9

"Non-manufacturing"

(Units: cos., %)

		Responses	Percentage
1	High labor costs	202	43.7
2	Securing human resources	194	42.0
3	Economic slowdown, market contraction	180	39.0
4	Stringent dismissal laws	158	34.2
5	Transfer pricing taxation	155	33.5
6	Visa/work permits	135	29.2
7	Heavy social security burdens	131	28.4
7	Lower prices offered by competitors	131	28.4
9	Quality of workforce	129	27.9
10	Entry of new competitors	127	27.5

* Excluding Turkey.

A look at the results by region shows that in Western Europe the highest percentage among all industries cited "High labor costs" (49.8%). Looking at issues cited in manufacturing industries in the three countries (the UK, Germany, and France) with the highest numbers of respondent firms shows that the most commonly cited answer in all three countries was also "High labor costs" (42.9%, 54.7%, and 70.7%, respectively). In non-manufacturing industries, the most common answer in both the UK and Germany was "Securing human resources" (44.0% and 54.0%, respectively), while "Stringent dismissal laws" was the most cited answer in France (61.5%).

Fig. 25: [Western Europe] Challenges in management

All industries in Western Europe

(Units: cos., %)

		Responses	Percentage
1	High labor costs	410	49.8
2	Securing human resources	334	40.5
3	Economic slowdown, market contraction	328	39.8
4	Transfer pricing taxation	284	34.5
5	Lower prices offered by competitors	282	34.2
6	Stringent dismissal laws	278	33.7
7	Exchange rate fluctuations	240	29.1
8	Heavy social security burdens	238	28.9
8	Entry of new competitors	238	28.9
10	Quality of workforce	214	26.0
11	European political and social conditions	207	25.1
12	Visa/work permits	203	24.6
13	Ripple effects (on business) from issues around the situation in Ukraine	165	20.0
14	High labor cost growth rate	147	17.8
14	Procurement costs	147	17.8
16	REACH	132	16.0
17	Collection of receivables	131	15.9
18	Procedures for VAT refunds are complex and/or lack transparency	128	15.5
19	Deliveries	126	15.3
20	Better quality of products offered by competitors	116	14.1

Manufacturing industries in Western Europe

(Units: cos., %)

		Responses	Percentage
1	High labor costs	212	54.2
2	Lower prices offered by competitors	163	41.7
3	Economic slowdown, market contraction	160	40.9
4	Securing human resources	153	39.1
5	Transfer pricing taxation	137	35.0
6	Exchange rate fluctuations	134	34.3
7	Stringent dismissal laws	126	32.2
8	Entry of new competitors	122	31.2
9	Heavy social security burdens	116	29.7
10	Procurement costs	107	27.4
11	European political and social conditions	94	24.0
12	Quality of workforce	92	23.5
13	Ripple effects (on business) from issues around the situation in Ukraine	89	22.8
14	REACH	86	22.0
15	Visa/work permits	82	21.0
15	High labor cost growth rate	82	21.0
17	Deliveries	79	20.2
18	Rising energy costs	69	17.6
19	Quality	67	17.1
20	Collection of receivables	63	16.1

Non-manufacturing industries in Western Europe

(Units: cos., %)

		Responses	Percentage
1	High labor costs	198	45.7
2	Securing human resources	181	41.8
3	Economic slowdown, market contraction	168	38.8
4	Stringent dismissal laws	152	35.1
5	Transfer pricing taxation	147	33.9
6	Heavy social security burdens	122	28.2
6	Quality of workforce	122	28.2
8	Visa/work permits	121	27.9
9	Lower prices offered by competitors	119	27.5
10	Entry of new competitors	116	26.8
11	European political and social conditions	113	26.1
12	Exchange rate fluctuations	106	24.5
13	Ripple effects (on business) from issues around the situation in Ukraine	76	17.6
14	Procedures for VAT refunds are complex and/or lack transparency	70	16.2
15	Collection of receivables	68	15.7
16	High labor cost growth rate	65	15.0
17	Frequent legislation revisions	61	14.1
18	Better quality of products offered by competitors	55	12.7
19	Change in tax rate	54	12.5
20	Deliveries	47	10.9

Fig. 26: Challenges in management in leading Western European countries

"Manufacturing"

UK		(%)	Germany		(%)	France		(%)
1	High labor costs	42.9	1	High labor costs	54.7	1	High labor costs	70.7
2	Securing human resources	41.0	2	Securing human resources	53.5	2	Heavy social security burdens	58.6
3	Exchange rate fluctuations	40.0	3	Lower prices offered by competitors	44.2	3	Economic slowdown, market contraction	55.2
4	Lower prices offered by competitors	36.2	4	Transfer pricing taxation	39.5	4	Transfer pricing taxation	46.6
5	Visa/work permits	31.4	5	European political and social conditions	38.4	4	Stringent dismissal laws	46.6
6	Quality of workforce	28.6	6	Exchange rate fluctuations	34.9	6	Securing human resources	39.7
7	Entry of new competitors	27.6	7	Procurement costs	33.7	7	Union activities/strike	36.2
7	Economic slowdown, market contraction	27.6	7	Entry of new competitors	33.7	8	Lower prices offered by competitors	34.5
9	Transfer pricing taxation	25.7	9	Economic slowdown, market contraction	32.6	9	Exchange rate fluctuations	27.6
10	High labor cost growth rate	24.8	10	Ripple effects (on business) from issues around the situation in Ukraine	31.4	9	Entry of new competitors	27.6
11	European political and social conditions	22.9	11	Stringent dismissal laws	30.2	11	Procurement costs	25.9
12	REACH	21.9	12	High labor cost growth rate	25.6	12	REACH	24.1
13	Procurement costs	21.0	12	Deliveries	25.6	13	Visa/work permits	22.4
14	Stringent dismissal laws	20.0	14	REACH	23.3	14	Quality of workforce	20.7
15	Heavy social security burdens	19.0	15	Quality of workforce	20.9	14	Deliveries	20.7
16	Deliveries	17.1	16	Rising energy costs	18.6	16	Frequent legislation revisions	19.0
16	Ripple effects (on business) from issues around the situation in Ukraine	17.1	17	Quality	17.4	17	High labor cost growth rate	17.2
18	Customs clearance issues	15.2	17	Better quality of products offered by competitors	17.4	17	Ripple effects (on business) from issues around the situation in Ukraine	17.2
19	Frequent legislation revisions	14.3	19	Procedures for VAT refunds are complex and/or lack transparency	15.1	19	Collection of receivables	15.5
19	Procedures for VAT refunds are complex and/or lack transparency	14.3	19	Heavy social security burdens	15.1	19	Quality	15.5
19	Collection of receivables	14.3	19	Union activities/strike	15.1	19	Concerns about deflation	15.5
						19	Rising energy costs	15.5

"Non-manufacturing"

UK		(%)	Germany		(%)	France		(%)
1	Securing human resources	44.0	1	Securing human resources	54.0	1	Stringent dismissal laws	61.5
2	High labor costs	37.3	2	High labor costs	52.9	2	High labor costs	59.0
3	Visa/work permits	36.7	3	Transfer pricing taxation	44.8	3	Heavy social security burdens	56.4
4	Transfer pricing taxation	35.3	4	Stringent dismissal laws	37.9	4	Securing human resources	48.7
5	Economic slowdown, market contraction	31.3	4	Economic slowdown, market contraction	37.9	5	Entry of new competitors	46.2
6	Quality of workforce	26.7	6	Quality of workforce	34.5	6	Economic slowdown, market contraction	38.5
7	Exchange rate fluctuations	25.3	7	Exchange rate fluctuations	32.2	7	Visa/work permits	33.3
8	European political and social conditions	24.0	7	Entry of new competitors	32.2	7	Transfer pricing taxation	33.3
9	Stringent dismissal laws	21.3	9	Lower prices offered by competitors	29.9	7	Exchange rate fluctuations	33.3
10	Lower prices offered by competitors	18.7	9	European political and social conditions	29.9	7	Lower prices offered by competitors	33.3
11	Frequent legislation revisions	18.0	11	Procedures for VAT refunds are complex and/or lack transparency	25.3	11	Frequent legislation revisions	28.2
12	High labor cost growth rate	16.0	11	Ripple effects (on business) from issues around the situation in Ukraine	25.3	12	European political and social conditions	23.1
12	Entry of new competitors	16.0	13	REACH	24.1	13	Quality of workforce	20.5
14	Real estate bubble/steep rise in land prices	15.3	14	Heavy social security burdens	23.0	14	Complicated administrative procedures and/or lack of transparency	17.9
15	Change in tax rate	14.7	15	Better quality of products offered by competitors	21.8	14	Collection of receivables	17.9
15	Ripple effects (on business) from issues around the situation in Ukraine	14.7	16	High labor cost growth rate	14.9	14	Ripple effects (on business) from issues around the situation in Ukraine	17.9
17	Procedures for VAT refunds are complex and/or lack transparency	13.3	17	Rising energy costs	13.8	17	Union activities/strike	15.4
17	Heavy social security burdens	13.3	18	Collection of receivables	12.6	18	Change in tax rate	12.8
19	Deliveries	10.7	18	Deliveries	12.6	18	Procedures for VAT refunds are complex and/or lack transparency	12.8
20	Customs clearance issues	10.0	20	Customs clearance issues	11.5	18	Procurement costs	12.8
20	Collection of receivables	10.0	20	Concerns about deflation	11.5	18	Restrictions on business hours	12.8

In Central/Eastern Europe and Turkey, the most commonly cited answer was “Securing human resources” (57.7%). A look at issues cited in manufacturing industries in the countries with the three highest numbers of respondent firms (Czech Republic, Hungary, and Poland) shows that the most commonly cited answer in the Czech Republic was “Transfer pricing taxation” at 73.9%, while “Securing human resources” was cited most often in Hungary and Poland (61.9% and 58.3%, respectively). In non-manufacturing industries, the most common answer in the Czech Republic was “Visa/work permits” (88.9%), while “Frequent legislation revisions” along with “Securing human resources” and “Economic slowdown, market contraction” were cited most often in Hungary (all at 50.0%) and “Highways” was the most cited answer in Poland (87.5%).

Fig. 27: [Central and Eastern Europe/Turkey] Challenges in management

All industries in Central/Eastern Europe and Turkey

(Units: cos., %)

		Responses	Percentage
1	Securing human resources	64	57.7
2	Exchange rate fluctuations	50	45.0
3	Visa/work permits	46	41.4
3	Transfer pricing taxation	46	41.4
3	Lower prices offered by competitors	46	41.4
6	Economic slowdown, market contraction	41	36.9
7	Entry of new competitors	38	34.2
8	High labor cost growth rate	36	32.4
8	Heavy social security burdens	36	32.4
10	Frequent legislation revisions	31	27.9
10	Procurement costs	31	27.9
10	Shortage of domestic procurement sources	31	27.9
13	Quality of workforce	30	27.0
13	Quality	30	27.0
13	General road conditions	30	27.0
16	Highways	29	26.1
16	European political and social conditions	29	26.1
18	Deliveries	28	25.2
18	REACH	28	25.2
20	Procedures for VAT refunds are complex and/or lack transparency	26	23.4
20	Stringent dismissal laws	26	23.4

Manufacturing industries in Central/Eastern Europe and Turkey

(Units: cos., %)

		Responses	Percentage
1	Securing human resources	51	62.2
2	Exchange rate fluctuations	42	51.2
3	Transfer pricing taxation	38	46.3
4	Lower prices offered by competitors	34	41.5
5	Visa/work permits	32	39.0
6	High labor cost growth rate	29	35.4
6	Shortage of domestic procurement sources	29	35.4
6	Economic slowdown, market contraction	29	35.4
9	Heavy social security burdens	27	32.9
9	Quality	27	32.9
9	Entry of new competitors	27	32.9
12	Procurement costs	25	30.5
13	Quality of workforce	23	28.0
14	Frequent legislation revisions	21	25.6
14	Deliveries	21	25.6
14	General road conditions	21	25.6
17	Stringent dismissal laws	20	24.4
17	European political and social conditions	20	24.4
19	Highways	19	23.2
19	Ripple effects (on business) from issues around the situation in Ukraine	19	23.2

Non-manufacturing industries in Central/Eastern Europe and Turkey

(Units: cos., %)

		Responses	Percentage
1	Visa/work permits	14	48.3
2	Securing human resources	13	44.8
3	Lower prices offered by competitors	12	41.4
4	Economic slowdown, market contraction	12	41.4
5	Procedures for VAT refunds are complex and/or lack transparency	11	37.9
5	Entry of new competitors	11	37.9
7	Frequent legislation revisions	10	34.5
7	Highways	10	34.5
7	REACH	10	34.5
10	Heavy social security burdens	9	31.0
10	General road conditions	9	31.0
10	European political and social conditions	9	31.0
13	Transfer pricing taxation	8	27.6
13	Exchange rate fluctuations	8	27.6
15	High labor cost growth rate	7	24.1
15	Quality of workforce	7	24.1
15	Deliveries	7	24.1
15	Railways	7	24.1
19	Customs clearance issues	6	20.7
19	Stringent dismissal laws	6	20.7
19	Collection of receivables	6	20.7
19	Procurement costs	6	20.7
19	Better quality of products offered by competitors	6	20.7
19	RoHS	6	20.7
19	Ripple effects (on business) from issues around the situation in Ukraine	6	20.7

* Excluding Turkey.

Fig. 28: [Central and Eastern Europe/Turkey] Challenges in management in leading countries of the region of Central and Eastern Europe and Turkey

"Manufacturing"

Czech Rep.		(%)	Hungary		(%)	Poland		(%)
1	Transfer pricing taxation	73.9	1	Securing human resources	61.9	1	Securing human resources	58.3
2	Visa/work permits	69.6	2	Exchange rate fluctuations	52.4	1	Exchange rate fluctuations	58.3
3	Securing human resources	65.2	3	Economic slowdown, market contraction	42.9	1	Entry of new competitors	58.3
4	Exchange rate fluctuations	52.2	4	Shortage of domestic procurement sources	38.1	4	Visa/work permits	50.0
5	Quality	47.8	4	Entry of new competitors	38.1	4	Transfer pricing taxation	50.0
6	Frequent legislation revisions	43.5	4	Lower prices offered by competitors	38.1	4	Procurement costs	50.0
6	Heavy social security burdens	43.5	7	High labor cost growth rate	33.3	7	High labor cost growth rate	41.7
8	Quality of workforce	39.1	7	Heavy social security burdens	33.3	7	Highways	41.7
8	Lower prices offered by competitors	39.1	7	Procurement costs	33.3	9	Shortage of domestic procurement sources	33.3
8	Economic slowdown, market contraction	39.1	7	Ripple effects (on business) from issues around the situation in Ukraine	33.3	9	Lower prices offered by competitors	33.3
11	Deliveries	34.8	11	Transfer pricing taxation	28.6	9	Better quality of products offered by competitors	33.3
11	REACH	34.8	11	Quality of workforce	28.6	9	General road conditions	33.3
13	High labor cost growth rate	30.4	11	European political and social conditions	28.6	9	Railways	33.3
13	Procurement costs	30.4	14	Frequent legislation revisions	23.8	9	Ripple effects (on business) from issues around the situation in Ukraine	33.3
13	Shortage of domestic procurement sources	30.4	14	Quality	23.8	15	Customs clearance issues	25.0
13	Highways	30.4	14	General road conditions	23.8	15	Procedures for VAT refunds are complex and/or lack transparency	25.0
17	Stringent dismissal laws	26.1	14	Rising energy costs	23.8	15	Stringent dismissal laws	25.0
17	Entry of new competitors	26.1	18	Visa/work permits	19.0	15	Quality	25.0
17	European political and social conditions	26.1	18	Deliveries	19.0	15	Deliveries	25.0
20	Customs clearance issues	21.7	18	Better quality of products offered by competitors	19.0	15	REACH	25.0
20	General road conditions	21.7	18	REACH	19.0	15	European political and social conditions	25.0
20	Power supply	21.7				15	Economic slowdown, market contraction	25.0
20	RoHS	21.7						

"Non-manufacturing"

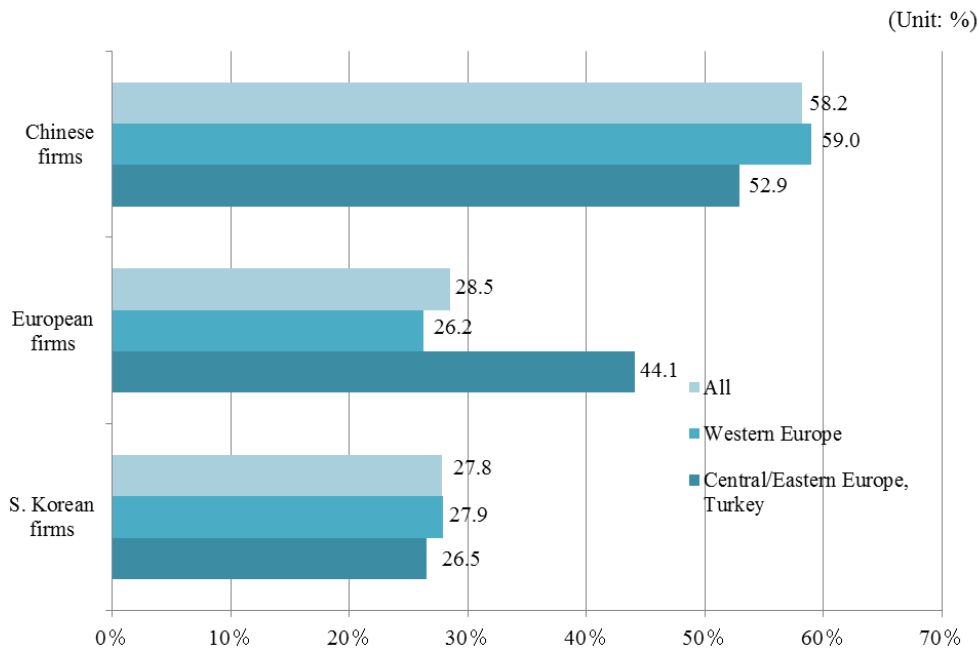
	Czech Rep.	(%)		Hungary	(%)		Poland	(%)
1	Visa/work permits	88.9	1	Frequent legislation revisions	50.0	1	Highways	87.5
2	Lower prices offered by competitors	66.7	1	Securing human resources	50.0	2	Entry of new competitors	62.5
2	REACH	66.7	1	Economic slowdown, market contraction	50.0	2	General road conditions	62.5
4	Economic slowdown, market contraction	55.6	4	Complicated administrative procedures and/or lack of	33.3	4	Procedures for VAT refunds are complex and/or lack transparency	50.0
5	Heavy social security burdens	44.4	4	Visa/work permits	33.3	4	Lower prices offered by competitors	50.0
5	Securing human resources	44.4	4	Procedures for VAT refunds are complex and/or lack transparency	33.3	4	Railways	50.0
5	Entry of new competitors	44.4	4	Heavy social security burdens	33.3	4	European political and social conditions	50.0
8	Frequent legislation revisions	33.3	4	Stringent dismissal laws	33.3	4	Ripple effects (on business) from issues around the situation in Ukraine	50.0
8	Transfer pricing taxation	33.3	4	Quality of workforce	33.3	9	Transfer pricing taxation	37.5
8	Procedures for VAT refunds are complex and/or lack transparency	33.3	4	Exchange rate fluctuations	33.3	9	Stringent dismissal laws	37.5
8	Exchange rate fluctuations	33.3	4	Shortage of domestic procurement sources	33.3	9	Collection of receivables	37.5
8	Deliveries	33.3	4	Lower prices offered by competitors	33.3	12	Frequent legislation revisions	25.0
8	RoHS	33.3	4	Better quality of products offered by competitors	33.3	12	Visa/work permits	25.0
14	Customs clearance issues	22.2	4	General road conditions	33.3	12	High labor cost growth rate	25.0
14	High labor cost growth rate	22.2	4	Railways	33.3	12	Securing human resources	25.0
14	Quality of workforce	22.2	4	European political and social conditions	33.3	12	Exchange rate fluctuations	25.0
14	Procurement costs	22.2	17	Customs clearance issues	16.7	12	Deliveries	25.0
14	Better quality of products offered by competitors	22.2	17	Transfer pricing taxation	16.7	12	Better quality of products offered by competitors	25.0
14	Highways	22.2	17	Complicated administrative procedures and/or lack of	16.7	12	REACH	25.0
20	Complicated administrative procedures and/or lack of	11.1	17	High labor costs	16.7	12	Euro6	25.0
20	Change in tax rate	11.1	17	Fund-raising	16.7	12	Real estate bubble/steep rise in land prices	25.0
20	High labor costs	11.1	17	Collection of receivables	16.7	12	Economic slowdown, market contraction	25.0
20	Fund-raising	11.1	17	Other	16.7			
20	Collection of receivables	11.1	17	Procurement costs	16.7			
20	Quality	11.1	17	communications	16.7			
20	General road conditions	11.1	17	RoHS	16.7			
20	Railways	11.1	17	REACH	16.7			
20	Ports	11.1	17	Inflation	16.7			
20	ELV	11.1	17	Incomplete market integration	16.7			
20	European political and social conditions	11.1	17	Rising energy costs	16.7			
20	Low birth rates/aging of society	11.1						
20	Inflation	11.1						
20	Natural disasters (earthquakes, floods, etc.)	11.1						
20	Ripple effects (on business) from issues around the situation in	11.1						

2. Nationalities of new competitors

When respondents across all industries in Europe and Turkey who cited “Entry of new competitors” as a challenge in management (29.5%; see Fig. 23) were asked the specific nationalities of these new competitors, the highest percentage was that of Chinese firms at 58.2%. As Chinese firms have purchased a succession of European firms in Europe, they are increasing their presence as competitors. South Korean firms, which were second most cited after Chinese firms in last year’s survey, came in third place at 27.8%, trailing European firms (28.5%).

The highest percentage of Japan-affiliated firms in Central/Eastern Europe and Turkey cited European firms as becoming new competitors at 44.1%, which represents an increase of 2.6 points compared with the previous survey. What is more, whereas the percentage of firms viewing Chinese firms as competitors in the 2013 survey was 39.0%, this time it rose 13.9 points to 52.9%. The presence of Chinese firms is being felt even more strongly than before in Central and Eastern Europe and Turkey.

Fig. 29: [All industries] Nationalities of new competitors (multiple answers)



A look at detailed results by industry shows that many sales companies, as well as electric machinery and electronic hardware companies and chemicals and petroleum products companies, cited Chinese and South Korean firms as new competitors. European firms were seen as new competitors in the transport/warehousing industry.

Fig. 30: Industries choosing firms of each nationality as new competitors (multiple answers)

Top three industries choosing "Chinese firms"

(Units: cos.)

		Responses
1	Sales company	37
2	Electric machinery/electronic equipment	16
3	Chemicals and Petroleum products	14

Top three industries choosing "European firms"

(Units: cos.)

		Responses
1	Sales company	12
2	Transport/warehousing	9
3	Trading company	8

Top three industries choosing "S. Korean firms"

(Units: cos.)

		Responses
1	Sales company	21
2	Chemicals and Petroleum products	8
3	Electric machinery/electronic equipment	8

3. Localization of Management

The percentage of companies across all industries in Europe and Turkey that are promoting the localization of management was the highest for “Enhancing training and education for local human resources with an awareness of localization” at 53.2%. The response “Appointing local human resources (executive-level)” also accounted for more than half of the answers, at 52.9%.

Fig. 31: [Europe/Turkey] Initiatives for promoting the localization of management (multiple answers)

"All industries"

(Units: cos., %)

		Responses	Percentage
1	Enhancing training and education for local human resources with an awareness of localization	516	53.2
2	Appointing local human resources (department and section heads)	513	52.9
3	Mid-career recruitment of local human resources that will serve as ready assets with an awareness of localization	421	43.4
4	Appointing local human resources (executive-level)	282	29.1
5	Strengthening local development capabilities for products and services	234	24.1
6	Revising meritocratic and other personnel systems with an awareness of localization	176	18.1
7	Enhancing decision-making authority for sales strategies in local regions	174	17.9
8	Transferring authority from head offices to local regions	167	17.2
9	Not taking any initiatives for localization	106	10.9
10	Acquiring human and managerial resources through M&A	56	5.8

When perspectives were elicited from both the companies’ local offices and their head offices in Japan, the local offices reported that the greatest issue encountered in promoting the localization of management for firms was “Challenges in the promotion of localization due to capabilities and consciousness on the part of local human resources” (35.6%). In contrast, head offices in Japan often cited “No progress with transferring authority from the head office to local regions” (26.7%) as an issue.

Fig. 32: [Europe/Turkey] Challenges for promoting the localization of management (multiple answers)

"All industries"

(Units: cos., %)

		Response	Percent age
1	(Issue at local office) Challenges in the promotion of localization due to capabilities and consciousness on the part of local human resources	340	35.6
2	(Issue at local office) Difficulty in securing managerial candidates	334	35.0
3	(Issue at head office in Japan) No progress with transferring authority from the head office to local regions	255	26.7
4	(Issue at head office in Japan) Difficulty in reducing the number of Japanese expatriates	208	21.8
5	(Issue at head office in Japan) Management capabilities of Japanese expatriates	201	21.0
6	(Issue at local office) Local planning and marketing capabilities	200	20.9
7	(Issue at head office in Japan) Language proficiency of Japanese expatriates (English/local language) presents challenges in promoting localization	193	20.2
8	No particular challenges	179	18.7
9	(Issue at local office) Local product and service development capabilities	134	14.0
10	(Issue at head office in Japan) Differences with head office policies on hiring	105	11.0

VI. Free trade agreements (FTAs) and the future of the European economy

1. Use of bilateral or multilateral FTAs

When firms operating in the EU were asked about the use of bilateral or multilateral FTAs, many firms said they used the European Economic Area (EEA) and the EU-Turkey Customs Union for exports and the EEA and FTAs with South Korea for imports.

Fig. 33: Use of bilateral or multilateral FTAs/EPAs by firms operating in the EU

(Units: cos., %)

	Utilization of preferential tax rates provided by FTAs in exports				Utilization of preferential tax rates provided by FTAs in imports			
	Responses	Utilizing	Considering utilization	Not utilizing (No plan to utilize)	Responses	Utilizing	Considering utilization	Not utilizing (No plan to utilize)
S. Korea	39 100.0%	17 43.6%	3 7.7%	19 48.7%	32 100.0%	20 62.5%	5 15.6%	7 21.9%
Turkey Customs Union	124 100.0%	50 40.3%	16 12.9%	58 46.8%	32 100.0%	15 46.9%	7 21.9%	10 31.3%
European Economic Area (EEA)	163 100.0%	69 42.3%	17 10.4%	77 47.2%	66 100.0%	30 45.5%	5 7.6%	31 47.0%
Switzerland	113 100.0%	46 40.7%	10 8.8%	57 50.4%	21 100.0%	8 38.1%	2 9.5%	11 52.4%
Mediterranean countries (including the Middle East)	97 100.0%	30 30.9%	16 16.5%	51 52.6%	15 100.0%	7 46.7%	2 13.3%	6 40.0%
South Africa	69 100.0%	17 24.6%	11 15.9%	41 59.4%	11 100.0%	3 27.3%	1 9.1%	7 63.6%
Mexico	35 100.0%	12 34.3%	7 20.0%	16 45.7%	7 100.0%	4 57.1%	-	3 42.9%
Chile	17 100.0%	7 41.2%	2 11.8%	8 47.1%	2 100.0%	2 100.0%	-	-

2. Impact of FTAs /EPAs

When respondents were asked about the impact of the economic partnership agreements (EPA) and free trade agreements (FTA), they showed high expectations for the EU-Japan EPA, with 37.2% describing it as having “Major advantages” over other EPAs/FTAs. The results by country and region show that this answer was given by a higher percentage (47.1%) in Central/Eastern Europe and Turkey than in Western Europe (35.8%). A look at results by industry shows that the nonferrous metals and products industry had the highest percentage of respondents describing this as having “Major advantages,” at 60.0%.

Fig. 34: Impact of FTAs (1)

(Unit: %)

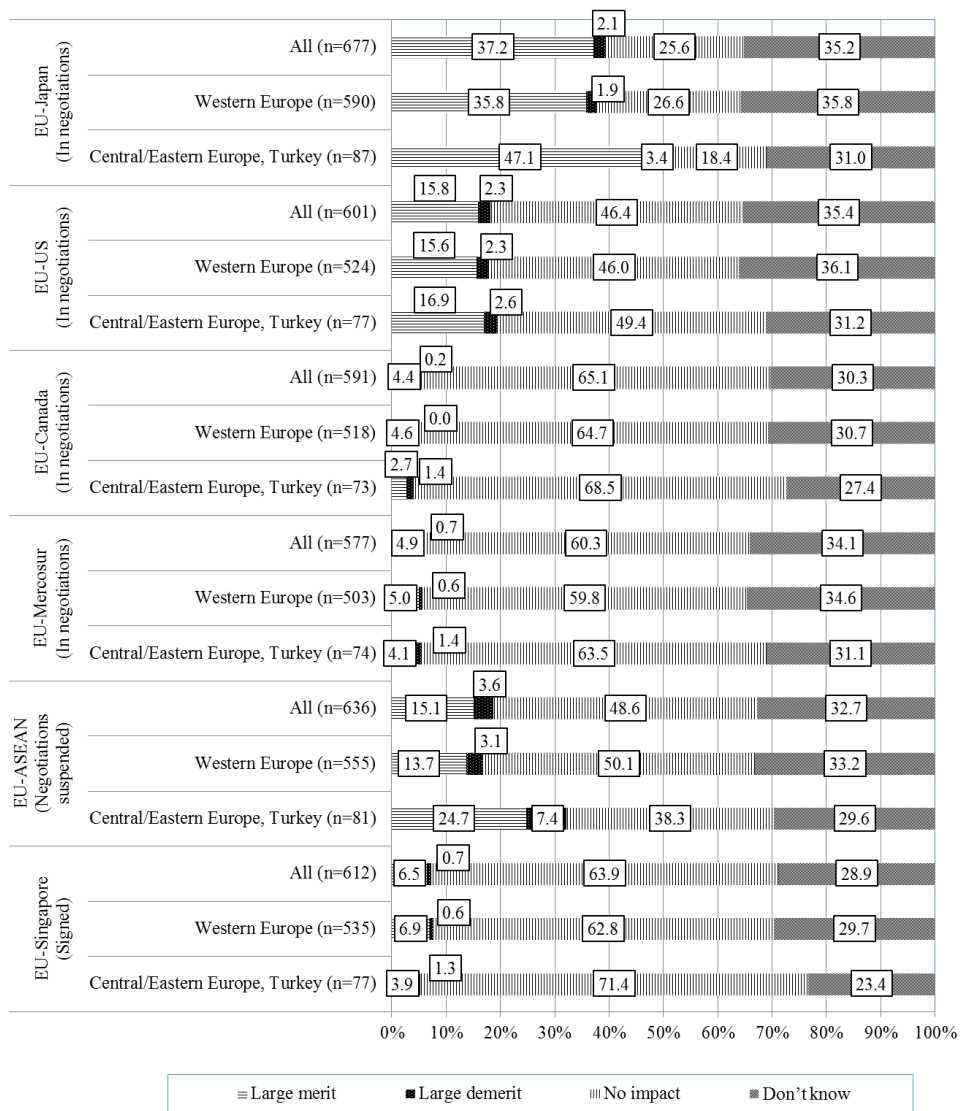


Fig. 35: Impact of FTAs (2)

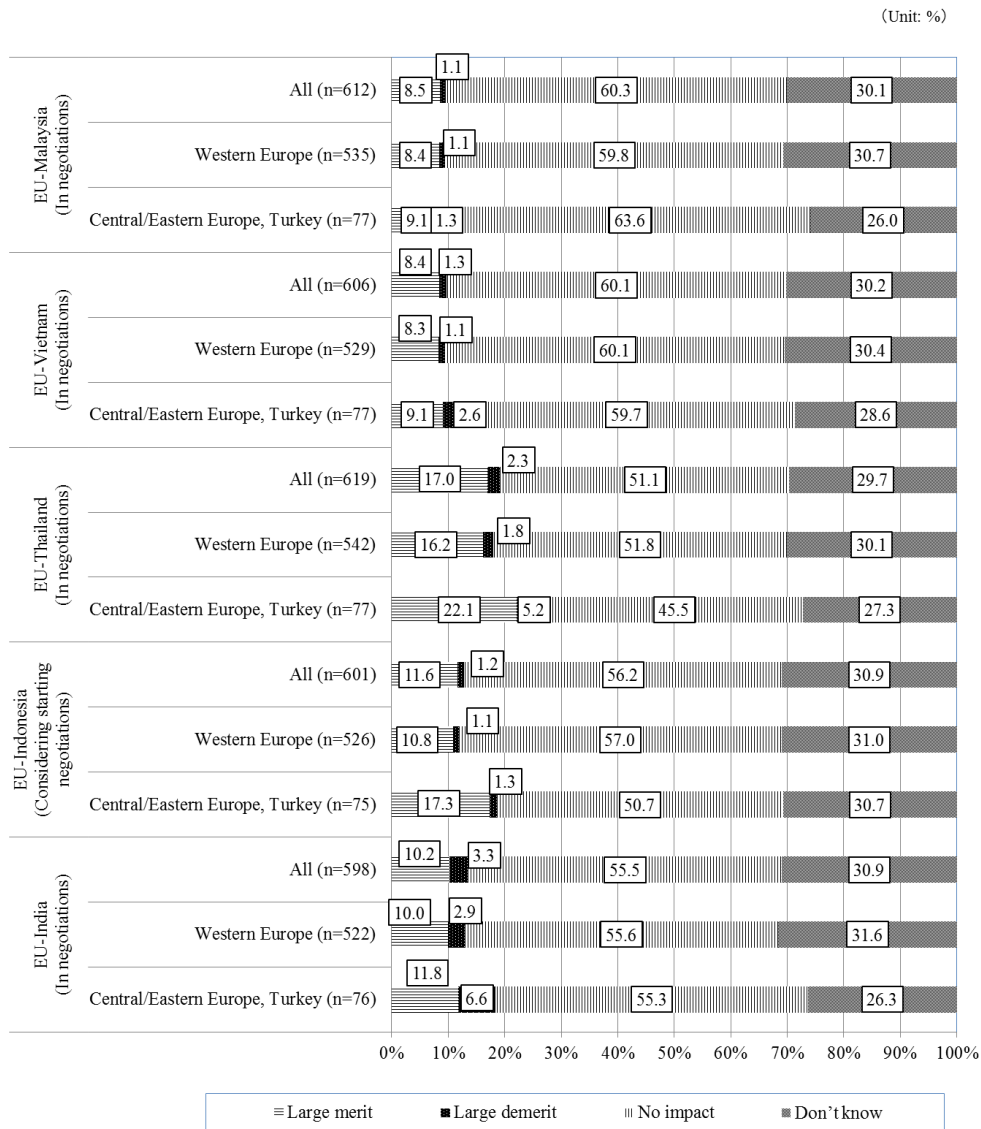


Fig. 36: Industries in which high percentages of companies responded that the EU-Japan EPA would have “Major advantages”

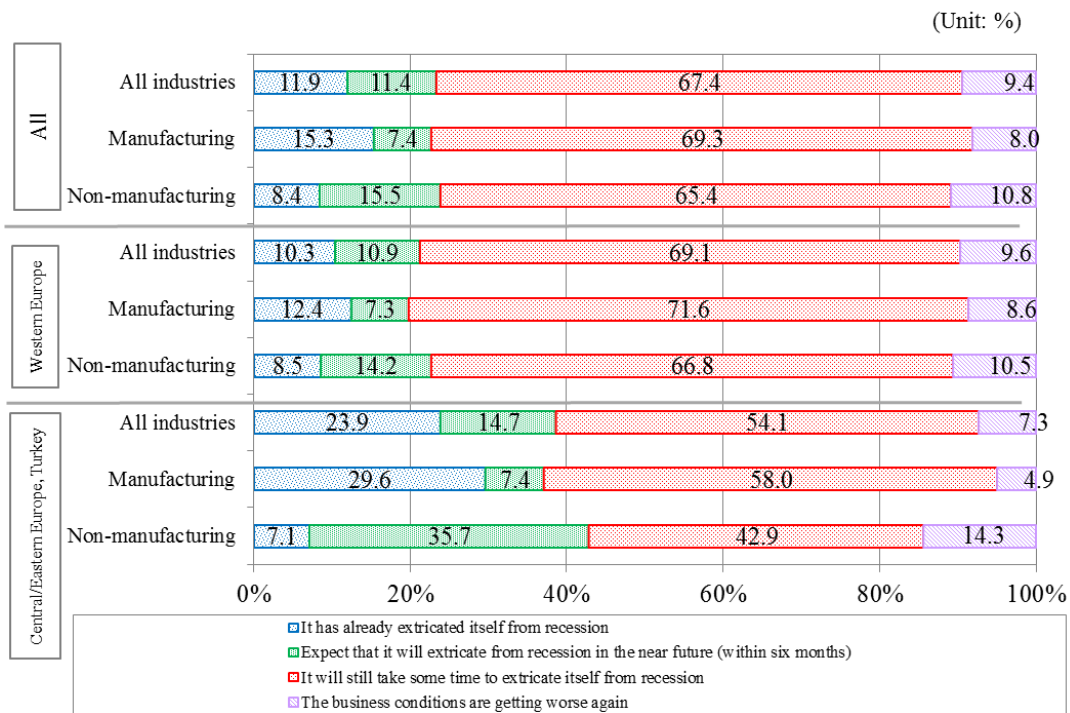
(Units: cos., %)

		Responses	Percentage
1	Nonferrous metals and products	3	60.0
2	Other manufacturing	12	57.1
3	Trading company	29	56.9

3. Future of the European economy

When questioned about the future of the European economy, 11.9% of respondents in all industries in Europe and Turkey answered that “It has already extricated itself from recession,” while the greatest number, at 67.4%, answered that “It will still take some time to extricate itself from recession.” Amid the signs of continued recovery in business results from last year’s survey, many firms are taking a cautious view of future economic conditions.

Fig. 37: Views on the future of the European economy



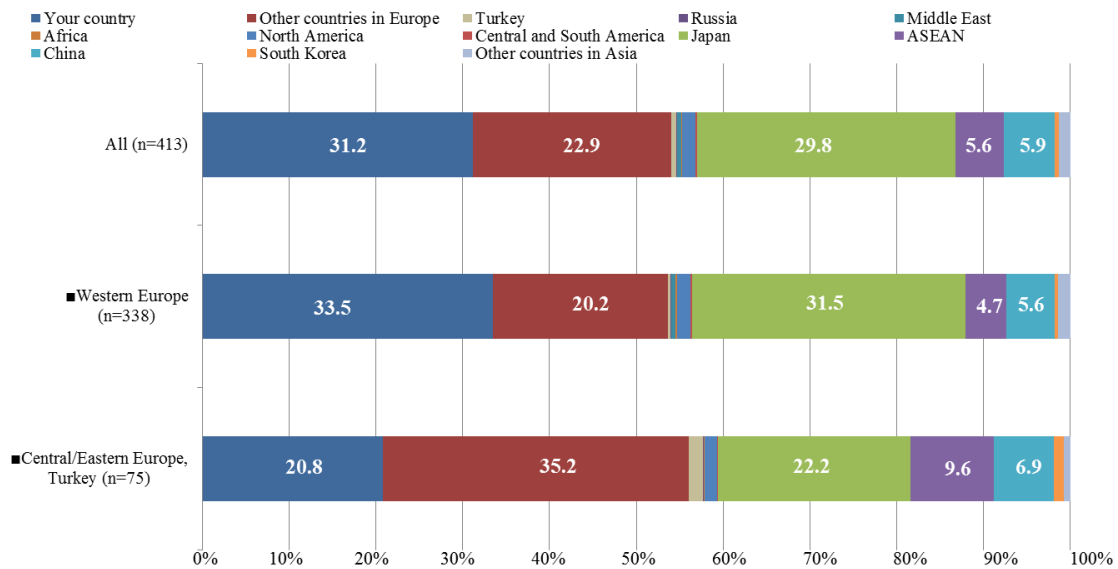
* Manufacturing only for Turkey.

V. Local Procurement

1. Sources for parts and raw materials (by country and region)

The breakdown of sources for parts and raw materials (by country and region) shows that the greatest number of companies said they procure from “Your country” (31.2%), followed by “Japan” (29.8%) and “Other countries in Europe” (22.9%), which means that Europe and Japan together constitute at least 80% of sources. “Your country” and “Japan” each comprise more than 30% of sources for companies in Western Europe, while “Other countries in Europe” count for the greatest number of sources for companies in Central/Eastern Europe and Turkey. Note: “Your country” refers to the country in which the respondent company is located.

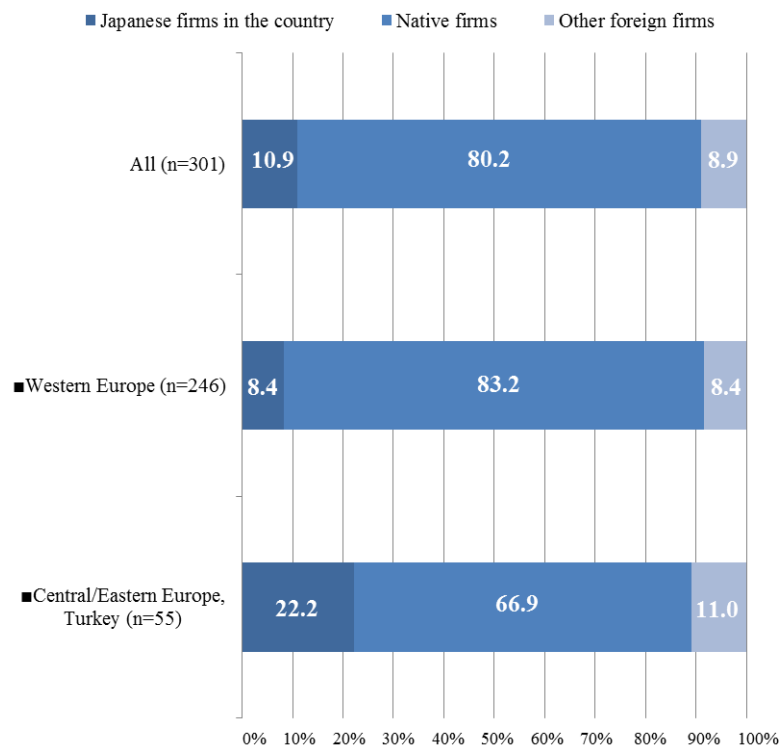
Fig. 38: Breakdown of sources for parts and raw materials (by country and region)



2. Local sources (firms)

Looking at the breakdown of local sources (firms) from “Your country” reveals that native firms (80.2%) constituted the greatest number, with Japanese firms in the country at 10.9% and other foreign firms at 8.9%. Compared with Western Europe, a higher percentage of companies in Central/Eastern Europe and Turkey procured from Japanese firms in the country. Note: “your country” and “native” refer to the country in which the respondent firm is located.

Fig. 39: Breakdown of local sources (firms)



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To: Europe, Russia and CIS Division, Overseas Research Department, JETRO



● Questionnaire ●

Survey Report: 2014 JETRO Survey on Business Conditions of Japanese Companies
in Europe

JETRO recently carried out the titular survey. We would like to ask for your cooperation with this questionnaire regarding your impressions upon reading the survey report. This information will be used as reference for selecting future survey themes and the like.

■ Question 1: How did you feel about the contents of this survey report? (Circle one)

4: Helpful 3: Somewhat helpful 2: Not very helpful 1: Not at all helpful

■ Question 2: Please list your: (1) Intended use and purpose, (2) Reasons for reaching the conclusion that you did above, and (3) Other impression regarding this report.

■ Question 3: Please list your requests and so forth for future JETRO survey themes.

■ Please list the name of your company and so on (optional).

Affiliation	<input type="checkbox"/> <input type="checkbox"/> Company/ organization <input type="checkbox"/> <input type="checkbox"/> Individual	Name of company/organization
		Position name

* We properly manage and utilize customer information that has been supplied to us on the basis of the JETRO Personal Information Protection Policy (<http://www.jetro.go.jp/privacy/>). Moreover, the contents listed on the above questionnaire will be used to evaluate JETRO's business activities, improve its operations, and for the sake of operational follow-ups.

Thank you for your cooperation