

For ADBI-OECD Roundtable

Japan External Trade Organization (JETRO)



Japan External Trade Organization

# **FY 2009 Survey on the International Operations of Japanese Firms**

**March 18, 2010**

**Japan External Trade Organization (JETRO)**

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# 1. Survey Outline and Profile of Respondent Firms

## 1. Survey topics and targets

### (1) Survey topics

- a. Domestic and overseas business operations
- b. Business development in PR China
- c. Utilization of Free Trade Agreements (FTAs)
- d. Business environment in Asia

### (2) Survey targets

A total of 3,110 JETRO member firms

## 2. Period

Distribution of questionnaires: November 27, 2009

Deadline: December 25, 2009

## 3. Response

Number of firms sent questionnaires: 3,110

Number of responses: 935

Response ratio: 30.1%

-Due to rounding, the percentages stated in the figures in this document do not necessarily add up to 100%.

-Triangles ( $\Delta$ ) denote negative numbers.

**Figure 1-1: Profile of respondent firms by industry** (Unit: %)

	No. of firms	%
All respondents	935	100.0
Manufacturing total	525	56.1
Firms with overseas production bases	310	33.2
Firms with domestic production bases	215	23.0
Food & beverages	53	5.7
Textiles/clothing	21	2.2
Wood & wood products/furniture & building materials/paper & pulp	16	1.7
Chemicals	53	5.7
Medical products & cosmetics	20	2.1
Coal & petroleum products/plastics/rubber products	35	3.7
Ceramics/earth & stones	17	1.8
Iron & steel/non-ferrous metals/metal products	47	5.0
General machinery	67	7.2
Electrical equipment	46	4.9
IT equipment/electronic parts & devices	21	2.2
Cars/car parts/other transportation machinery	52	5.6
Precision equipment	33	3.5
Other manufacturing	44	4.7
Trade & wholesale/retail total	216	23.1
Trade & wholesale	196	21.0
Retail	20	2.1
Non-manufacturing (exclusive of trade & wholesale/retail total) total	194	20.7
Construction	16	1.7
Transport	27	2.9
Finance & insurance	48	5.1
Professional services	25	2.7
Electricity, gas and water	7	0.7
Telecommunications services	11	1.2
Other non-manufacturing	60	6.4
(For reference) Non-manufacturing (inclusive of trade & wholesale/retail total) totals	410	43.9
Large-scale companies	370	39.6
Small and medium-sized enterprises (SMEs)	565	60.4

Note: SMEs are classified as such based on the definition given in the Small and Medium-Sized Enterprise Basic Act of Japan.

# 1. Survey Outline and Profile of Respondent Firms

## Increasing numbers of sales bases in PR China

### Profile of respondent firms (status of overseas bases)

Of the 935 respondent firms, 62.1% (581 firms) have overseas bases. PR China was listed highest as the location for these bases, with 74.9% (435 firms) of the firms having bases there, followed by the U.S. (44.8%, 260 firms) and Thailand (38.0%, 221 firms).

By function, PR China led in the production base category (at 46.8% of respondents) and sales bases (49.2%, a 2.7-point increase over last year's 46.5%).

Figure 1-2: Firms with overseas operations

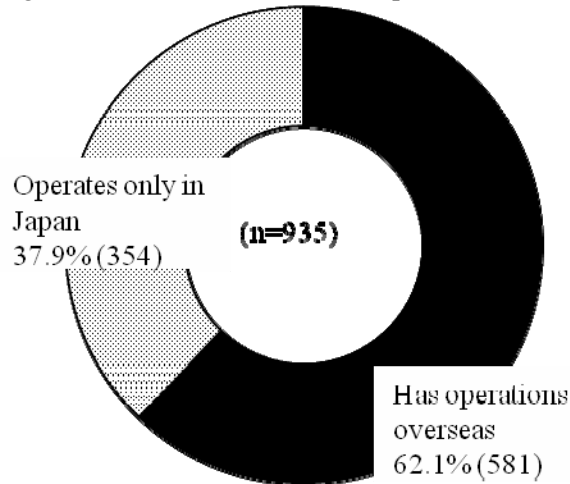
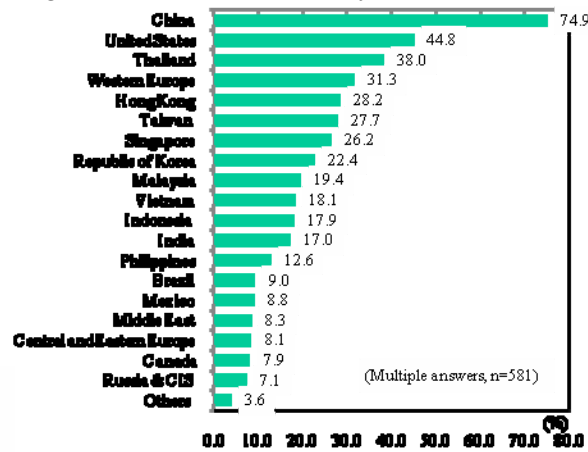
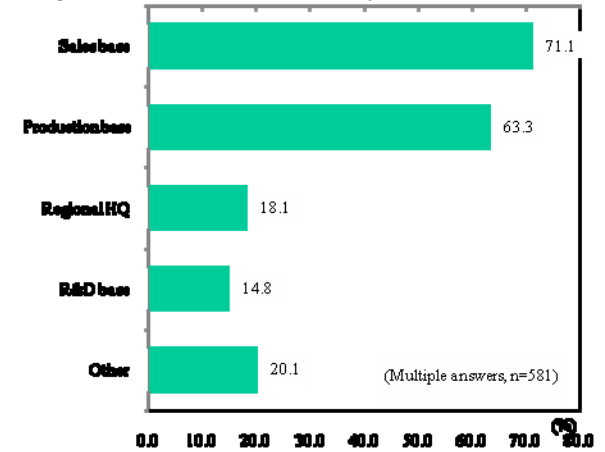


Figure 1-3: Overseas bases by location



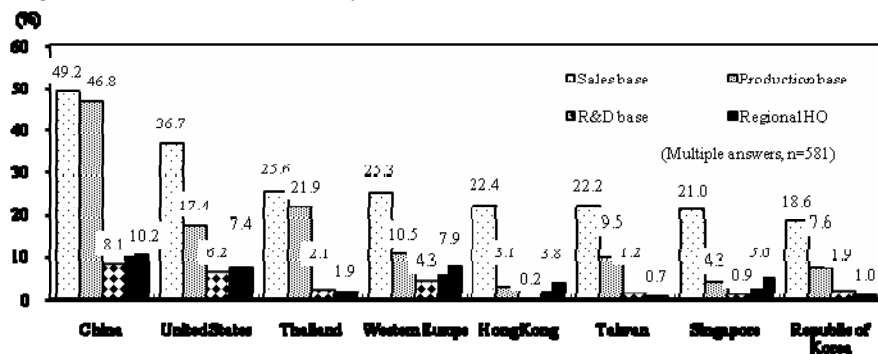
Note: Percentage of firms with overseas bases.

Figure 1-4: Overseas bases by function



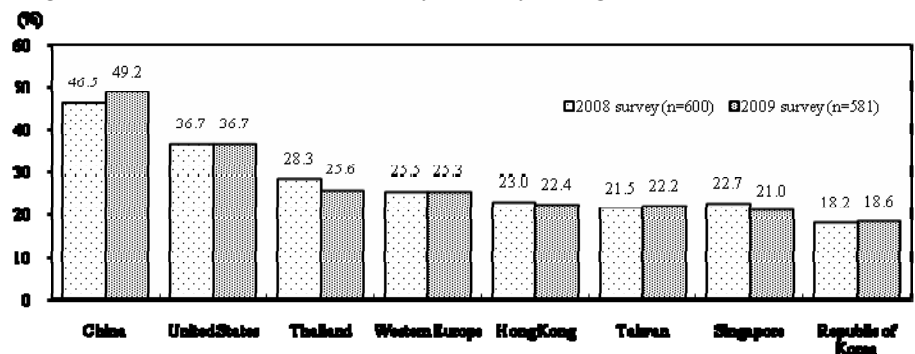
Note: Same as Figure 1-3.

Figure 1-5: Overseas bases by location and function (multiple answers)



Note: Same as Figure 1-3.

Figure 1-6: Overseas sales bases by country or region (multiple answers)



Note: Same as Figure 1-3.

## 2. Domestic and Overseas Business Operations

### (1) Upturns in plans to expand domestic and overseas operations

Domestic and overseas business plans for the next three years or so

- More than half aim to expand overseas operations.

In terms of plans to expand operations (through new investment or by expanding existing bases) in the next three years or so, those planning to expand operations increased from 50.3% in the previous survey to 56.0% in the current survey for overseas operations, and from 35.5% to 38.8% for domestic operations.

As for industries for which long-term chronological comparisons are possible (e.g., manufacturing, trade & wholesale/retail industries), the percentage of firms planning expansion rose for both domestic and overseas operations, while those planning to maintain current scale declined. The portion of respondents planning to expand business, however, failed to reach levels seen in survey of two years ago.

Figure 2-1: Overseas business plans (all industries)

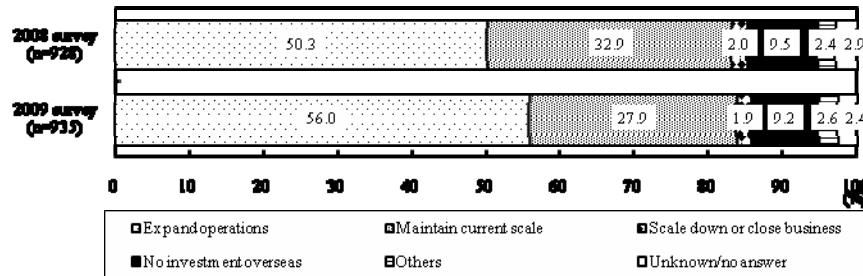


Figure 2-2: Domestic business plans (all industries)

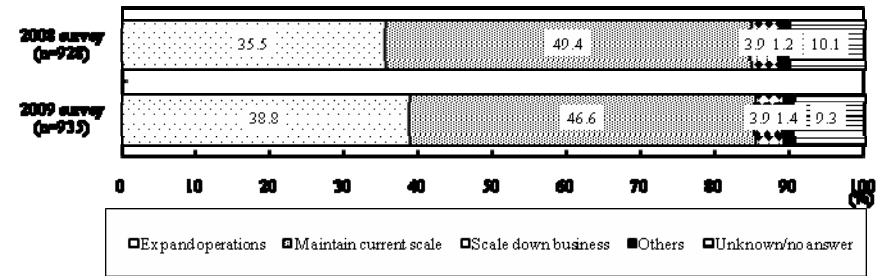


Figure 2-3: Overseas business plans (manufacturing, trade & wholesale/retail)

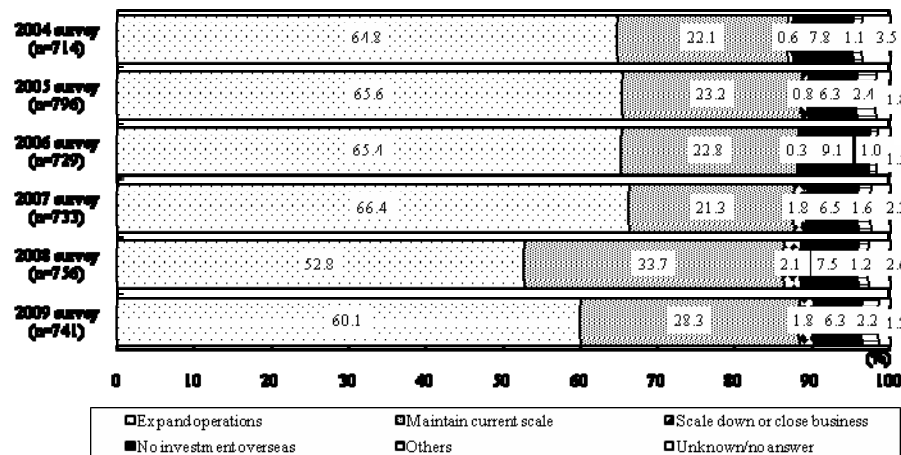
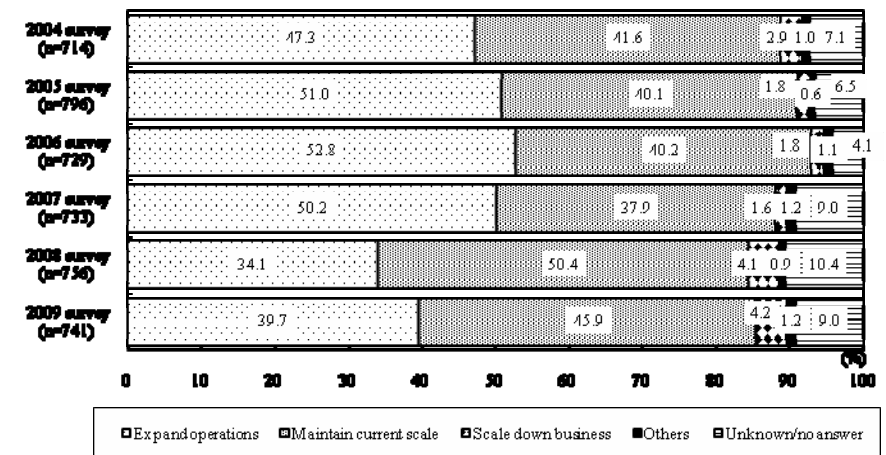


Figure 2-4: Domestic business plans (manufacturing, trade & wholesale/retail)



## 2. Domestic and Overseas Business Operations

# (2) Continued expansion trends in overseas sales and production

Business plans by function for the next three years or so

● **Strong interest remains in expanding overseas business in the manufacturing industry.**

Focusing on domestic and overseas business plans by function for the next three years or so, firms were strongly inclined to expand production (of high-end products) and R&D (primary research, new product development) functions domestically, as seen in the previous survey. They intended to expand sales, production (mid- to low-end products), and R&D (localization) functions overseas. By industry, the majority of firms in medical products & cosmetics and food & beverages plan to expand overseas business operations.

Figure 2-5: Functions to be expanded in Japan and overseas (all industries)

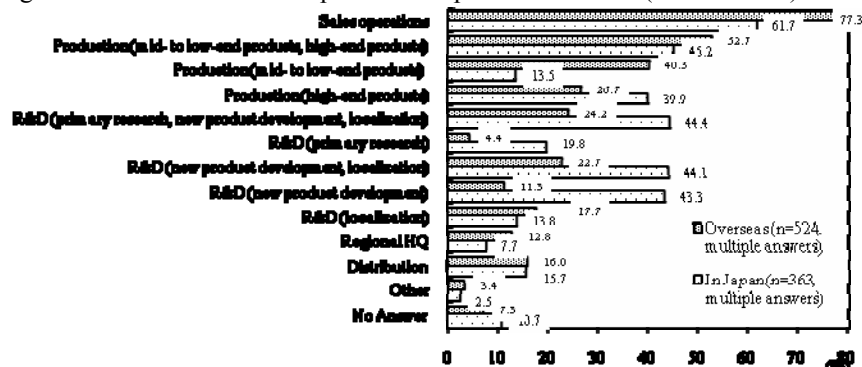


Figure 2-6: Functions to be expanded in Japan (manufacturing, trade & wholesale/retail) - multiple answers

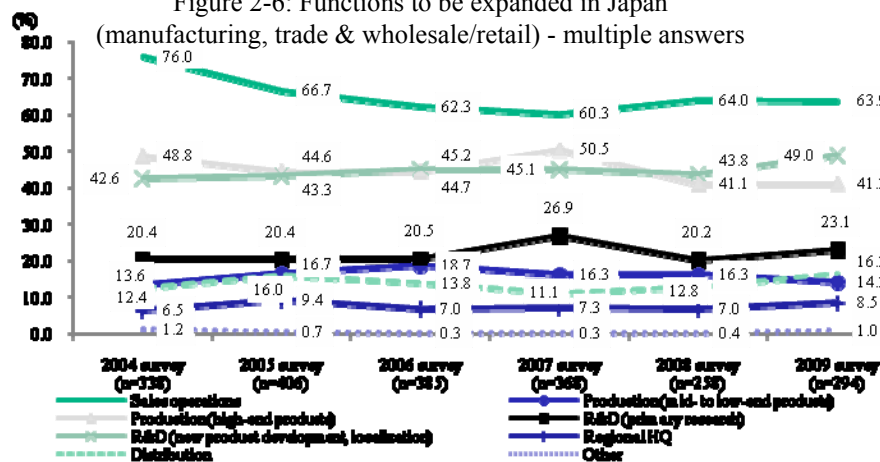
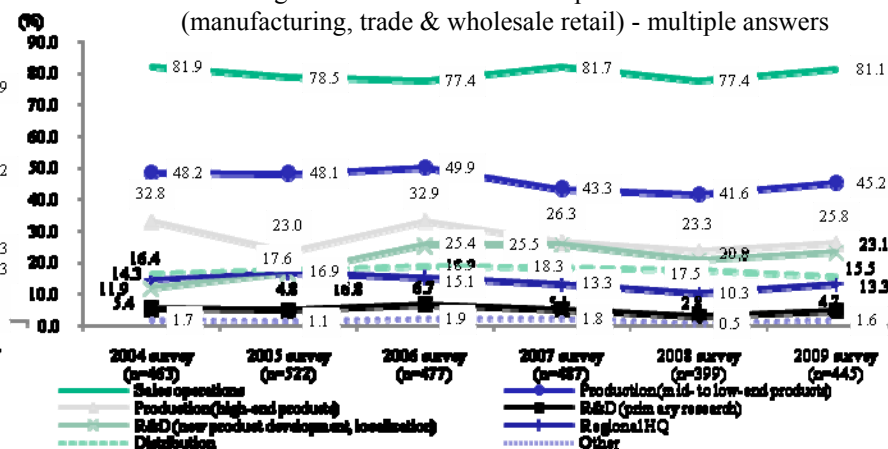


Figure 2-8: Major industries expanding business in Japan and overseas

Expand in	Industry	No. of responding firms (n)	Firms expanding	Percentage (%)
Expand in Japan	All respondents	935	363	38.8
	1 Food & beverages	53	38	71.7
	2 Medical products & cosmetics	20	12	60.0
	3 Professional services	25	12	48.0
	4 Textiles/clothing	21	10	47.6
	5 Telecommunications services	11	5	45.5
Expand overseas	All respondents	935	524	56.0
	1 Medical products & cosmetics	20	17	85.0
	2 Food & beverages	53	43	81.1
	3 IT equipment/electronic parts & devices	21	16	76.2
	4 Electricity, gas and water	7	5	71.4
	5 Chemicals	53	37	69.8

Figure 2-7: Functions to be expanded overseas (manufacturing, trade & wholesale retail) - multiple answers



## 2. Domestic and Overseas Business Operations

### (3) Overall rising interest in expanding business in PR China

Countries or regions and functions in which firms plan to expand

#### ● Clear trend seen for expanding sales functions in Asia's emerging countries/regions.

Focusing on functions (sales, production, R&D, etc.) and countries or regions where firms are planning to expand through new investment or by building up existing bases, PR China ranked highest across all functions, revealing firms' positive attitude towards business expansion in the country. Compared to the previous survey, the percentage of firms planning to expand sales functions in Russia/CIS and Central & Eastern Europe has fallen more than two points. Among emerging countries other than PR China, interest in expansion generally rose substantially in Asian countries /regions, such as the Asian newly industrialized economies (NIEs), including Hong Kong, China and Korea, as well as in Indonesia and Viet Nam.

Figure 2-9: Overseas business expansion plans by function and by country or region (in the next three years or so)

	FY 2009 survey (All industries)											Change from FY 2008 (All industries)											FY 2009 survey (Manufacturing, trade & wholesale, retail)											Change from FY 2008 (Manufacturing, trade & wholesale, retail)										
	Sales operations	Production			R&D					Regional HQ	Distribution	Sales operations	Production			R&D					Regional HQ	Distribution	Sales operations	Production			R&D					Regional HQ	Distribution											
		(Mid- to low-end products)	(High-end products)	(Primary research)	(New product development, localization)	(New product development)	(Localization)	(Mid- to low-end products)	(High-end products)				(Primary research)	(New product development, localization)	(New product development)	(Localization)	(Mid- to low-end products)	(High-end products)	(Primary research)	(New product development, localization)				(New product development)	(Localization)	(Mid- to low-end products)	(High-end products)	(Primary research)	(New product development, localization)	(New product development)	(Localization)													
China	55.3	36.1	26.5	17.7	14.9	2.9	14.3	6.7	11.1	4.8	10.3	5.6	4.6	1.7	5.1	3.6	1.6	3.4	2.2	2.3	0.9	1.7	57.8	38.4	29.7	17.5	15.1	2.9	14.4	6.5	11.0	4.7	9.9	7.2	3.6	1.9	3.7	3.3	1.4	3.1	1.5	2.0	0.9	1.6
Hong Kong	9.0	1.5	0.8	1.1	1.1	0.4	1.0	0.8	0.8	2.1	1.9	2.8	Δ 0.2	Δ 0.1	Δ 0.2	0.2	0.4	0.1	0.2	0.2	1.0	Δ 0.9	9.7	1.3	0.7	1.1	0.9	0.4	0.7	0.4	0.4	2.2	1.8	3.7	Δ 0.5	Δ 0.3	Δ 0.2	0.1	0.4	Δ 0.1	Δ 0.4	Δ 0.1	0.9	Δ 1.2
Taiwan	12.2	3.2	2.1	1.5	2.1	0.2	2.1	1.7	1.3	0.4	1.1	1.9	0.4	0.2	0.6	1.0	0.2	1.0	1.3	0.4	Δ 0.2	0.0	13.7	3.6	2.5	1.6	2.0	0.2	2.0	1.6	1.1	0.4	1.1	2.9	0.3	0.2	0.6	0.7	0.2	0.7	1.1	0.1	Δ 0.4	0.1
Republic of Korea	13.5	3.1	1.9	1.3	1.9	0.6	1.5	0.4	1.5	0.2	0.2	2.6	Δ 0.3	Δ 0.2	Δ 0.6	0.0	0.6	Δ 0.4	Δ 1.1	0.6	Δ 0.2	Δ 0.7	16.0	3.6	2.2	1.6	2.2	0.7	1.8	0.4	1.8	0.2	0.2	4.5	Δ 0.4	Δ 0.3	Δ 0.6	0.2	0.7	Δ 0.2	Δ 1.1	0.8	Δ 0.1	Δ 0.6
Singapore	10.3	1.9	1.5	0.6	1.5	0.2	1.3	0.4	1.3	1.9	1.5	2.2	0.6	0.9	Δ 0.3	0.9	0.2	0.7	0.2	0.9	0.0	0.0	10.8	1.8	1.8	0.2	1.6	0.2	1.3	0.2	1.3	1.6	1.8	2.8	0.8	1.0	Δ 0.3	0.8	0.2	0.5	Δ 0.1	0.8	Δ 0.4	0.3
Thailand	17.6	10.1	7.8	4.8	4.0	0.2	4.0	2.3	3.4	1.7	2.3	Δ 1.2	Δ 2.3	Δ 1.4	Δ 0.8	Δ 0.7	0.2	Δ 0.7	0.6	Δ 0.5	0.2	0.2	18.2	11.0	9.0	4.7	4.3	0.2	4.3	2.2	3.6	1.6	2.2	Δ 0.8	Δ 2.5	Δ 1.5	Δ 1.1	Δ 0.7	0.2	Δ 0.7	0.2	Δ 0.4	Δ 0.2	0.2
Malaysia	7.1	2.7	2.7	0.6	1.0	0.2	1.0	0.6	0.6	0.0	0.4	0.0	Δ 1.6	Δ 0.1	Δ 1.5	Δ 0.3	0.2	Δ 0.3	Δ 0.3	0.0	Δ 0.2	Δ 1.1	7.6	2.9	2.9	0.7	1.1	0.2	1.1	0.7	0.7	0.0	0.2	0.6	Δ 1.9	Δ 0.1	Δ 1.8	Δ 0.4	0.2	Δ 0.4	Δ 0.3	Δ 0.1	Δ 0.3	Δ 1.3
Indonesia	9.7	3.6	3.1	1.1	1.7	0.2	1.5	0.6	1.1	0.2	1.0	3.7	0.2	0.1	0.0	1.5	0.2	1.3	0.4	0.9	0.2	0.4	10.6	4.3	3.6	1.3	1.8	0.2	1.6	0.7	1.1	0.2	0.7	4.8	0.8	0.6	0.0	1.5	0.2	1.3	0.4	0.8	0.2	Δ 0.1
Philippines	1.3	1.3	1.1	0.4	0.6	0.0	0.6	0.2	0.4	0.0	0.0	0.7	0.7	0.7	0.0	0.6	0.0	0.6	0.2	0.4	Δ 0.2	Δ 0.2	1.6	1.6	1.3	0.4	0.7	0.0	0.7	0.2	0.4	0.0	0.0	1.1	1.1	1.0	0.1	0.7	0.0	0.7	0.2	0.4	0.0	
Vietnam	14.5	8.0	6.3	2.9	2.9	0.6	2.7	1.0	1.9	0.4	1.9	2.5	Δ 1.6	Δ 0.8	Δ 0.3	1.4	0.6	1.2	0.4	0.8	0.2	0.6	14.8	7.6	7.0	2.0	2.7	0.7	2.5	1.1	1.6	0.4	1.1	3.3	Δ 2.2	Δ 0.5	Δ 0.8	0.9	0.7	0.7	0.3	0.3	0.1	0.3
India	18.3	6.7	5.5	2.1	2.5	0.2	2.3	0.6	1.7	1.1	1.9	Δ 1.0	1.1	1.6	Δ 0.3	0.6	0.2	0.4	Δ 0.3	0.4	0.0	0.4	18.7	7.2	6.3	2.0	2.2	0.2	2.0	0.4	1.6	1.3	1.8	Δ 0.3	1.7	2.5	Δ 0.5	Δ 0.1	0.2	Δ 0.3	Δ 0.6	0.1	0.0	1.0
United States	21.2	5.2	1.9	3.8	4.8	0.6	4.4	2.5	3.2	2.5	2.3	0.9	Δ 1.7	Δ 2.0	Δ 0.5	Δ 0.3	0.0	Δ 0.7	Δ 0.3	Δ 0.2	Δ 0.7	Δ 0.7	22.9	5.4	2.0	3.8	4.9	0.7	4.5	2.2	3.1	2.7	2.5	1.8	Δ 1.6	Δ 2.3	Δ 0.5	Δ 0.4	Δ 0.1	Δ 0.8	Δ 0.8	Δ 0.4	Δ 1.1	Δ 0.5
Canada	2.9	1.1	0.2	1.0	0.6	0.0	0.6	0.4	0.2	0.0	0.4	1.0	0.5	Δ 0.2	1.0	0.6	0.0	0.6	0.4	0.2	Δ 0.2	0.4	3.4	1.3	0.2	1.1	0.7	0.0	0.7	0.4	0.2	0.0	0.4	1.6	0.8	Δ 0.1	1.1	0.7	0.0	0.7	0.4	0.2	Δ 0.3	0.4
Mexico	1.5	0.4	0.0	0.2	0.0	0.2	0.2	0.2	0.0	0.4	Δ 0.6	Δ 1.3	Δ 0.2	Δ 1.3	Δ 0.2	0.0	Δ 0.2	0.2	Δ 0.2	0.0	0.0	0.0	1.6	0.4	0.4	0.0	0.2	0.0	0.2	0.2	0.0	0.2	Δ 0.9	Δ 1.6	Δ 0.4	Δ 1.5	Δ 0.3	0.0	Δ 0.3	0.2	Δ 0.3	0.0	Δ 0.3	
Brazil	7.3	1.5	1.5	0.0	1.0	0.0	1.0	0.8	0.4	0.4	2.5	Δ 0.2	Δ 0.2	0.4	Δ 0.9	0.1	0.0	0.1	0.2	Δ 0.2	Δ 0.2	2.3	7.9	1.6	1.6	0.0	1.1	0.0	1.1	0.9	0.4	0.4	2.7	Δ 0.6	Δ 0.4	0.3	Δ 1.0	0.1	0.0	0.1	0.1	Δ 0.4	Δ 0.4	2.4
Other Central & South America	2.5	0.4	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	-	-	-	-	-	-	-	-	-	-	2.5	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	-	-	-	-	-	-	-	-	-		
Western Europe	17.2	3.6	1.9	1.9	3.8	0.8	3.4	2.3	2.3	2.9	2.5	Δ 0.6	Δ 1.1	0.2	Δ 2.2	Δ 0.5	Δ 0.1	Δ 0.7	0.2	Δ 0.3	Δ 0.5	Δ 1.1	18.9	4.3	2.2	2.2	4.5	0.9	4.0	2.7	2.7	3.1	2.7	Δ 0.6	Δ 0.5	0.2	Δ 1.8	0.2	Δ 0.1	0.0	0.4	0.2	Δ 0.9	Δ 1.3
Central & Eastern Europe	5.9	2.1	1.3	1.5	0.6	0.0	0.6	0.4	0.6	0.6	0.8	Δ 2.0	Δ 0.7	Δ 0.8	0.2	0.0	Δ 0.2	0.0	0.0	0.2	0.2	Δ 1.1	6.7	2.2	1.3	1.6	0.4	0.0	0.4	0.2	0.4	0.7	0.4	Δ 1.8	Δ 1.1	Δ 1.2	0.1	Δ 0.4	Δ 0.3	Δ 0.4	Δ 0.3	Δ 0.1	0.2	Δ 1.1
Russia & CIS	6.5	0.8	0.8	0.2	0.6	0.2	0.6	0.4	0.4	0.4	0.6	Δ 6.3	Δ 0.7	Δ 0.1	Δ 0.7	0.2	0.2	0.0	0.0	0.2	Δ 0.7	7.0	0.9	0.9	0.2	0.4	0.0	0.4	0.2	0.4	0.7	Δ 6.3	Δ 0.4	0.1	Δ 0.6	Δ 0.1	0.0	Δ 0.1	Δ 0.3	Δ 0.3	0.1	0.2		
Middle East	6.7	1.3	0.8	1.0	0.6	0.0	0.6	0.2	0.6	0.2	0.4	Δ 1.7	Δ 0.2	Δ 0.1	0.4	0.0	Δ 0.2	0.0	0.0	0.2	0.0	0.2	6.7	1.1	0.9	0.7	0.7	0.0	0.7	0.2	0.7	0.2	0.4	Δ 1.8	Δ 0.4	Δ 0.1	0.2	0.2	Δ 0.3	0.2	Δ 0.1	0.4	Δ 0.1	0.4
Africa	2.7	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	-	-	-	-	-	-	-	-	-	-	2.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.0	-	-	-	-	-	-	-	-	-			
Other	1.3	1.5	1.1	0.4	0.4	0.0	0.4	0.2	0.4	0.2	0.2	Δ 2.3	0.6	0.2	0.4	0.0	0.0	0.0	0.0	0.4	0.2	Δ 0.2	1.3	1.6	1.3	0.2	0.0	0.0	0.0	0.0	0.2	0.2	Δ 2.0	0.6	0.3	0.2	Δ 0.5	0.0	Δ 0.5	Δ 0.3	0.0	0.2	Δ 0.1	

Note 1: The shaded figures in the FY2009 columns indicate countries/regions ranked in the top three, while shaded figures in the change from FY2008 indicate changes of two percentage points or more.

Note 2: (n) in FY 2009 was 524 for all industries and 445 for the manufacturing, trade & wholesale, and retail industries. In FY 2008 (n) was 467 for all industries and 399 for the manufacturing, trade & wholesale, and retail industries. (n) refers to the number of respondents planning to expand their overseas businesses in the future.

Note 3: Other Central & South America and Africa were added beginning from the FY 2009 Survey. Therefore there are no figures indicating changes from the FY 2008 survey.

## 2. Domestic and Overseas Business Operations

### (4) Expansion plans (for the next three years or so) – By country/region and function

#### Planned expansion rankings on each function by country/region (all industries)

Figure 2-10: Country /region rankings by function on expansion planned in the next three years or so (all industries)

Sales operations				Production (mid- to low-end products, high-end products)												R&D (primary research, new product development, localization)													
Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	Production (mid- to low-end products)				Production (high-end products)				R&D (primary research)																
					Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008										
1	China	(1)	55.3	5.6	1	China	(1)	36.1	4.6	1	China	(1)	26.5	1.7	1	China	(1)	17.7	5.1	1	China	(1)	14.9	3.6	1	China	(1)	2.9	1.6
2	United States	(2)	21.2	0.9	2	Thailand	(2)	10.1	Δ 2.3	2	Thailand	(2)	7.8	Δ 1.4	2	United States	(2)	4.8	Δ 0.8	2	United States	(2)	4.8	Δ 0.3	2	Western Europe	(2)	0.8	Δ 0.1
3	India	(3)	18.3	Δ 1.0	3	Vietnam	(3)	8.0	Δ 1.6	3	Vietnam	(3)	6.3	Δ 0.8	3	United States	(3)	3.8	Δ 0.5	3	Thailand	(3)	4.0	Δ 0.7	3	Republic of Korea	(6)	0.6	0.6
4	Thailand	(4)	17.6	Δ 1.2	4	India	(5)	6.7	1.1	4	India	(4)	5.5	1.6	4	Vietnam	(5)	2.9	Δ 0.3	4	Western Europe	(4)	3.8	Δ 0.5	3	Vietnam	(6)	0.6	0.6
5	Western Europe	(5)	17.2	Δ 0.6	5	United States	(4)	5.2	Δ 1.7	5	Indonesia	(6)	3.1	0.1	5	India	(6)	2.1	Δ 0.3	5	Vietnam	(7)	2.9	1.4	3	United States	(3)	0.6	0.0
6	Vietnam	(7)	14.5	2.5	6	Indonesia	(8)	3.6	0.2	6	Malaysia	(7)	2.7	Δ 0.1	6	Western Europe	(4)	1.9	Δ 2.2	6	India	(5)	2.5	0.6	6	Hong Kong	(6)	0.4	0.4
7	Republic of Korea	(8)	13.5	2.6	6	Western Europe	(6)	3.6	Δ 1.1	7	Taiwan	(10)	2.1	0.2	7	Taiwan	(13)	1.5	0.6	7	Taiwan	(9)	2.1	1.0	7	Taiwan	(6)	0.2	0.2
8	Taiwan	(9)	12.2	1.9	8	Taiwan	(10)	3.2	0.4	8	Republic of Korea	(8)	1.9	Δ 0.2	7	Central & Eastern Europe	(9)	1.5	0.2	8	Republic of Korea	(5)	1.9	0.0	7	Singapore	(6)	0.2	0.2
9	Singapore	(11)	10.3	2.2	9	Republic of Korea	(8)	3.1	Δ 0.3	9	United States	(4)	1.9	Δ 2.0	9	Republic of Korea	(8)	1.3	Δ 0.6	9	Indonesia	(17)	1.7	1.5	7	Thailand	(6)	0.2	0.2
10	Indonesia	(16)	9.7	3.7	10	Malaysia	(7)	2.7	Δ 1.6	8	Western Europe	(11)	1.9	0.2	10	Hong Kong	(9)	1.1	Δ 0.2	10	Hong Kong	(12)	1.5	0.9	7	Malaysia	(6)	0.2	0.2
11	Hong Kong	(15)	9.0	2.8	11	Central & Eastern Europe	(10)	2.1	Δ 0.7	11	Singapore	(16)	1.5	0.9	11	Indonesia	(12)	1.1	0.0	11	Singapore	(10)	1.1	0.2	7	Indonesia	(6)	0.2	0.2
12	Brazil	(13)	7.3	Δ 0.2	12	Singapore	(17)	1.9	0.6	11	Brazil	(12)	1.5	0.4	12	Canada	(19)	1.0	1.0	12	Malaysia	(8)	1.0	Δ 0.2	7	India	(6)	0.2	0.2
13	Malaysia	(14)	7.1	0.0	13	Hong Kong	(12)	1.5	Δ 0.2	13	Central & Eastern Europe	(8)	1.3	Δ 0.8	12	Middle East	(17)	1.0	0.4	12	Brazil	(10)	1.0	0.1	7	Russia & CIS	(6)	0.2	0.2
14	Middle East	(10)	6.7	Δ 1.7	14	Brazil	(12)	1.5	Δ 0.2	14	Philippines	(18)	1.1	0.7	14	Philippines	(13)	0.6	Δ 0.3	14	Philippines	(18)	0.6	0.6	14	Philippines	(6)	0.0	0.0
15	Russia & CIS	(6)	6.5	Δ 6.3	15	Philippines	(18)	1.3	0.7	15	Hong Kong	(13)	0.8	Δ 0.1	14	Malaysia	(7)	0.6	Δ 1.5	14	Canada	(18)	0.6	0.6	14	Canada	(6)	0.0	0.0
16	Central & Eastern Europe	(12)	5.9	Δ 2.0	15	Middle East	(15)	1.3	Δ 0.2	15	Russia & CIS	(13)	0.8	Δ 0.1	16	Philippines	(18)	0.4	0.0	14	Central & Eastern Europe	(12)	0.6	0.0	14	Mexico	(6)	0.0	0.0
17	Canada	(18)	2.9	1.0	17	Canada	(18)	1.1	0.5	15	Middle East	(13)	0.8	Δ 0.1	17	Other Central & South America	-	0.2	-	14	Russia & CIS	(15)	0.6	0.2	14	Brazil	(6)	0.0	0.0
18	Africa	-	2.7	-	18	Russia & CIS	(15)	0.8	Δ 0.7	18	Mexico	(16)	0.4	Δ 0.2	17	Russia & CIS	(13)	0.2	Δ 0.7	14	Middle East	(12)	0.6	0.0	14	Other Central & South America	-	0.0	-
19	Other Central & South America	-	2.5	-	19	Mexico	(12)	0.4	Δ 1.3	19	Canada	(18)	0.2	Δ 0.2	17	Africa	-	0.2	-	19	Mexico	(15)	0.2	Δ 0.2	14	Central & Eastern Europe	(4)	0.0	Δ 0.2
20	Mexico	(17)	1.5	Δ 0.6	19	Other Central & South America	-	0.4	-	19	Other Central & South America	-	0.2	-	20	Mexico	(9)	0.0	Δ 1.3	20	Other Central & South America	-	0.0	-	14	Middle East	(4)	0.0	Δ 0.2
21	Philippines	(19)	1.3	0.7	21	Africa	-	0.2	-	21	Africa	-	0.0	-	20	Brazil	(13)	0.0	Δ 0.9	20	Africa	-	0.0	-	14	Africa	-	0.0	-

R&D (new product development, localization)				Regional HQ												Distribution													
Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	R&D (new product development)				R&D (localization)				Regional HQ				Distribution												
					Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008	Rank	Country or Region	FY 2008 rank	FY 2009 survey	Change from FY 2008					
1	China	(1)	14.3	3.4	1	China	(1)	6.7	2.2	1	China	(1)	11.1	2.3	1	China	(1)	4.8	0.9	1	China	(1)	10.3	1.7	1	China	(1)	20.3	1.7
2	United States	(2)	4.4	Δ 0.7	2	United States	(2)	2.5	Δ 0.3	2	Thailand	(2)	3.4	Δ 0.5	2	Western Europe	(2)	2.9	Δ 0.5	2	Western Europe	(2)	2.5	Δ 1.1	2	Western Europe	(2)	2.5	Δ 1.1
3	Thailand	(3)	4.0	Δ 0.7	3	Thailand	(4)	2.3	0.6	3	United States	(3)	3.2	Δ 0.2	3	United States	(3)	2.5	Δ 0.7	3	United States	(3)	2.5	Δ 0.7	4	Thailand	(5)	2.3	0.2
4	Western Europe	(4)	3.4	Δ 0.7	3	Western Europe	(3)	2.3	0.2	4	Western Europe	(4)	2.3	Δ 0.3	4	Hong Kong	(6)	2.1	1.0	4	Thailand	(5)	2.3	0.2	4	United States	(3)	2.3	Δ 0.7
5	Vietnam	(7)	2.7	1.2	5	Taiwan	(11)	1.7	1.3	5	Vietnam	(6)	1.9	0.8	5	Singapore	(4)	1.9	0.8	5	Singapore	(4)	1.9	0.8	5	Singapore	(4)	1.9	0.8
6	India	(5)	2.3	0.4	6	Vietnam	(8)	1.0	0.4	6	India	(5)	1.7	0.4	6	Thailand	(5)	1.7	0.2	6	Thailand	(5)	1.7	0.2	6	Hong Kong	(4)	1.9	Δ 0.9
7	Taiwan	(9)	2.1	1.0	7	Hong Kong	(8)	0.8	0.2	7	Republic of Korea	(7)	1.5	0.6	7	India	(6)	1.1	0.0	7	India	(6)	1.1	0.0	6	Vietnam	(10)	1.9	0.6
8	Republic of Korea	(5)	1.5	Δ 0.4	7	Brazil	(8)	0.8	0.2	8	Taiwan	(7)	1.3	0.4	8	Central & Eastern Europe	(10)	0.6	0.2	8	Central & Eastern Europe	(10)	0.6	0.2	6	India	(7)	1.9	0.4
8	Indonesia	(17)	1.5	1.3	9	Malaysia	(6)	0.6	Δ 0.3	8	Singapore	(12)	1.3	0.9	9	Taiwan	(8)	0.4	Δ 0.2	9	Taiwan	(8)	0.4	Δ 0.2	9	Singapore	(7)	1.5	0.0
9	Singapore	(12)	1.3	0.7	9	Indonesia	(14)	0.6	0.4	9	Indonesia	(17)	1.1	0.9	9	Vietnam	(12)	0.4	0.2	10	Taiwan	(12)	1.1	0.0	10	Taiwan	(12)	1.1	0.0
11	Hong Kong	(10)	1.0	0.1	9	India	(6)	0.6	Δ 0.3	11	Hong Kong	(9)	0.8	0.2	11	Brazil	(8)	0.4	Δ 0.2	11	Indonesia	(14)	1.0	0.4	11	Indonesia	(14)	1.0	0.4
11	Malaysia	(8)	1.0	Δ 0.3	12	Republic of Korea	(5)	0.4	Δ 1.1	12	Malaysia	(9)	0.6	0.0	12	Russia & CIS	(12)	0.4	0.2	12	Central & Eastern Europe	(6)	0.8	Δ 1.1	12	Central & Eastern Europe	(6)	0.8	Δ 1.1
11	Brazil	(10)	1.0	0.1	12	Singapore	(14)	0.4	0.2	12	Central & Eastern Europe	(12)	0.6	0.2	13	Republic of Korea	(10)	0.2	Δ 0.2	13	Republic of Korea	(10)	0.2	Δ 0.2	13	Russia & CIS	(10)	0.6	Δ 0.7
14	Philippines	(18)	0.6	0.6	12	Canada	(17)	0.4	0.4	12	Middle East	(12)	0.6	0.2	13	Indonesia	(18)	0.2	0.2	14	Malaysia	(7)	0.4	Δ 1.1	14	Malaysia	(7)	0.4	Δ 1.1
14	Canada	(18)	0.6	0.6	12	Central & Eastern Europe	(11)	0.4	0.0	15	Philippines	(18)	0.4	0.4	15	Philippines	-	0.2	-	14	Canada	(19)	0.4	0.4	14	Canada	(19)	0.4	0.4
14	Central & Eastern Europe	(12)	0.6	0.0	12	Russia & CIS	(11)	0.4	0.0	15	Brazil	(9)	0.4	Δ 0.2	13	Middle East	(12)	0.2	0.0	14	Mexico	(15)	0.4	0.0	14	Mexico	(15)	0.4	0.0
14	Russia & CIS	(15)	0.6	0.2	17	Philippines	(17)	0.2	0.2	15	Russia & CIS	(12)	0.4	0.0	15	Russia & CIS	-	0.2	-	14	Middle East	(16)	0.4	0.2	14	Middle East	(16)	0.4	0.2
14	Middle East	(12)	0.6	0.0	17	Mexico	(17)	0.2	0.2	18	Canada	(18)	0.2	0.2	18	Malaysia	(12)	0.0	Δ 0.2	18	Republic of Korea	(13)	0.2	Δ 0.7	18	Republic of Korea	(13)	0.2	Δ 0.7
19	Mexico	(15)	0.2	Δ 0.2	17	Middle East	(14)	0.2	0.0	18	Mexico	(12)	0.2	Δ 0.2	18	Philippines	(12)	0.0	Δ 0.2	19	Philippines	(16)	0.0	Δ 0.2	19	Philippines	(16)	0.0	Δ 0.2
20	Other Central & South America	-	0.0	-	19	Other Central & South America	-	0.0	-	20	Other Central & South America	-	0.0	-	20	Other Central & South America	(12)	0.0	Δ 0.2	20	Other Central & South America	-	0.0	-	20	Other Central & South America	-	0.0	-
20	Africa	-	0.0	-	20	Africa	-	0.0	-	20	Africa	-	0.0	-	20	Mexico	(18)	0.0	0.0	19	Africa	-	0.0	-	19	Africa	-	0.0	-

Note 1: The number of respondents (n) planning to expand their overseas businesses in the future was 524 in the FY2009 survey and 467 in the FY2008 survey.

Note 2: Other Central & South America and Africa were added beginning from the FY 2009 Survey. Therefore, there are no rankings for FY 2008 or figures indicating changes from the FY 2008 Survey.

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### 3. Business Environment in Asia

## (1) Concerns over rising labor costs eased

The business environment of major Asian countries (by risk)

● **In nearly all countries, the percentage of those who replied “Labor costs are high or rising” has declined.**

In a question asking about risk and issues for doing business in major Asian countries (PR China, India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam), nearly all of the countries saw a significantly lower percentage of respondents citing “labor costs are high or rising,” compared to the previous survey. This suggests an easing of upward pressure on wages as a sense of over-employment prevails in the global recession.

● **Signs of improvement in the development of Viet Nam’s infrastructure; issues remain in PR China’s legal and other systems.**

Focusing on the manufacturing and trade & wholesale/retail industries, for which figures from the last four years are available (Figures 5-3, 4), firms see gradual improvements in PR China’s “inadequate infrastructure,” while India has ranked at the top of this item for four consecutive years. Viet Nam, which has ranked high in the items “inadequate infrastructure” and “lack of clustering or development of related industries,” has made gradual improvements in the past four years. While PR China is seen as making steady progress in the development of infrastructure, issues relating to legal and other systems, including “underdeveloped legal system/problems with legal operation” and “problems with protection of intellectual property rights,” remain persistent.

Figure 5-1: Risks and issues for doing business in major Asian countries (all industries)

Rank	High forex risk			Rank	Inadequate infrastructure			Rank	Underdeveloped legal system, problems with legal operation			Rank	Lack of clustering or development of related industries						
	FY 2009	FY 2008	Change		FY 2009	FY 2008	Change		FY 2009	FY 2008	Change		FY 2009	FY 2008	Change				
1	(1) Indonesia	26.2	32.6	Δ 6.4	1	(1) India	56.7	58.7	Δ 2.0	1	(1) China	53.1	55.7	Δ 2.6	1	(1) Vietnam	20.0	24.3	Δ 4.3
2	(2) Thailand	20.4	23.1	Δ 2.7	2	(2) Vietnam	41.8	55.7	Δ 13.9	2	(2) Vietnam	30.8	33.8	Δ 3.0	2	(3) India	14.7	15.7	Δ 1.0
3	(3) Vietnam	20.0	21.3	Δ 1.3	3	(3) Indonesia	27.7	29.9	Δ 2.2	3	(3) India	28.2	30.6	Δ 2.4	3	(2) Philippines	11.0	17.1	Δ 6.1
4	(4) India	19.6	18.5	1.1	4	(4) Philippines	26.8	28.0	Δ 1.2	4	(4) Indonesia	19.9	22.6	Δ 2.7	4	(4) Indonesia	7.8	10.6	Δ 2.8
5	(5) China	18.8	16.6	2.2	5	(5) China	15.7	16.8	Δ 1.1	5	(5) Philippines	16.3	15.2	1.1	5	(7) China	5.4	4.0	1.4
6	(7) Philippines	18.2	12.3	5.9	6	(6) Thailand	9.4	10.3	Δ 0.9	6	(6) Thailand	10.8	10.1	0.7	6	(6) Thailand	5.3	7.7	Δ 2.4
7	(6) Malaysia	14.7	13.4	1.3	7	(7) Malaysia	8.7	5.6	3.1	7	(7) Malaysia	7.0	8.5	Δ 1.5	7	(5) Malaysia	5.0	8.1	Δ 3.1
8	(8) Singapore	12.2	9.2	3.0	8	(8) Singapore	1.9	2.3	Δ 0.4	8	(8) Singapore	0.9	1.3	Δ 0.4	8	(8) Singapore	2.5	3.0	Δ 0.5
Rank	Problems with protection of intellectual property rights			Rank	Labor costs are high or rising			Rank	Tax-related risks or issues			Rank	Labor issues						
	FY 2009	FY 2008	Change		FY 2009	FY 2008	Change		FY 2009	FY 2008	Change		FY 2009	FY 2008	Change				
1	(1) China	57.4	55.7	1.7	1	(2) Singapore	30.4	35.0	Δ 4.6	1	(1) China	28.0	30.6	Δ 2.6	1	(1) China	29.7	32.6	Δ 2.9
2	(2) India	13.1	14.9	Δ 1.8	2	(1) China	29.2	42.4	Δ 13.2	2	(2) India	21.8	21.0	0.8	2	(2) India	20.5	19.2	1.3
3	(3) Vietnam	10.2	10.8	Δ 0.6	3	(3) Thailand	16.0	18.8	Δ 2.8	3	(4) Indonesia	10.3	11.3	Δ 1.0	3	(7) Philippines	12.0	7.6	4.4
4	(4) Philippines	7.2	7.6	Δ 0.4	4	(5) Malaysia	11.4	14.1	Δ 2.7	4	(3) Vietnam	8.9	11.5	Δ 2.6	4	(6) Thailand	10.8	7.9	2.9
4	(5) Indonesia	7.2	6.6	0.6	5	(4) Vietnam	9.8	17.2	Δ 7.4	5	(6) Thailand	7.1	7.5	Δ 0.4	5	(3) Vietnam	9.8	15.9	Δ 6.1
6	(6) Thailand	6.2	6.5	Δ 0.3	6	(6) India	8.0	10.7	Δ 2.7	6	(7) Malaysia	4.0	5.6	Δ 1.6	6	(4) Indonesia	9.7	12.0	Δ 2.3
7	(7) Malaysia	3.0	6.0	Δ 3.0	7	(7) Indonesia	4.4	8.6	Δ 4.2	7	(5) Philippines	3.8	8.5	Δ 4.7	7	(5) Malaysia	6.0	8.1	Δ 2.1
8	(8) Singapore	0.9	1.3	Δ 0.4	8	(8) Philippines	4.3	4.3	0.0	8	(8) Singapore	1.3	1.7	Δ 0.4	8	(8) Singapore	2.2	3.3	Δ 1.1

(n) in FY 2008: PR China 680, Thailand 416, Indonesia 301, Malaysia 284, Philippines 211, Singapore 303, Viet Nam 296, India 281.

(n) in FY 2009: PR China 718, Thailand 437, Indonesia 321, Malaysia 299, Philippines 209, Singapore 319, Viet Nam 325, India 312.

Note 1: n indicates firms with business relationships or those considering new businesses.

Note 2: Numbers in parentheses indicate rank in FY 2008.

## 5. Business Environment in Asia

### (2) Risks and issues of major Asian countries (all industries)

Figure 5-2: Ranking of business risks and issues by country (all industries)

China				Thailand				Indonesia						
Rank		FY 2009	FY 2008	Change	Rank		FY 2009	FY 2008	Change	Rank		FY 2009	FY 2008	Change
1	(1) Problems with protection of intellectual property rights	57.4	55.7	1.7	1	(1) High forex risk	20.4	23.1	Δ 2.7	1	(2) Inadequate infrastructure	27.7	29.9	Δ 2.2
2	(1) Underdeveloped legal system, problems with legal operation	53.1	55.7	Δ 2.6	2	(2) Labor costs are high or rising	16.0	18.8	Δ 2.8	2	(1) High forex risk	26.2	32.6	Δ 6.4
3	(4) Labor issues	29.7	32.6	Δ 2.9	3	(4) Underdeveloped legal system, problems with legal operation	10.8	10.1	0.7	3	(3) Underdeveloped legal system, problems with legal operation	19.9	22.6	Δ 2.7
4	(3) Labor costs are high or rising	29.2	42.4	Δ 13.2	3	(5) Labor issues	10.8	7.9	2.9	4	(5) Tax-related risks or issues	10.3	11.3	Δ 1.0
5	(5) Tax-related risks or issues	28.0	30.6	Δ 2.6	5	(3) Inadequate infrastructure	9.4	10.3	Δ 0.9	5	(4) Labor issues	9.7	12.0	Δ 2.3
6	(7) High forex risk	18.8	16.6	2.2	6	(7) Tax-related risks or issues	7.1	7.5	Δ 0.4	6	(6) Lack of clustering or development of related industries	7.8	10.6	Δ 2.8
7	(6) Inadequate infrastructure	15.7	16.8	Δ 1.1	7	(8) Problems with protection of intellectual property rights	6.2	6.5	Δ 0.3	7	(8) Problems with protection of intellectual property rights	7.2	6.6	0.6
8	(8) Lack of clustering or development of related industries	5.4	4.0	1.4	8	(6) Lack of clustering or development of related industries	5.3	7.7	Δ 2.4	8	(7) Labor costs are high or rising	4.4	8.6	Δ 4.2
Malaysia				Philippines				Singapore						
Rank		FY 2009	FY 2008	Change	Rank		FY 2009	FY 2008	Change	Rank		FY 2009	FY 2008	Change
1	(2) High forex risk	14.7	13.4	1.3	1	(1) Inadequate infrastructure	26.8	28.0	Δ 1.2	1	(1) Labor costs are high or rising	30.4	35.0	Δ 4.6
2	(1) Labor costs are high or rising	11.4	14.1	Δ 2.7	2	(4) High forex risk	18.2	12.3	5.9	2	(2) High forex risk	12.2	9.2	3.0
3	(7) Inadequate infrastructure	8.7	5.6	3.1	3	(3) Underdeveloped legal system, problems with legal operation	16.3	15.2	1.1	3	(4) Lack of clustering or development of related industries	2.5	3.0	Δ 0.5
4	(3) Underdeveloped legal system, problems with legal operation	7.0	8.5	Δ 1.5	4	(6) Labor issues	12.0	7.6	4.4	4	(3) Labor issues	2.2	3.3	Δ 1.1
5	(4) Labor issues	6.0	8.1	Δ 2.1	5	(2) Lack of clustering or development of related industries	11.0	17.1	Δ 6.1	5	(5) Inadequate infrastructure	1.9	2.3	Δ 0.4
6	(4) Lack of clustering or development of related industries	5.0	8.1	Δ 3.1	6	(6) Problems with protection of intellectual property rights	7.2	7.6	Δ 0.4	6	(6) Tax-related risks or issues	1.3	1.7	Δ 0.4
7	(7) Tax-related risks or issues	4.0	5.6	Δ 1.6	7	(8) Labor costs are high or rising	4.3	4.3	0.0	7	(7) Underdeveloped legal system, problems with legal operation	0.9	1.3	Δ 0.4
8	(6) Problems with protection of intellectual property rights	3.0	6.0	Δ 3.0	8	(5) Tax-related risks or issues	3.8	8.5	Δ 4.7	7	(7) Problems with protection of intellectual property rights	0.9	1.3	Δ 0.4
Vietnam				India										
Rank		FY 2009	FY 2008	Change	Rank		FY 2009	FY 2008	Change					
1	(1) Inadequate infrastructure	41.8	55.7	Δ 13.9	1	(1) Inadequate infrastructure	56.7	58.7	Δ 2.0					
2	(2) Underdeveloped legal system, problems with legal operation	30.8	33.8	Δ 3.0	2	(2) Underdeveloped legal system, problems with legal operation	28.2	30.6	Δ 2.4					
3	(4) High forex risk	20.0	21.3	Δ 1.3	3	(3) Tax-related risks or issues	21.8	21.0	0.8					
3	(3) Lack of clustering or development of related industries	20.0	24.3	Δ 4.3	4	(4) Labor issues	20.5	19.2	1.3					
5	(8) Problems with protection of intellectual property rights	10.2	10.8	Δ 0.6	5	(5) High forex risk	19.6	18.5	1.1					
6	(5) Labor costs are high or rising	9.8	17.2	Δ 7.4	6	(6) Lack of clustering or development of related industries	14.7	15.7	Δ 1.0					
6	(6) Labor issues	9.8	15.9	Δ 6.1	7	(7) Problems with protection of intellectual property rights	13.1	14.9	Δ 1.8					
8	(7) Tax-related risks or issues	8.9	11.5	Δ 2.6	8	(8) Labor costs are high or rising	8.0	10.7	Δ 2.7					

(n) in FY 2008: PR China 680, Thailand 416, Indonesia 301, Malaysia 284, Philippines 211, Singapore 303, Viet Nam 296, India 281.

(n) in FY 2009: PR China 718, Thailand 437, Indonesia 321, Malaysia 299, Philippines 209, Singapore 319, Viet Nam 325, India 312.

Note 1: (n) indicates firms with business relationships or those considering new businesses.

Note 2: Numbers in parentheses indicate rank in FY 2008.