



# **Survey Report on Overseas Business Operations by Japanese Manufacturing Companies**

**-Results of JBIC FY2003 Survey:  
Outlook for Japanese Foreign Direct Investment (15<sup>th</sup> Annual Survey) -**

November 2003

JBIC Institute  
Japan Bank for International Cooperation

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# 【 I . Overview of the Survey Method 】

The purpose of this survey is to identify the current and future trends of overseas business operations<sup>1/2</sup> and foreign direct investment (FDI) activities of Japanese manufacturing companies. This year's survey was the 15th of an annual series that began in 1989.

The survey covered 932 manufacturing companies that have three or more foreign affiliates, including at least one manufacturing base, as of November 2002. The questionnaire was mailed on July 1, 2003. 571 valid responses were returned over the period from July to September. The effective response rate was 61.3%. (In the FY2002 survey, valid returns were 508 out of 812 companies surveyed, with the response rate of 62.6%)

This year's survey additionally looked into "the impact of Severe Acute Respiratory Syndrome (SARS)" and "Free Trade Agreements".

Note 1 : Overseas business operations are defined as production, sales, research and development activities in overseas bases, as well as outsourcing of manufacturing and procurement overseas.

## Companies Surveyed, Response Rate and Overseas Affiliates

(Unit: Companies, %)

	FY2003	FY2002	FY2001	FY2000	FY1999
Number of companies surveyed	932	812	792	791	786
Number of respondent	571	508	501	469	472
Response rate	61.3	62.6	63.3	59.3	60.1
Number of overseas affiliates	9,838	8,924	7,710	7,285	7,225

## Profile of Companies Surveyed

(1) Number of respondent companies, by paid-in capital (Individual company base)

	Number of companies	%
less than ¥100 million	45	7.9%
¥100 million ~ less than ¥500 million	56	9.8%
¥500 million ~ less than ¥1.0 billion	29	5.1%
¥1.0 billion ~ less than ¥5.0 billion	124	21.7%
¥5.0 billion ~ less than ¥10.0 billion	88	15.4%
less than ¥10.0 billion or more	229	40.1%
Total	571	100.0%

(2) Number of respondent companies, by annual sales (Consolidated base)

	Number of companies	%
less than ¥50.0 billion	235	42.0%
¥50.0 billion ~ less than ¥100.0 billion	97	17.3%
¥100.0 billion ~ less than ¥200.0 billion	74	13.2%
¥200.0 billion ~ less than ¥300.0 billion	35	6.3%
¥300.0 billion ~ less than ¥500.0 billion	44	7.9%
¥500.0 billion ~ less than ¥1.0 trillion	31	5.5%
¥1.0 trillion or more	44	7.9%
Total	560	100.0%

※ 11 companies did not provide this information

(3) Number of respondent companies, by number of employees (Individual company base)

	Number of companies	%
300 employees or less	101	17.7%
301 to 500 employees	74	13.0%
501 to 1,000 employees	115	20.2%
1,001 to 2,000 employees	118	20.7%
2,001 to 5,000 employees	95	16.7%
5,001 to 10,000 employees	38	6.7%
10,001 to 30,000 employees	20	3.5%
30,001 or more employees	9	1.6%
Total	570	100.0%

※ One company did not provide this information

(4) Number of respondent companies, by industrial classification

Industrial classification	Number of companies	%
Foodstuffs	22	3.9%
Textiles	17	3.0%
Wood and wood products	3	0.5%
Paper and pulp	7	1.2%
Chemicals	89	15.6%
[Chemicals (excluding pharmaceuticals)]	(75)	(13.1%)
[Pharmaceuticals]	(14)	(2.5%)
Petroleum and rubber	11	1.9%
Ceramics, cement and glass	15	2.6%
Steel	15	2.6%
Nonferrous metals	19	3.3%
Metal products	23	4.0%
General machinery	64	11.2%
[Assembled products]	(49)	(8.6%)
[Components]	(15)	(2.6%)
Electrical equipment and electronics	110	19.3%
[Assembled products]	(33)	(5.8%)
[Components]	(77)	(13.5%)
Transportation (excluding Automobiles)	12	2.1%
Automobiles	90	15.8%
[Assembled vehicles]	(10)	(1.8%)
[Components]	(80)	(14.0%)
Precision machinery	35	6.1%
[Assembled machinery]	(25)	(4.4%)
[Components]	(10)	(1.8%)
Other	39	6.8%
Total	571	100.0%

(5) Number of overseas affiliates, by type of base and by region

(Unit: Companies)

	NIES	ASEAN4	China	Other Asian countries	North America	Latin America	EU	Central-Eastern Europe	Other European countries	Russia & other CIS	Southeast Asia Pacific	Middle East & Africa	Total
Production bases	644	1,157	1,105	161	729	212	460	70	17	6	58	43	4,662
Sales bases	864	418	424	57	719	155	1,067	80	64	22	138	65	4,073
R&D bases	21	18	29	3	88	-	48	3	-	-	6	-	216
Other	117	88	90	10	255	53	208	11	8	3	34	10	887
<b>Total</b>	<b>1,646</b>	<b>1,681</b>	<b>1,648</b>	<b>231</b>	<b>1,791</b>	<b>420</b>	<b>1,783</b>	<b>164</b>	<b>89</b>	<b>31</b>	<b>236</b>	<b>118</b>	<b>9,838</b>
Outsourcing production bases	41	58	115	15	37	6	11	-	1	-	1	5	290

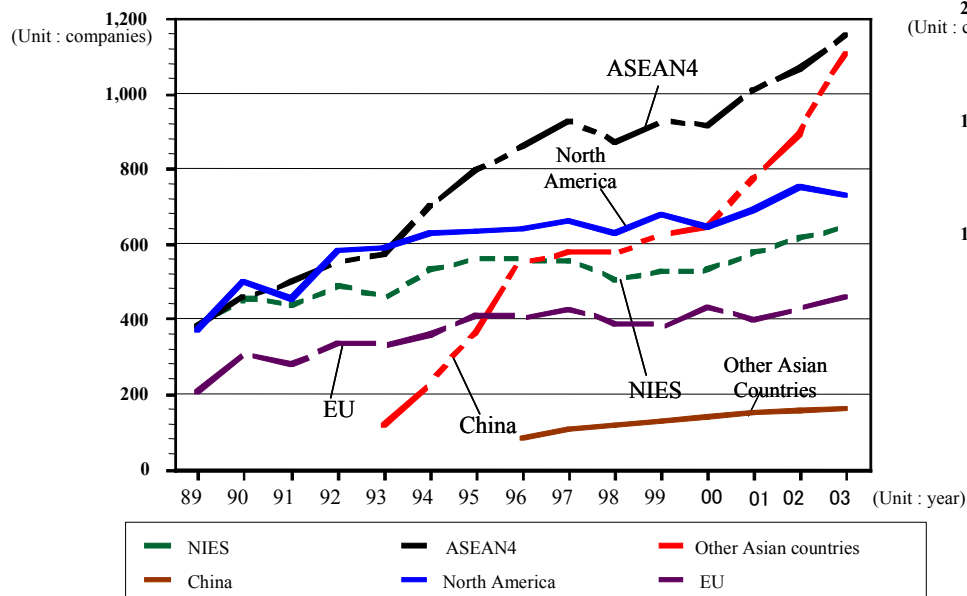
※The following is the classification of major regions in this survey:

- NIES** Korea, Taiwan, Singapore, Hong Kong
- ASEAN4** Thailand, Indonesia, Malaysia, the Philippines
- North America** U.S., Canada
- EU:** U.K., Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden, Ireland
- Central and Eastern Europe** Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Slovenia, Albania, Croatia, Macedonia, Yugoslavia (Serbia, Montenegro), Bosnia and Herzegovina

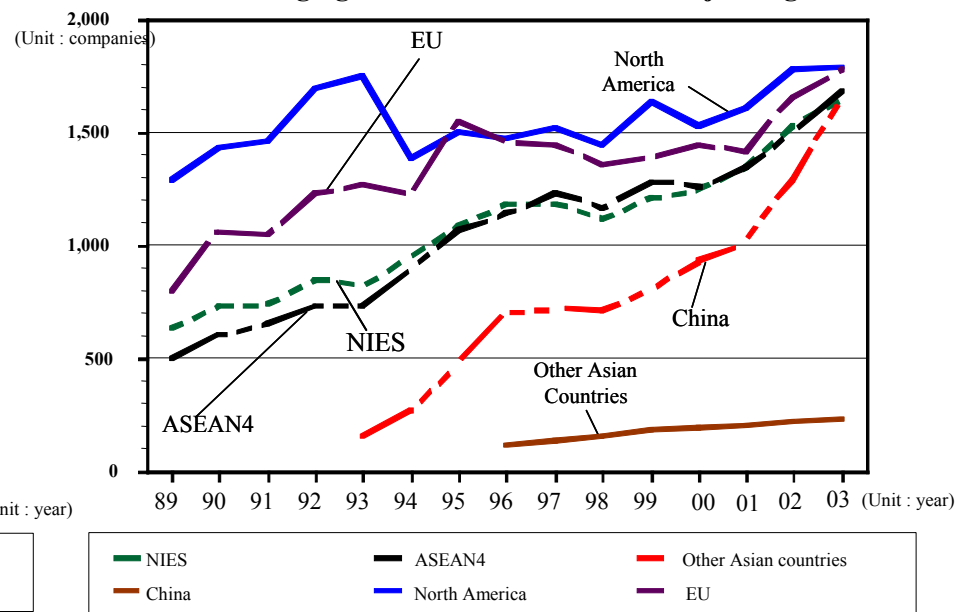
We divided China into five regions (Northeastern China, Northern China, Eastern China, Southern China, and inland China) in the FY2003 survey. These five regions consisted of the following provinces and administrative districts:

- Northeastern China:** Heilongjiang Province, Jilin Province, and Liaoning Province
- Northern China:** Beijing, Tientsin, Hebei Province, and Shandong Province
- Eastern China:** Shanghai, Jiangsu Province, Anhui Province, and Zhejiang Province
- Southern China:** Fujian Province, Guangdong Province, and Hainan Province
- Inland China:** Provinces other than those mentioned above and autonomous regions

Changing of Overseas Manufacturing Bases in Major Regions



Changing of Overseas Affiliates in Major Regions



※Data for China starts from FY1993. Data for Other Asian countries starts from FY1996.

### ■ Continuing trend to strengthening and expansion of overseas business

Questioned on their stance toward overseas business in the medium term (next three years), an average of 78.3% of respondents in all industries said “strengthen and expand the overseas business operations”. This shows a decline by 1.3% point from the FY2002 survey, but the attitude toward overseas business operations remains aggressive.

### ■ Expanded production of higher value-added products in Japan

On the impact of overseas business development on domestic operations in the medium term (next three years), the most commonly selected response, by 40.3% of respondents, was “products previously made in Japan will be moved to production at overseas bases, but we will tackle other products and fields in Japan to fill in the resulting gap”. Of the companies which gave that answer, 84.3% said “ ‘other products and fields’ in Japan would mean ‘specialization in higher value-added products’ ”. Clearly, most companies have been dividing their production between domestic and overseas business, aiming to shift production with higher value-added products to Japan. As for the means of doing so, many companies said “strengthening cooperation between marketing and related departments with development departments” (52.2%) and “Selection and concentration of R&D resources” (42.1%).

### ■ Strongly positive stance to China, Central and Eastern Europe and North America

Asked for their stance to overseas business operations in the medium term (next 3 years or so), the region for which the highest proportion of companies said they would “strengthen and expand the overseas business operations” was China (73.9%), continuing the preceding year’s trend towards strengthening and expansion. China was followed by Central and Eastern Europe (58.1%), North America (52.6%) and the EU (46.6%). One characteristic of this year’s survey is that companies’ stance to strengthen and expand their business in Central and Eastern Europe had reinforced.

### ■ SARS had an impact on the business of 61% of companies

The outbreak of Severe Acute Respiratory Syndrome (SARS) which hit Asia and other countries around the world for several months, starting in March 2003, had some impact on the operations of 61.4% of respondent companies. Interviews with companies on the specific types of impact found that some had increased inventory in readiness for factory stoppages (electrical equipment and electronics etc.), but most reported inability to send engineers from Japan for commissioning overseas factories, delaying startups (automobile components etc.).

### ■ Overall evaluation has improved

Respondent companies’ evaluation of satisfaction with sales and profitability from their overseas business had worsened in all regions other than ASEAN4 in the FY2002 survey, but the FY2003 survey showed some trend to improvement in all regions and countries. However, while FY2003 survey showed relatively high levels of satisfaction in the NIES, ASEAN4 and China, business evaluations of Central and Eastern Europe, the EU, North America and Latin America remained low. Considering the survey result indicating bullish sentiment for strengthening and expansion of business operations in North America and Central and Eastern Europe in the medium term, improvement of profitability in these countries and regions is an important issue for the future.

### ■ Expansion in the size and improvement in the quality of business in China

This year’s survey found an improvement from the preceding year in the evaluation of business in China. However, while the scale of business in China will be expanded and strengthened, the question of which way profitability will move is closely related to matters such as the strategies adopted by Japanese-affiliated business in China, and should be analyzed carefully. As related companies from Japan move into China, their satisfaction with business profitability could rise, with expanding trading relationships and their equipment moving into full-scale operation. However, competition in the market will intensify for these companies, and it will be important for them to make qualitative improvements in their business management in order to maintain and enhance their edge.

### ■ Positive action is required to promote use of FTAs

The first FTA for Japan was agreed between Singapore in January 2002 (called the Japan Singapore Economic Partnership Agreement (JSEPA)). Besides the question of using JSEPA in business or not, 41.9% of respondent companies said that they were “aware of the content of the agreement”. Of the companies doing business, such as import-export, with Singapore, 5.7% said they were “making use of the agreement” in their business. In interviews with those respondent companies, many said “because we heard that the movement of goods to Japan was smoother”, and there were a few which said “it is our strategy to set up bases in countries that have concluded FTAs and have lower import tariffs”.

These results indicate that recognition and use of JSEPA are not so high at present. The situation appears to be because companies do not know how to use it in their business, or are simply unaware of the content of the agreement, and therefore positive action is required to promote the use and understanding of the JSEPA and other FTAs.

### ■ Vietnam and India are rising, and Russia entered the top ten for the first time

When asked about their promising countries for business operations in the medium term, the top three countries in this survey were the same as the preceding year, but Indonesia, 4th until last year, fell to 6th, replaced by Vietnam in 4th place and India in 5th place. In a notable development, Russia, which appeared in 16th place in the last year’s survey, rose further to enter the top ten for the first time in this year’s survey.

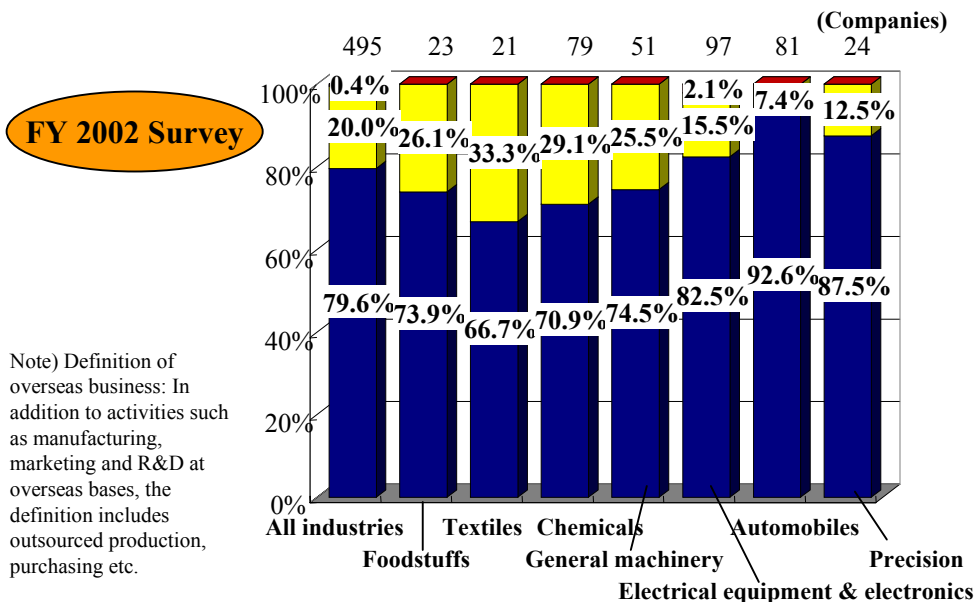
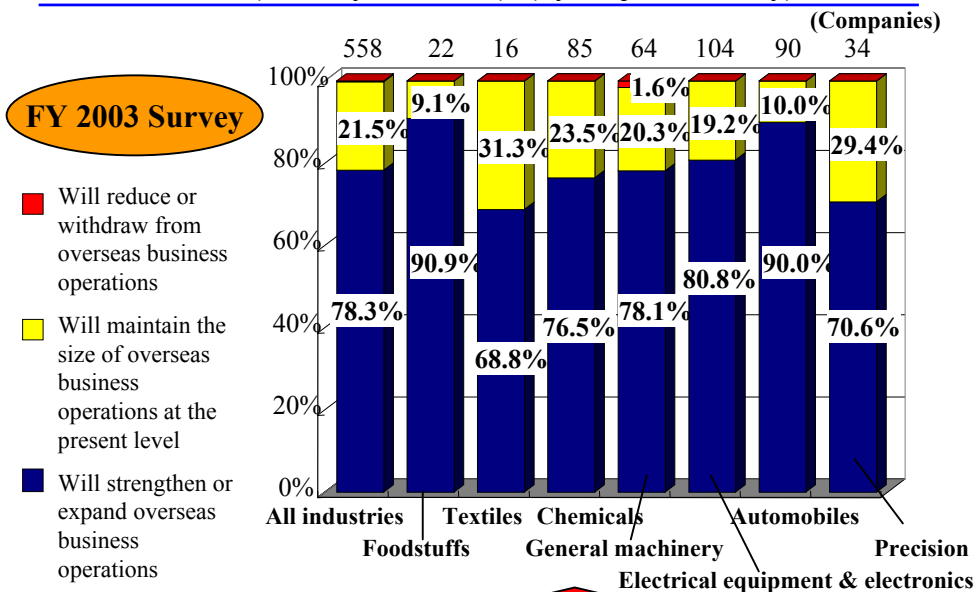
### ■ From future expectations to actual businesses

Inquiring whether actual business plans are in companies for each promising countries, a high proportion of companies said of the top three countries, China, Thailand and the USA, that “we have business plans, including new business entry”. On the other hand, though Vietnam and Russia made remarkable advances up the rankings in this survey, around 80% of companies said they had “no actual business plans at present” for those countries. Companies are growing increasingly interested in these emerging countries, but their expectations are booming more than action. It will be important to think how to link these expectations to actual business.

# III. Survey Results 1. Prospects for Overseas and Domestic Business Operation

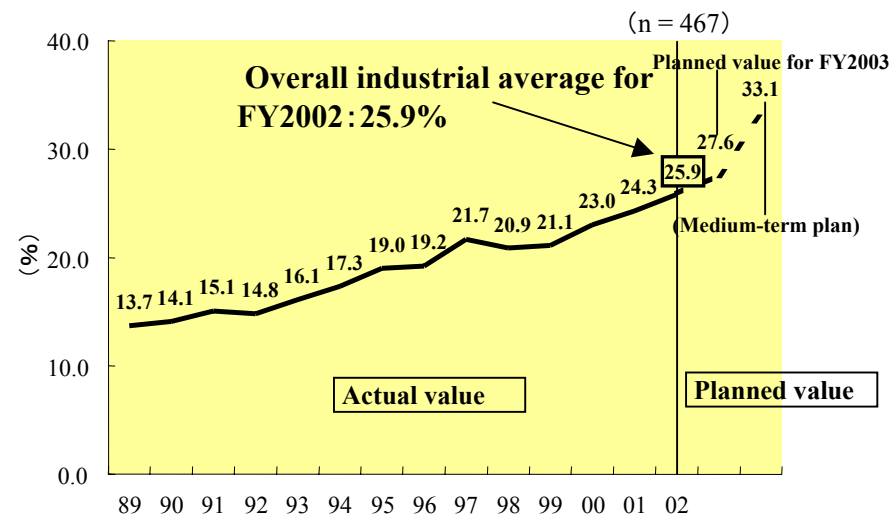
## 【Prospects for Overseas Business Operations over the Medium Term】

**Figure1 Prospects for Overseas Business Operations over the Medium Term (next 3 years or so) (by major industry)**



Note) Definition of overseas business: In addition to activities such as manufacturing, marketing and R&D at overseas bases, the definition includes outsourced production, purchasing etc.

**Figure2 Changing Patterns of Overseas Production Ratio (overall industrial average)**



### ■ Continuing trend to strengthening and expansion of overseas business

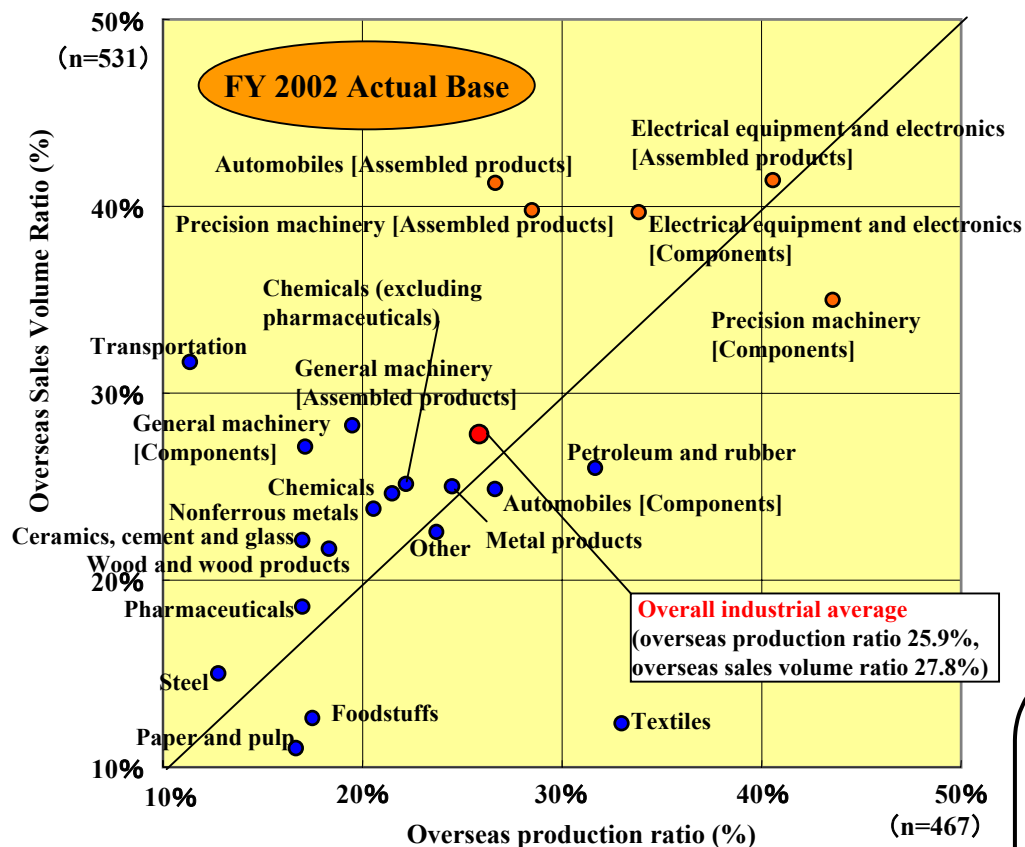
Questioned on their stance toward overseas business in the medium term (next three years), an average of 78.3% of respondents in all industries said “strengthen and expand the overseas business operations”. This shows a decline by 1.3% point from the FY2002 survey, but the attitude toward overseas business operations remains aggressive.

### ■ Overseas production ratios rose for the fourth consecutive year

When companies were asked for their actual values of overseas production ratios in FY2002, the average responses of all industries was 25.9%, the fourth consecutive year of increase. When asked for their planned values for FY2003, and for the medium term plans to FY2006, the average responses were 27.6% and 33.1% respectively, indicating that many companies plan to expand their overseas production in future.

**【Overseas Sales Volume Ratio and Overseas Production Ratio】**

**Figure 3 Overseas Production Ratio and Overseas Sales Volume Ratio (FY2002 actual value: by industry)**



\*Overseas Production Ratio = (Overseas production volume) / (Domestic production volume + Overseas production volume), outsourcing productions are not included.  
 \*\*Overseas Sales Volume Ratio = (Overseas sales volume) / (Domestic production volume + Overseas production volume)  
 \*\*\*The points above are based on average values per company in each industry.

**Figure 4 Overseas Production Ratio and Overseas Sales Volume Ratio (for major industries)**

**【Overseas Production Ratio】**

	Number of respondent	Fiscal 2002 actual value	Fiscal 2003 estimated	Medium-term plan
All industries	467	25.9%	27.6%	33.1%
Chemicals	74	21.5%	22.4%	26.5%
General machinery	54	18.9%	20.2%	26.9%
E & E	87	38.6%	40.9%	47.2%
Automobiles	73	26.6%	29.1%	34.9%

**【Overseas Sales Volume Ratio】**

	Number of respondent	Fiscal 2002 actual	Fiscal 2003 estimated
All industries	531	27.8%	29.3%
Chemicals	82	24.6%	26.1%
General machinery	63	28.0%	30.1%
E & E	99	40.9%	42.4%
Automobiles	86	26.4%	28.3%

**■ Overseas sales volume ratios are also expected to rise**

Companies reported that an average of 27.8% of their sales, from all industries, came from overseas operations in FY2002. Their forecasts for FY2003 average 29.3% over all industries, indicating that Japanese manufacturing companies expect their overseas sales to increase.

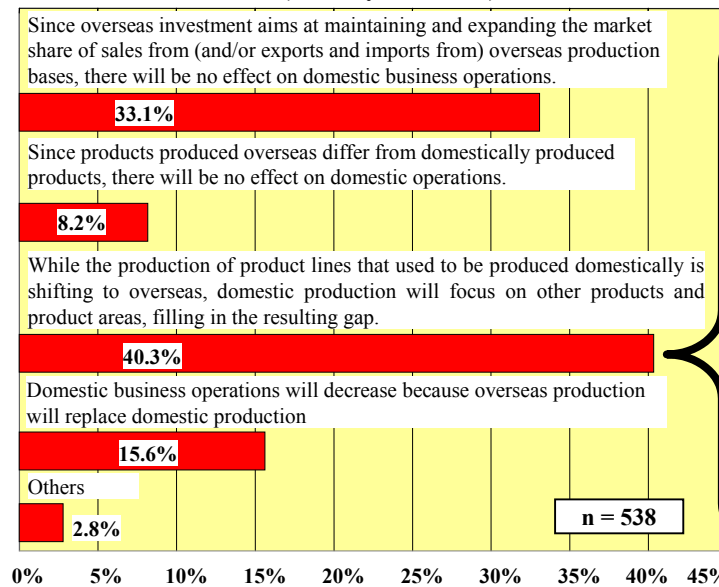
**■ Disparities between industries**

When overseas production ratios and sales volume ratios in FY2002 were collated by industry, the production and sales volume ratios in assembled vehicles, electrical equipment and electronics, precision machinery were relatively high, at approximately 40%, showing a difference in overseas business weighting from other industries whose ratios were 30% or below.

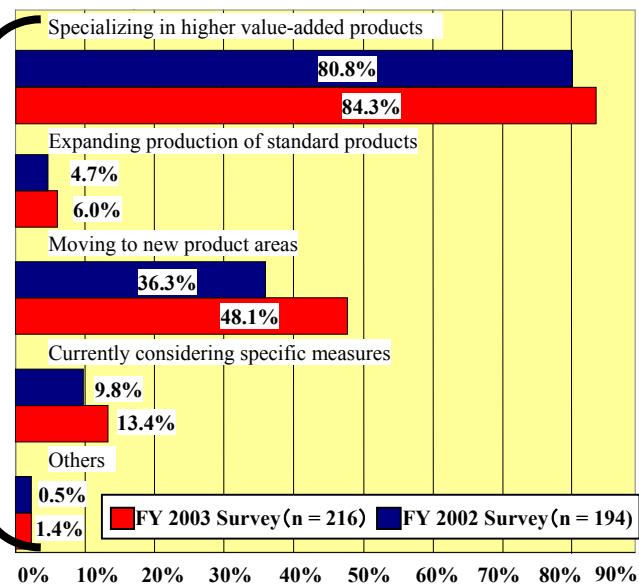


# 【Prospects for Domestic Business Operations over the Medium Term (Effect of Overseas Business Operations)】

**Figure 5 Stance on Domestic Business Operations over the Medium Term (next 3 years or so)**



**Figure 6 Details of “Efforts in Other Products and Product Areas” in Domestic Production**



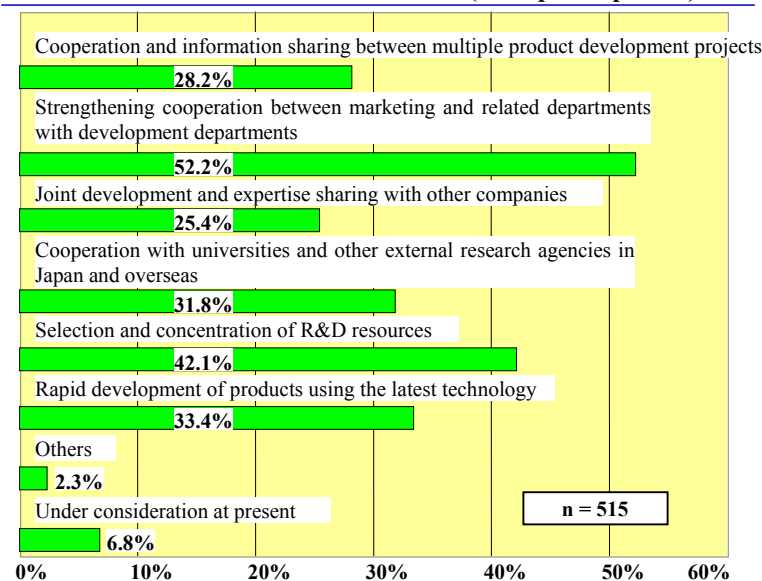
## Expanded production of higher value-added products in Japan

On the impact of overseas business development on domestic operations in the medium term (next three years), the most commonly selected response, by 40.3% of respondents, was “products previously made in Japan will be moved to production at overseas bases, but we will tackle other products and fields in Japan to fill in the resulting gap”. Of the companies which gave that answer, 84.3% said “ ‘other products and fields’ in Japan would mean ‘specialization in higher value-added products’ ”. Clearly, most companies have been dividing their production between domestic and overseas business, aiming to shift production with higher value-added products to Japan. As for the means of doing so, many companies said “strengthening cooperation between marketing and related departments with development departments” (52.2%) and “Selection and concentration of R&D resources” (42.1%).

## Weak linkage between expansion of overseas business and domestic employment

On the impact of overseas business on domestic employment over the last three years, 58.4% of companies responded that there was a “weak linkage”. While the situation differed between industries, the results suggest that the construction of an international division of labor is progressing.

**Figure 7 Ways of Efforts to Raise Added Value in Domestic Products and Services (multiple responses)**



**Figure 8 Linkage between Domestic Employment and Overseas Business over the Last Three Years**

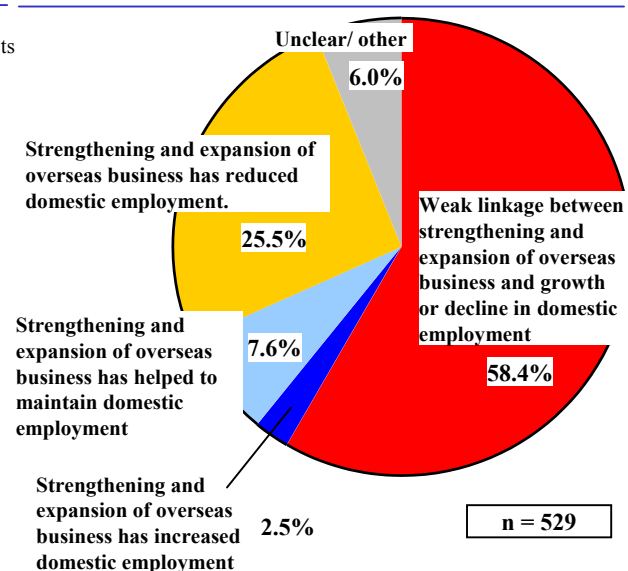
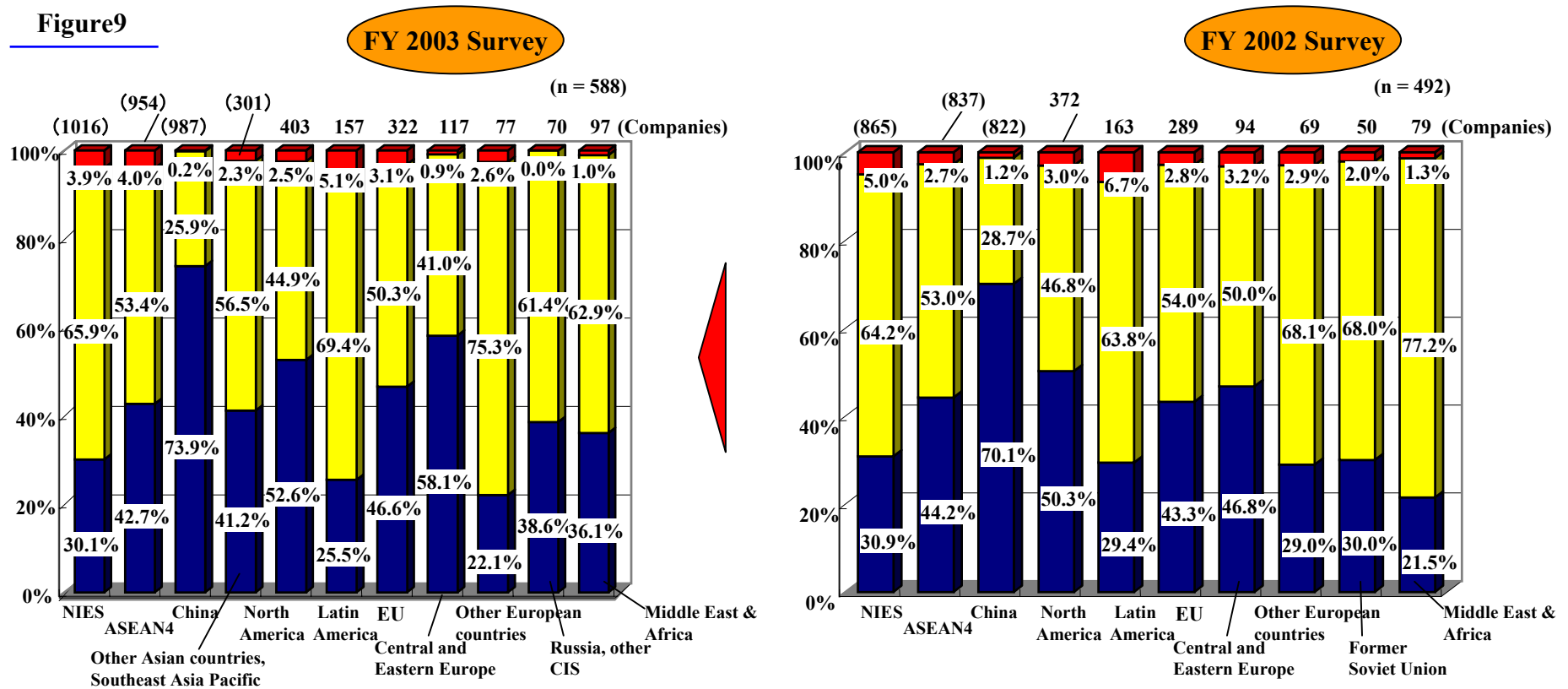




Figure9



- Will reduce or withdraw from overseas business operations
- Will maintain the size of overseas business operations at the present level
- Will strengthen or expand overseas business operations

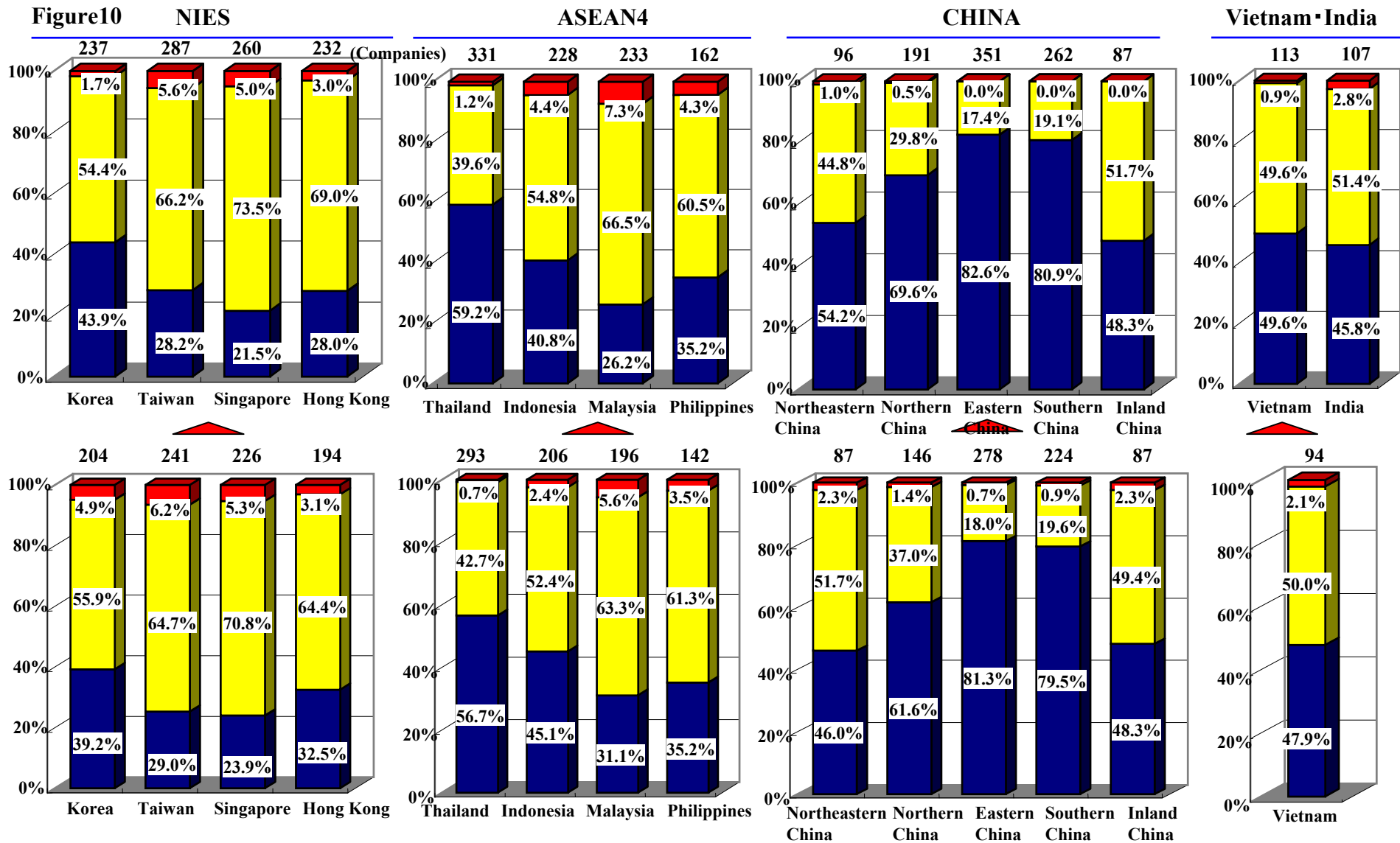
Note) Definition of overseas business: In addition to activities such as manufacturing, marketing and R&D at overseas bases, the definition includes outsourced production, purchasing etc.

\* Individual questions about the NIES, ASEAN4 and China have been included since the FY2002 survey, and questions about other individual Asian and Pacific countries were added for the first time in the FY2003 survey (details on the next page). Shares of total values for each country and area in such regions in the figure above have been calculated. For other Asian and Pacific countries, the classifications of the countries included have changed, thus only the figures for this year's survey are presented here. This year's survey has also renamed the "Former Soviet Union" to "Russia and other CIS" and moved the three Baltic states to "Other European countries". Figures in parentheses are total numbers of responses for each region.

### ■ Strongly positive stance to China, Central and Eastern Europe and North America

Asked for their stance to overseas business operations in the medium term (next 3 years or so), the region for which the highest proportion of companies said they would "strengthen and expand the overseas business operations" was China (73.9%), continuing the preceding year's trend towards strengthening and expansion. China was followed by Central and Eastern Europe (58.1%), North America (52.6%) and the EU (46.6%). One characteristic of this year's survey is that companies' stance to strengthen and expand their business in Central and Eastern Europe had reinforced.

## 2. 【Prospects for Overseas Business Operations by Region ~major Asian regions~】

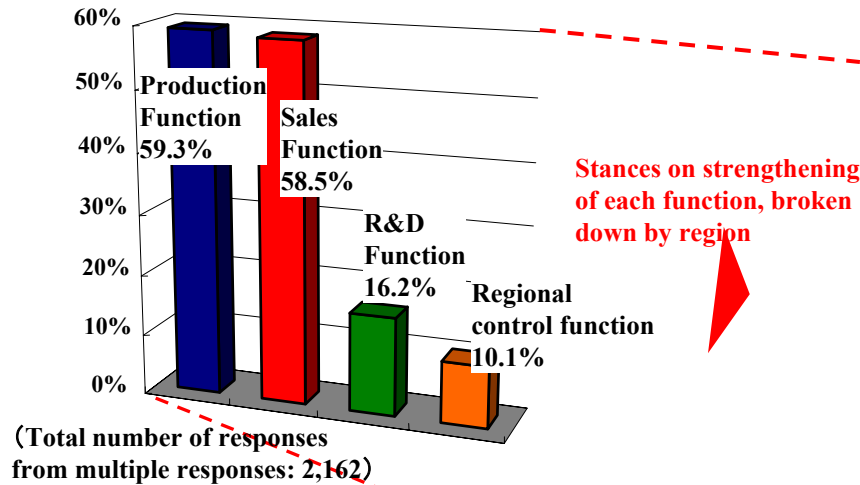


Top row: FY 2003 survey

Bottom row: FY 2002 survey

■ Within the region, there are clear differences in enthusiasm for business strengthening and expansion.  
 ■ Stances on business strengthening and expansion are strongly positive for South Korea among the NIES, Thailand among the ASEAN4 and the Eastern and Southern China.

Figure 11 Functions for strengthening and expansion (averages for all regions)



Stances on strengthening of each function, broken down by region

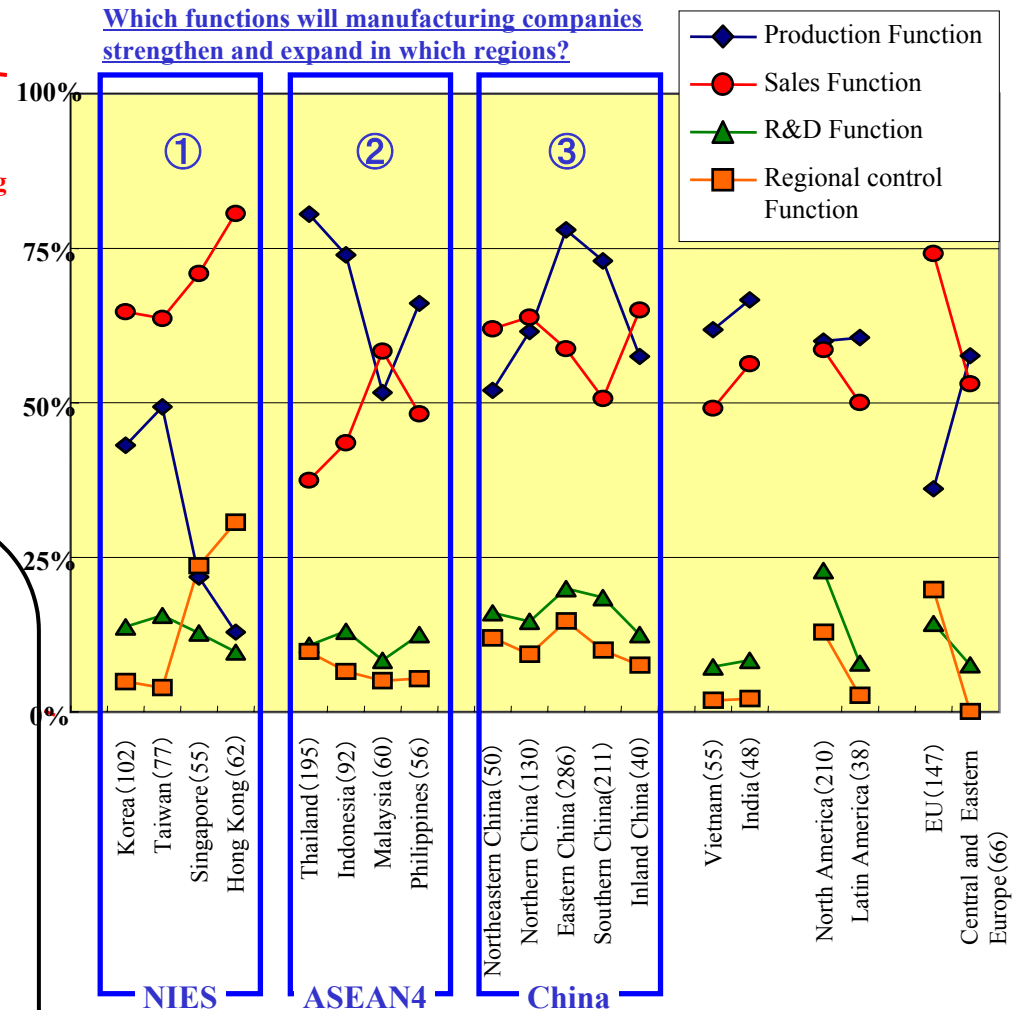
■ Strengthening of production functions: 59.3%, strengthening of sales functions: 58.5%

When companies which responded that they would “strengthen and expand” overseas business were asked in which functions they would do so, the most common response was production functions (59.3%), followed by sales functions (58.5%), R&D functions and regional control functions.

■ The content of strengthening and expansion varies between regions and between countries within regions

Functions to be strengthened and expanded were examined for each field and region. The results showed characteristic attitudes to each region, including the following: [1] A relatively strong tendency to strengthening and expansion of sales functions in the NIES. [2] A relatively strong tendency to strengthening and expansion of production functions in the ASEAN4. [3] A tendency to strengthening and expansion of both production and sales functions in China. There are further characteristics to strengthening and expansion in countries and areas of each region as follows: [1] Production functions in South Korea and Taiwan, with regional control functions in Singapore and Hong Kong.[3] Production functions in Thailand and Indonesia, within the ASEAN4. [4] Production functions in Eastern and Southern in China.

Figure 12 Functions for Strengthening and Expansion (comparison between regions)



\* Figures in parenthesis for countries and regions in the above figure are numbers of respondent companies. Companies which responded that they would “strengthen and expand” were asked in which functions they intended to do so, from production, sales, R&D and regional control functions. Multiple options were presented within each function, and a company which selected any one of them was counted as one company in the corresponding function.

## 2. 【Prospects for Overseas Business Operations by Region ~ external factors ~】

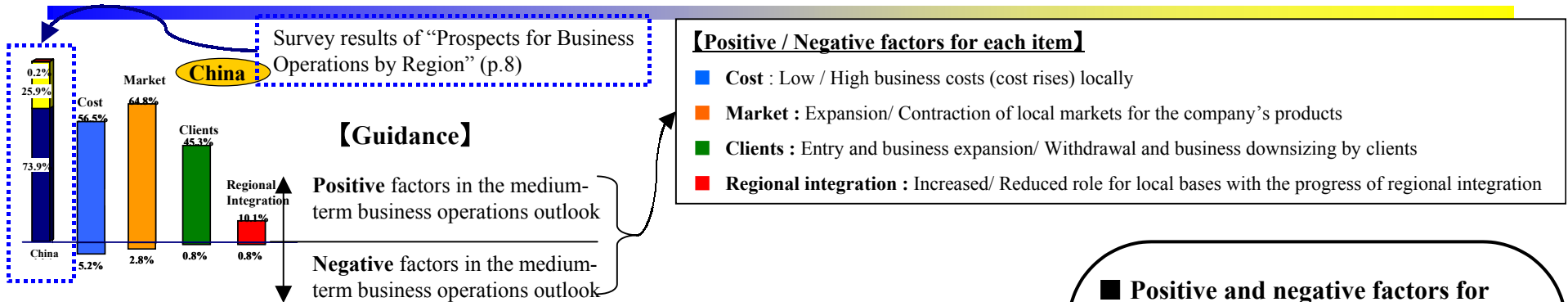
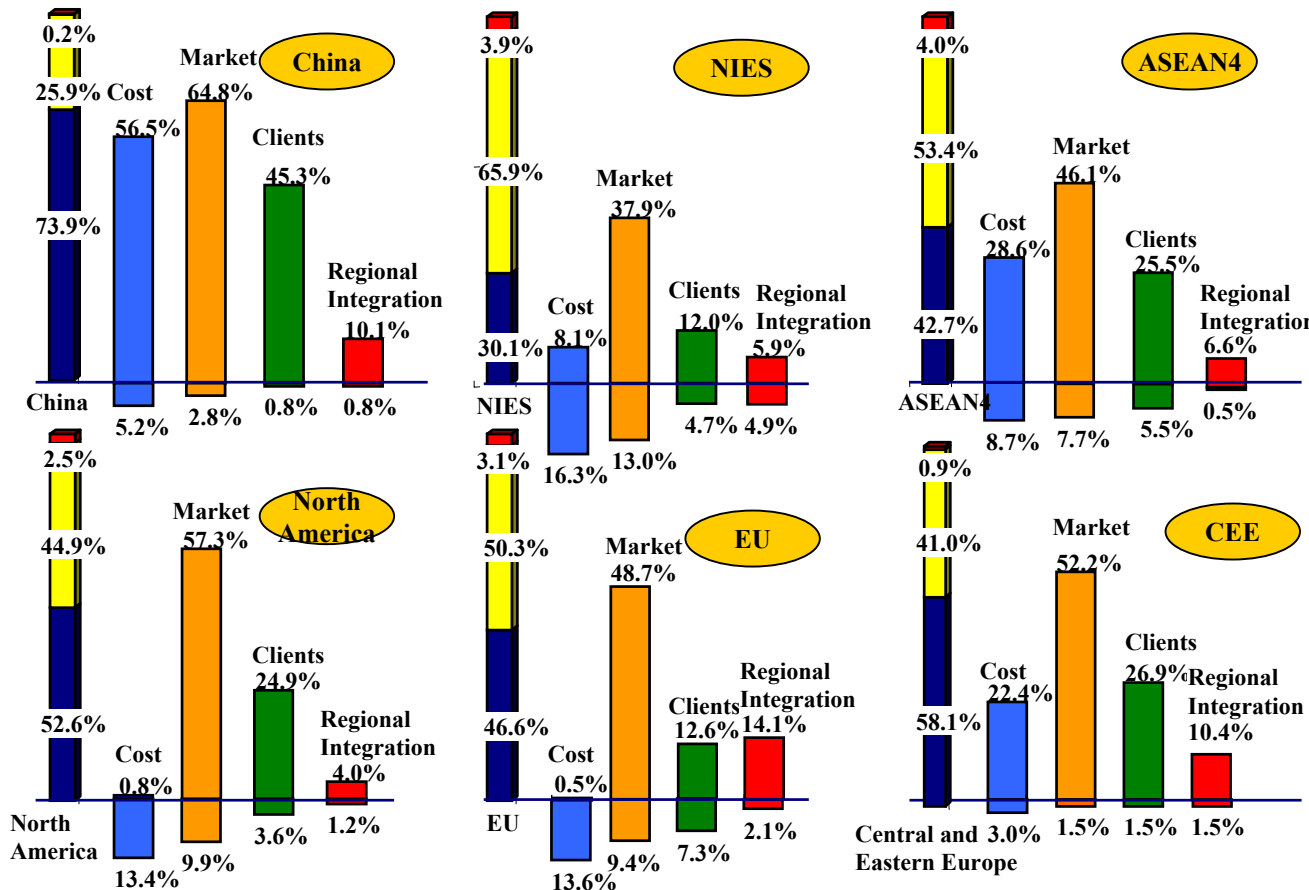


Figure 13 External Factors Influencing the Medium-term Business Outlook (6 major regions)



### Positive and negative factors for business operations

The external factors impacting the medium-term business operation forecasts in each region were examined (see Appendix 1 for details).

The survey results indicate that the biggest positive factor influencing overseas business operation is "Expansion of local markets for the company's products", but with that exception, the results also showed that the factors influencing decisions on whether to strengthen and expand or to maintain the current position differed between regions. Motives for business expansion clearly differ between regions.

The following are examples: [1] China, the ASEAN4 and Central and Eastern Europe are particularly well regarded by cost-oriented companies. [2] Assessments of both North America and the EU are negatively affected by cost factors, but compared to North America, the EU is highly rated for regional integration effects. [3] Negative assessments of the NIES for both cost and market factors are relatively common, with the result that 65.9% said they would "maintain current position". In addition to these differences between regions, [4] "Entry and business expansion by clients" is clearly another influence that cannot be overlooked in all regions.

Figure 14 The Impact of SARS

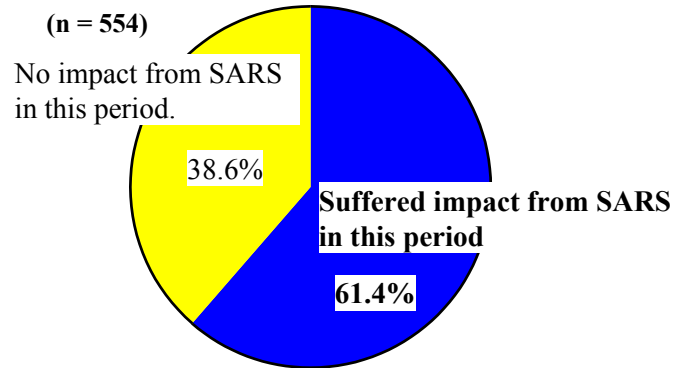


Figure 15 Impact on the Medium-term Outlook for Business Operations

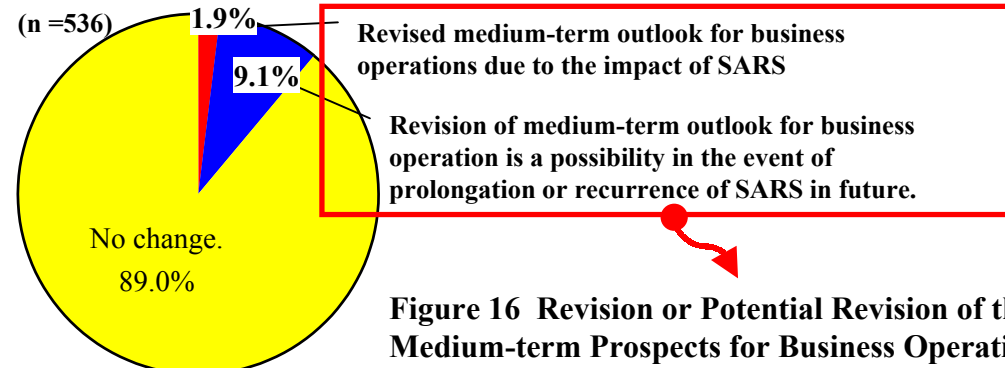
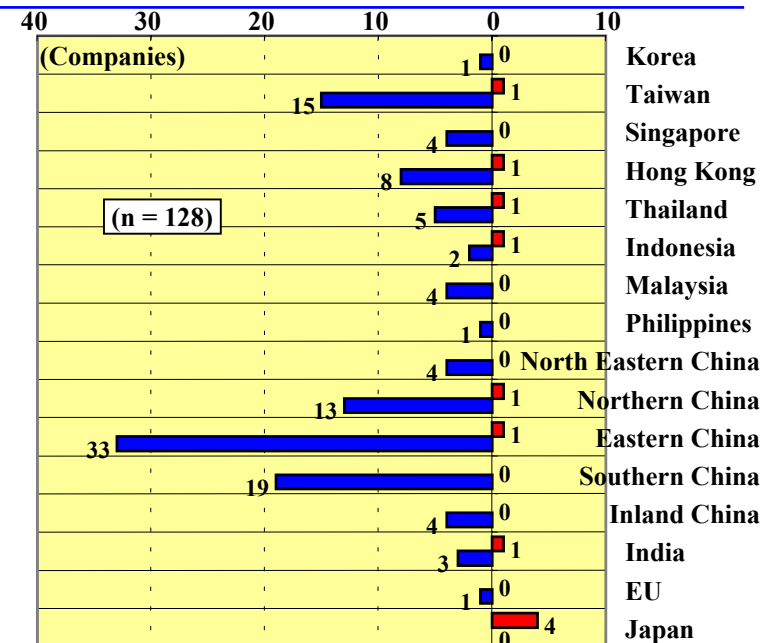


Figure 16 Revision or Potential Revision of the Medium-term Prospects for Business Operations



■ SARS had an impact on the business of 61% of companies

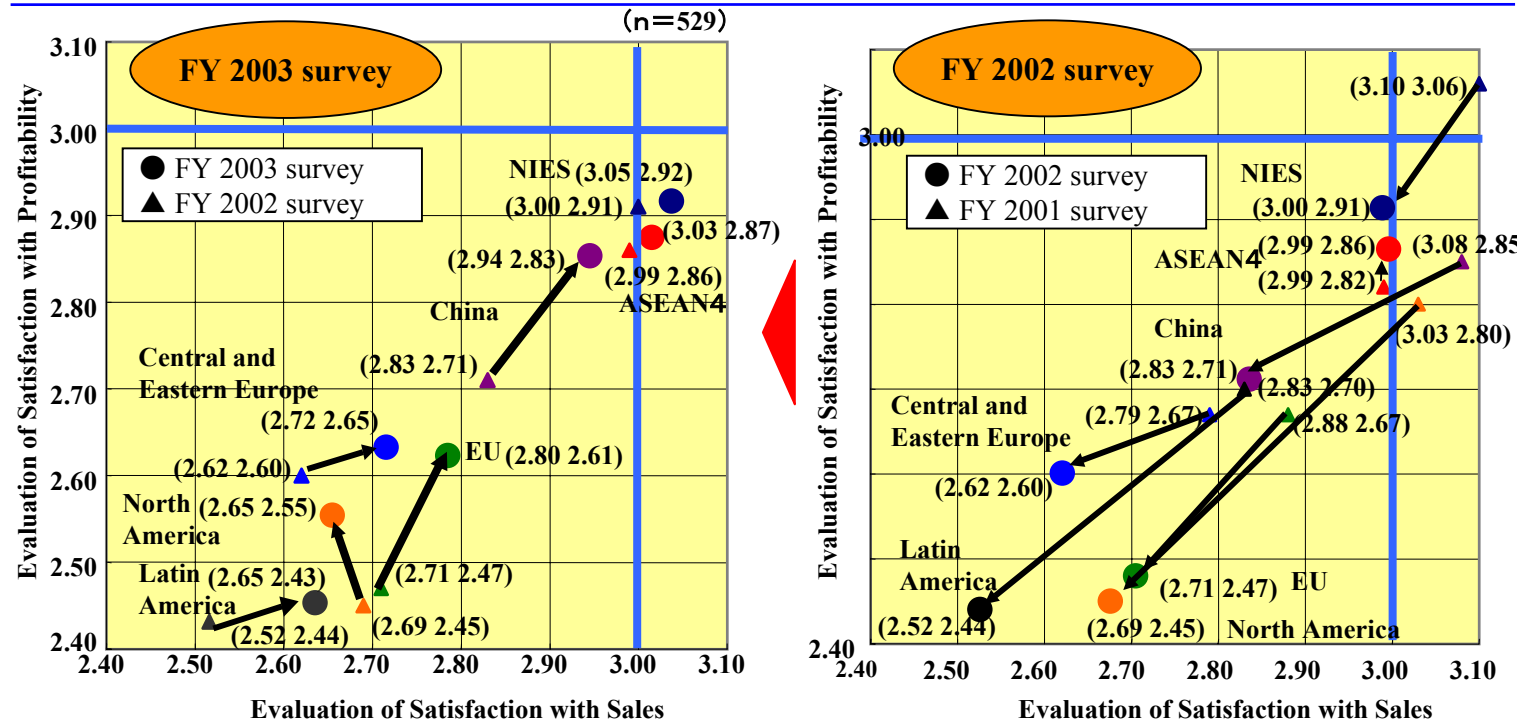
The outbreak of Severe Acute Respiratory Syndrome (SARS) which hit Asia and other countries around the world for several months, starting in March 2003, had some impact on the operations of 61.4% of respondent companies. Interviews with companies on the specific types of impact found that some had increased inventory in readiness for factory stoppages (electrical equipment and electronics etc.), but most reported inability to send engineers from Japan for commissioning overseas factories, delaying startups (automobile components etc.).

■ Impact on the medium-term prospects for business operations

Regardless of whether there was any impact from the SARS outbreak, 89% of respondent companies stated that their medium-term outlook for business operations was unchanged. Nevertheless, the other 11% had either already revised their medium-term outlook for business operations or might do so if there was a prolongation or recurrence of SARS in future. The regions with the largest numbers of companies making downward revisions in their medium-term outlooks for business operations due to the impact of SARS were the Eastern China (33 companies), the Southern China (19) and Taiwan (15). This distribution does not necessarily match the actual distribution of SARS infection, indicating the presence of ripple effects around the world, with the expansion of companies' overseas business. According to interviews with companies, downward revision for most companies consisted of delays in the implementation of business plans. Some companies will guard their operations against shutdowns in Chinese factories by adding backup functions in other countries, and many named Japan as their backup source.

(※) "Revised upwards" means that expansion plans have been further enlarged or moved forward, planned maintenance of a current position has changed to expansion, planned contraction has changed to expansion, or to maintenance of a current position, planned contraction has been abandoned, or planned downsizing has been reduced. "Revised downwards" means planned expansion has been abandoned or reduced, expansion has been switched to maintenance of a current position, or to contraction, planned maintenance of a position has changed to a contraction, and planned contraction has been enlarged or brought forward.

Figure 17 Evaluation of Overseas Business Performance (All Industries)



\* Evaluation standards:  
Compared to initial objective

- 1 Unsatisfactory
- 2 Somewhat unsatisfactory
- 3 Can't say either way
- 4 Somewhat satisfactory
- 5 Satisfactory

※ Evaluation of satisfaction with sales means evaluation of the portion excluding sales to the parent company. Evaluation of satisfaction with profitability means evaluation of return on investment. These evaluations are of the head office's satisfaction with business in each country. They do not express simple falls or rises in sales volume or profitability.

■ Overall evaluation has improved

Respondent companies' evaluation of satisfaction with sales and profitability from their overseas business had worsened in all regions other than ASEAN4 in the FY2002 survey, but the FY2003 survey showed some trend to improvement in all regions and countries. However, while FY2003 survey showed relatively high levels of satisfaction in the NIES, ASEAN4 and China, business evaluations of Central and Eastern Europe, the EU, North America and Latin America remained low. Considering the survey result indicating bullish sentiment for strengthening and expansion of business operations in North America and Central and Eastern Europe in the medium term, improvement of profitability in these countries and regions is an important issue for the future.

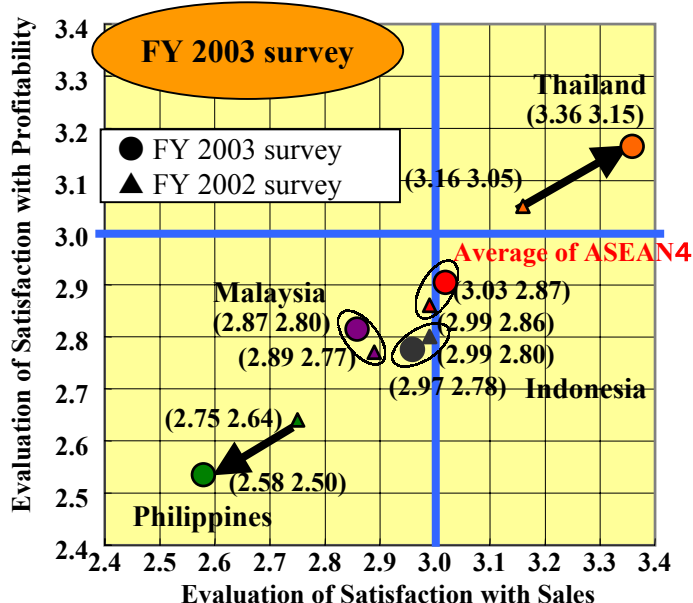
■ Expansion in the size and improvement in the quality of business in China

This year's survey found an improvement from the preceding year in the evaluation of business in China. However, while the scale of business in China will be expanded and strengthened, the question of which way profitability will move is closely related to matters such as the strategies adopted by Japanese-affiliated business in China, and should be analyzed carefully. As related companies from Japan move into China, their satisfaction with business profitability could rise, with expanding trading relationships and their equipment moving into full-scale operation. However, competition in the market will intensify for these companies, and it will be important for them to make qualitative improvements in their business management in order to maintain and enhance their edge.

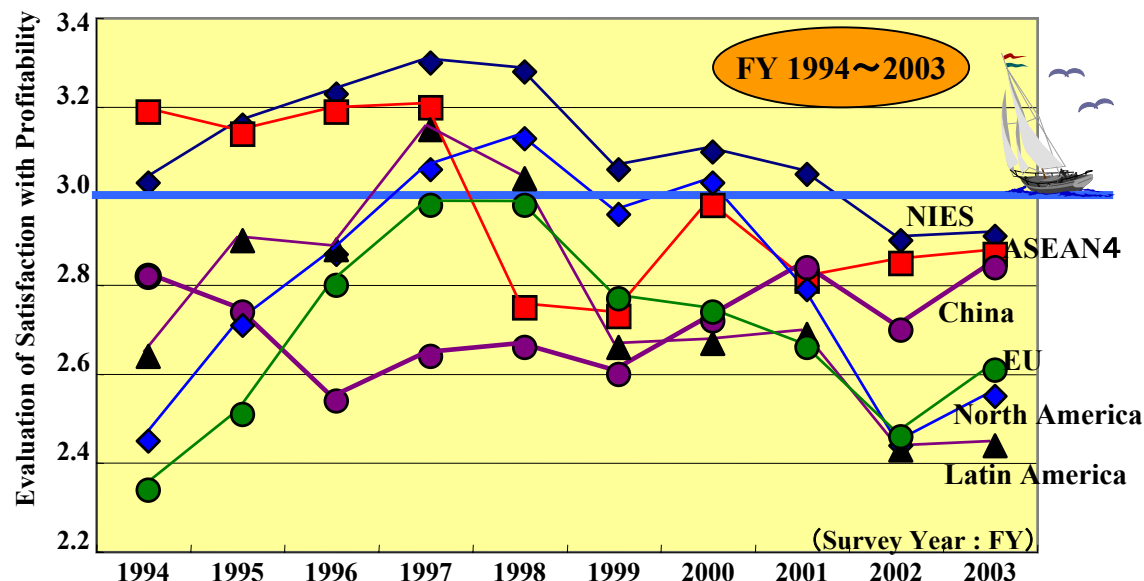


### 3. [Evaluation of Overseas Business Performance ~ASEAN4 and Time series comparison ~]

**Figure 18 Evaluations for the ASEAN4 Countries (FY2003)**



**Figure 19 Time series comparison of Profitability Satisfaction in Major Regions (6 regions)**



**There are inconsistencies between the actual evaluations of the countries in the ASEAN4 region.**

Average evaluation of past overseas business performance in the ASEAN4 countries was almost identical between the results of the FY2002 and FY2003 surveys, but there were shifts in results for individual countries within the region, with gaps opening between them.

In Thailand, satisfaction with both sales and profitability exceeded 3 in the FY2002 survey, the highest result, and satisfaction rose still further in the FY2003 survey. In contrast, the Philippines had the lowest scores, with both indicators below 3, and it suffered a further decline in FY2003, showing a divergence in the evaluation of business performance within the ASEAN4 region.

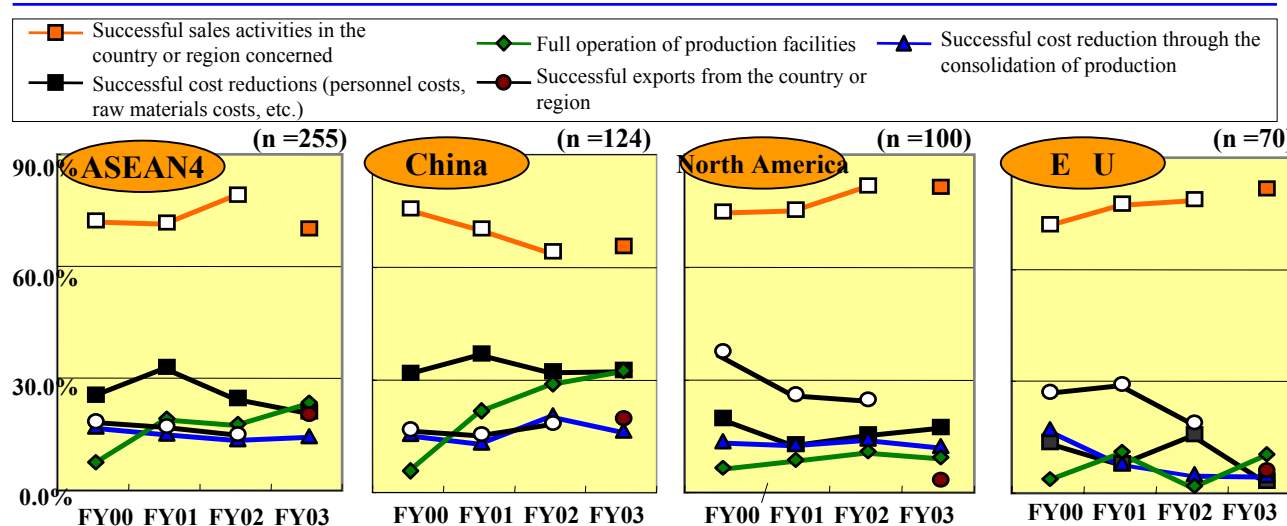
There were no major gaps in business performance evaluations between the NIES countries (South Korea, Taiwan, Singapore and Hong Kong).

**The trend of evaluations of business performance in China tend to diverge from those in other regions**

Movements in the evaluations of satisfaction with profitability in each major country and region show that countries have either leveled off or risen between FY2002 and FY2003, but changes as a time series over a decade show that evaluations of performance in the NIES, ASEAN4, EU, North America and Latin America peaked around FY1997-FY1998, and have mainly been declining since then. In contrast, evaluations of performance in China, while low, have been rising gradually from their lowest score in FY1996. Thus evaluation of business performance in China has been moving independently of that in North America and other countries and regions, and the evaluation has been gradually improving.

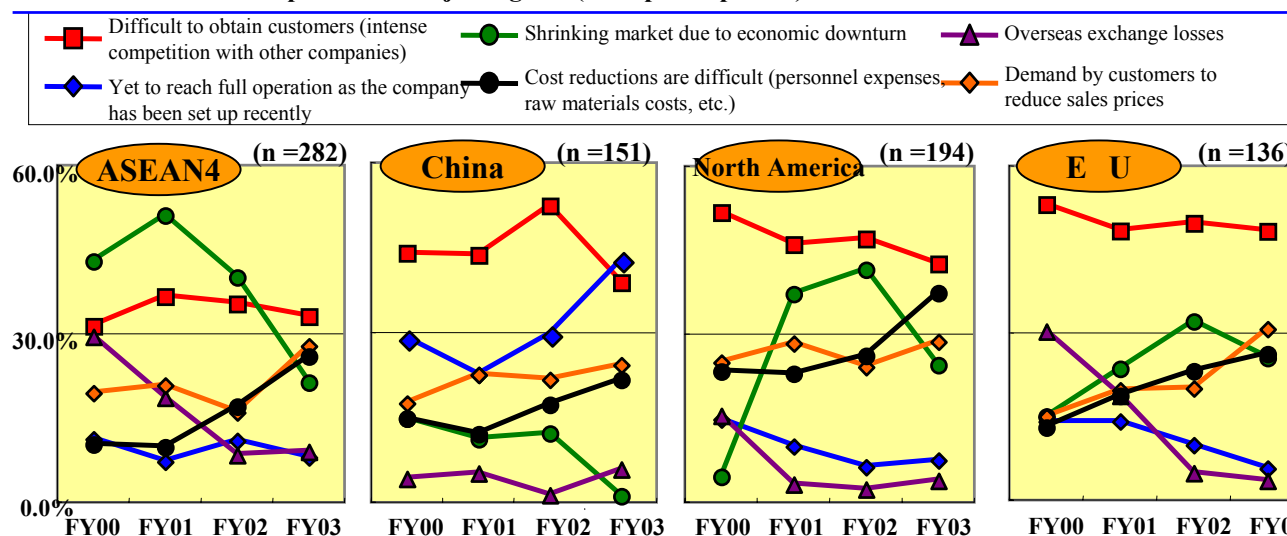
So what points should we regard to keep the rising trend in profitability satisfaction with business in China? Companies which responded “satisfactory”, “somewhat satisfactory”, “unsatisfactory” or “somewhat unsatisfactory” for business profitability in China were asked to provide reasons for their responses. The following pages analyze the factors behind the evaluations, focusing on the findings for the reasons for evaluations in China, with reference to the results for other countries and regions.

**Figure 20 Reasons for Evaluations of Satisfaction (satisfactory or somewhat satisfactory), as a time series comparison of major regions (multiple responses)**



The reasons for evaluations of “satisfactory or somewhat satisfactory” in the figure above are based on definitions that differ between survey years, but those definitions which can be deemed equivalent have been consolidated as shown in the key. However, “Successful sales activities in the country or region concerned” and “Successful exports from the country or region” were added in the 2003 survey, thus they have no chronological continuity with previous items. The □(empty square) in the figure for 2000–2002 indicates “successful sales of existing products” and O (empty circle) indicates “successful sales of new products”.

**Figure 21 Reasons for Evaluations of Satisfaction (unsatisfactory or somewhat unsatisfactory), as a time series comparison of major regions (multiple responses)**



**■ Characteristics of reasons for evaluations**

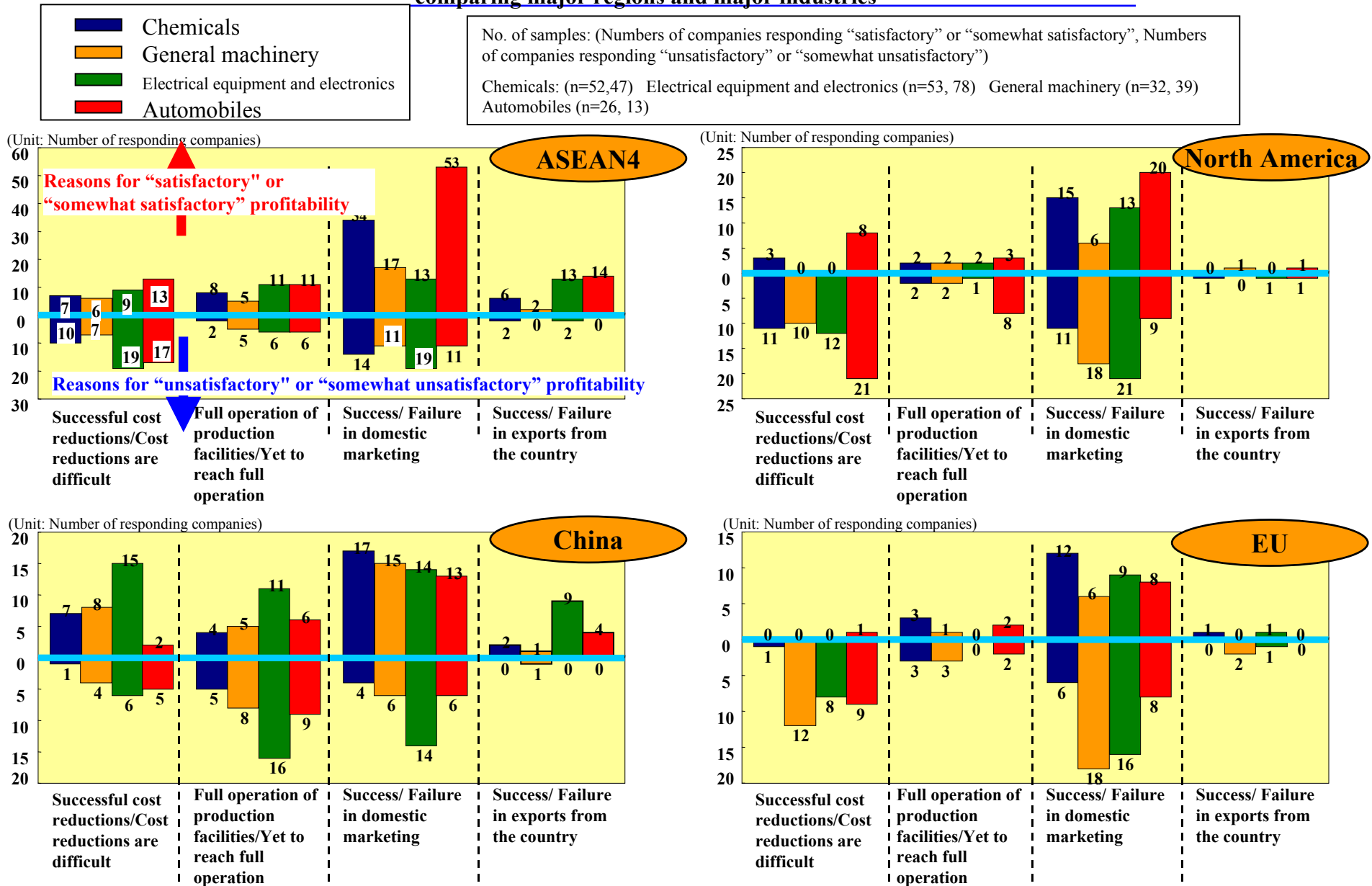
The time series over the past four years for companies’ main reasons for evaluations of “satisfactory” and “somewhat satisfactory” for profitability in each country and region showed that “Successful sales activities in the region” was a reason for 70~80% of companies every year (Figure 20). On the other hand, companies’ reasons for evaluating profitability in the same countries and regions as “unsatisfactory” or “somewhat unsatisfactory” (Figure 21) show market factors such as “Difficult to obtain customers” and “Shrinking market due to economic downturn”, alongside other reasons such as “Cost reductions are difficult”. There are large variations over time, indicating that various factors act together in each country or region for worsening satisfaction.

**■ Expansion and improvement in business in China**

Comparing the reasons given by companies expressing high and low satisfaction with business profitability in China gives the following insights: [1] More companies tend to become satisfied with profitability as their equipment moves into full operation, thus there is potential for evaluations of business in China to improve as more equipment in China reaches full operation. [2] The degree of success for marketing activities in the country has a major impact on evaluation. Some companies expand business as related Japanese companies move into the area or expand their operations, but others struggle to win local customers as competition with local companies intensifies. The business environment differs from company to company in China. Thus, it appears that future business profitability in China is affected not only by quantitative expansion in production scale or market share but also by qualitative improvement based on each company’s business model.

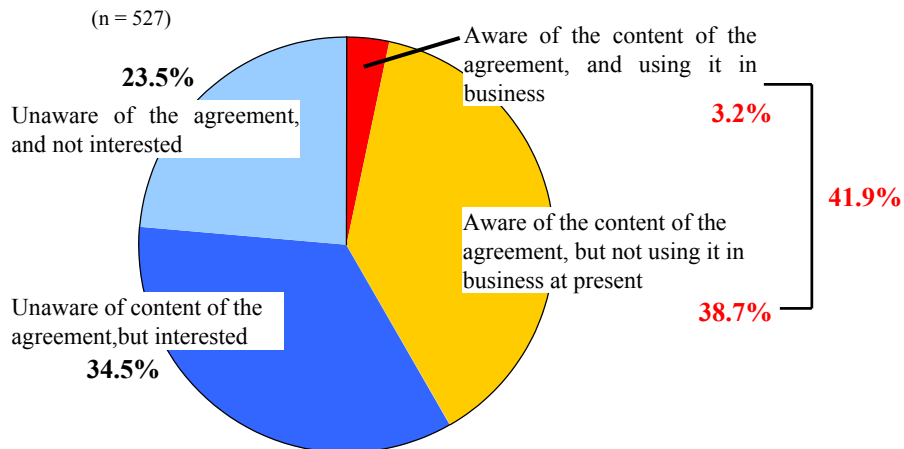
### 3. [Evaluation of Overseas Business Performance ~Comparison of evaluation reasons for major industries~] p.16

Figure 22 Reasons for Evaluations of Satisfaction with Profitability (multiple responses), comparing major regions and major industries

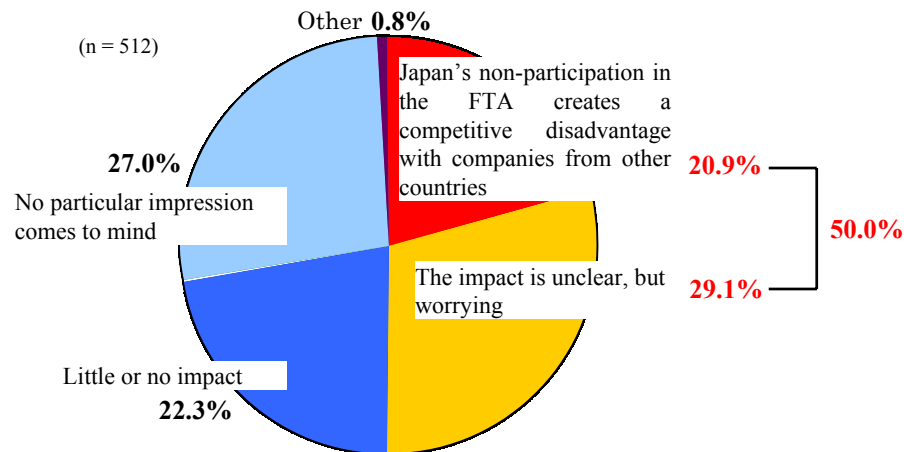


## 4. Topics 【Free Trade Agreements】

**Figure 23 The FTA between Japan and Singapore (JSEPA) and Corporate Activity**

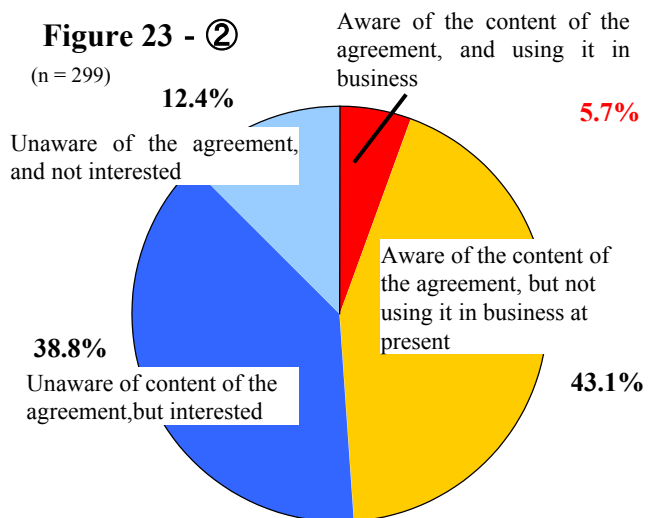


**Figure 24 The impact on Corporate Activity of FTAs between Countries other than Japan**



Companies involved in import/export or other business between Japan and Singapore were selected.

**Figure 23 - ②**



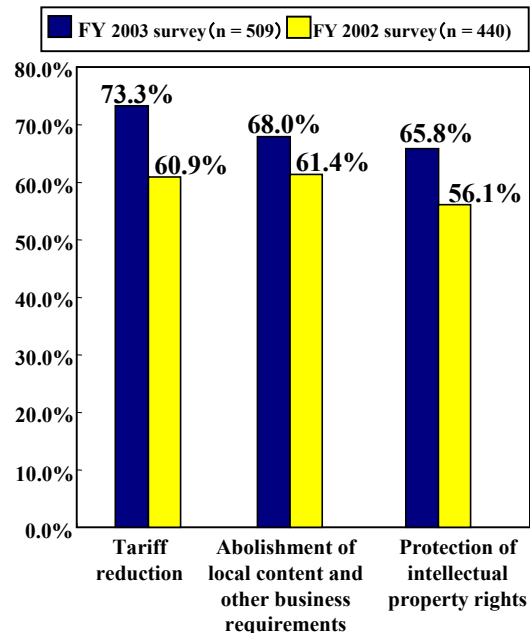
### ■ Positive action is required to promote use of FTAs

The first FTA for Japan was agreed between Singapore in January 2002 (called the Japan Singapore Economic Partnership Agreement (JSEPA)). Besides the question of using JSEPA in business or not, 41.9% of respondent companies said that they were “aware of the content of the agreement”. Of the companies doing business, such as import-export, with Singapore, 5.7% said they were “making use of the agreement” in their business. In interviews with those respondent companies, many said “because we heard that the movement of goods to Japan was smoother”, and there were a few which said “it is our strategy to set up bases in countries that have concluded FTAs and have lower import tariffs”. These results indicate that recognition and use of JSEPA are not so high at present. The situation appears to be because companies do not know how to use it in their business, or are simply unaware of the content of the agreement, and therefore positive action is required to promote the use and understanding of the JSEPA and other FTAs.

On the impact on corporate activity of FTAs between countries other than Japan, half of the respondent companies said “Japan’s non-participation in the FTA creates a competitive disadvantage with companies from other countries” or “The impact is unclear, but worrying”. In interviews with companies, some had suffered concrete losses, such as “tariffs apply when our factory in Mexico (which has no FTA with Japan at the time) sources raw materials from Japan, and when it exports to the U.S., so we are less cost competitive than our rivals”, and many gave answers such as “in general, we are worried”. Clearly, many are concerned that Japan’s non-participation in FTAs could easily harm their business environment.

## 4. Topics [The impact of China's WTO Entry]

Figure 25 Expectations for Positive Effects due to China's WTO Entry (multiple responses)



### ■ China is making little progress in improving regulations and systems, despite WTO entry

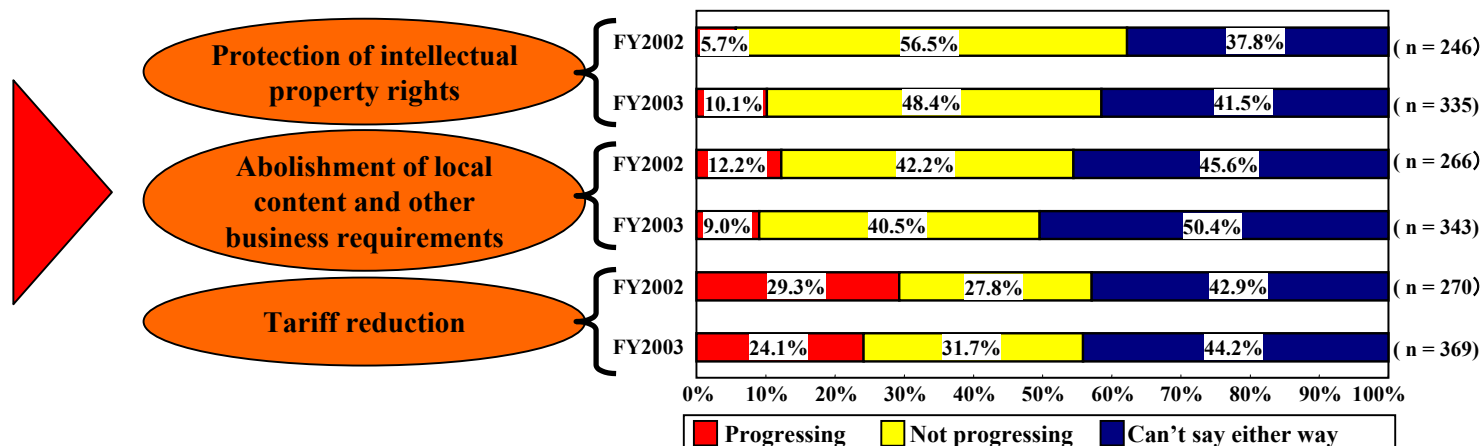
This survey continued from last year's survey in inquiring the anticipated effects of China's WTO entry, and found an increased number of companies anticipating "tariff reduction", "Abolishment of local content and other business requirements" and "Protection of intellectual property rights". We can infer that Japanese companies' demands for improvements in regulations and systems are becoming more forceful as they proceed with business development in China.

Examining the degree of progress in each of the anticipated effects since China joined the WTO, only 10.1% of companies responded that China was "progressing" in the protection of intellectual property rights, but the rate increased in 5.7% from the last year. Several companies commented that "there are still many problems, but it is slightly better than it was a long time ago".

Only 9.0% of companies saw "progressing" on "abolishment of local content and other business requirements".

Progress in tariff reduction was seen by 24.1% of companies, a higher rate than the other two effects, but down from last year, indicating that an increasing number of companies feel tariff reduction is not proceeding according to plan.

Figure 26 Current Status of Progress for Expected Effects due to China's WTO Entry



## 5. [Promising Countries for Overseas Business Operations ~Ranking and the existence of business plans~]

**Figure 27 Promising Countries for Overseas Business Operations over the Medium Term (next 3 years or so) (multiple responses)**

Note: Left column (No. of responding companies), Right column (%)

Rank	FY 2003 Survey	Number of Companies	(%)	FY 2002 Survey	Number of Companies	(%)	FY 2001 Survey	Number of Companies	(%)	FY 2000 Survey	Number of Companies	(%)
		490	100		418	100		401	100		372	100
1	China	456	93	China	373	89	China	327	82	China	242	65
2	Thailand	143	29	Thailand	118	28	U.S.	127	32	U.S.	154	41
3	U.S.	106	22	U.S.	108	26	Thailand	99	25	Thailand	88	24
4	Vietnam	88	18	Indonesia	63	15	Indonesia	56	14	Indonesia	54	15
5	India	70	14	Vietnam	62	15	India	52	13	Malaysia	43	12
6	Indonesia	63	13	India	54	13	Vietnam	48	12	Taiwan	41	11
7	Korea	44	9	Korea	34	8	Taiwan	44	11	India	37	10
8	Taiwan	35	7	Taiwan	34	8	Korea	33	8	Vietnam	35	9
9	Malaysia	31	6	Malaysia	33	8	Malaysia	32	8	Korea	32	9
10	Russia	25	5	Brazil	19	5	Singapore	24	6	Philippines	30	8
11	Singapore	23	5									
12	Philippines	18	4									
13	Czech	17	3									
14	Hong Kong	15	3									
15	Mexico	12	2									
16	Brazil	11	2									
16	Germany	11	2									
18	France	10	2									
19	Australia	9	2									
19	Poland	9	2									

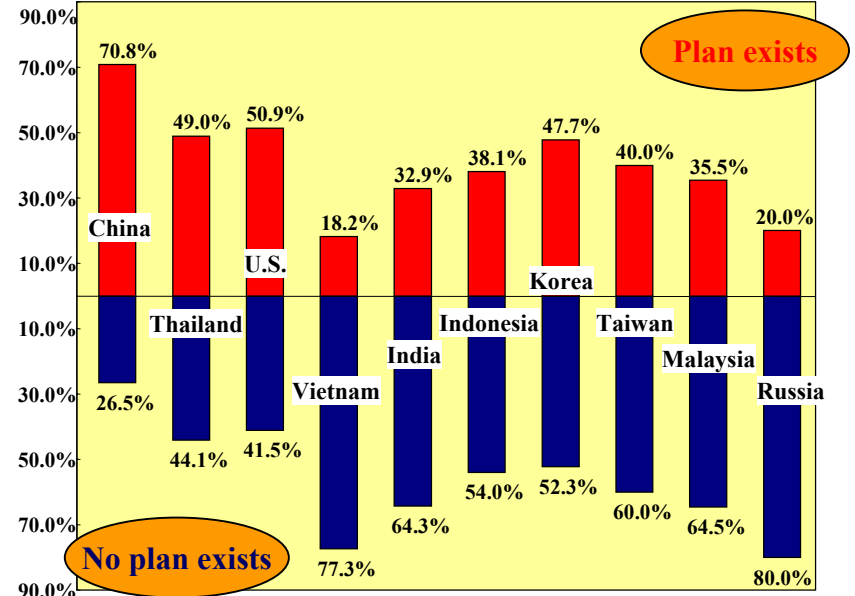
**■ Vietnam and India are rising, and Russia entered the top ten for the first time**

When asked about their promising countries for business operations in the medium term, the top three countries in this survey were the same as the preceding year, but Indonesia, 4th until last year, fell to 6th, replaced by Vietnam in 4th place and India in 5th place. In a notable development, Russia, which appeared in 16th place in the last year's survey, rose further to enter the top ten for the first time in this year's survey.

**■ From future expectations to actual businesses**

Inquiring whether actual business plans are in companies for each promising countries, a high proportion of companies said of the top three countries, China, Thailand and the USA, that "we have business plans, including new business entry". On the other hand, though Vietnam and Russia made remarkable advances up the rankings in this survey, around 80% of companies said they had "no actual business plans at present" for those countries. Companies are growing increasingly interested in these emerging countries, but their expectations are booming more than action. It will be important to think how to link these expectations to actual business.

**Figure 28 Existence of Concrete Business Plans for Promising Countries**



Note) Some companies did not respond to this question, thus the total of "plan exists" and "no plan exists" does not reach 100% for some countries.

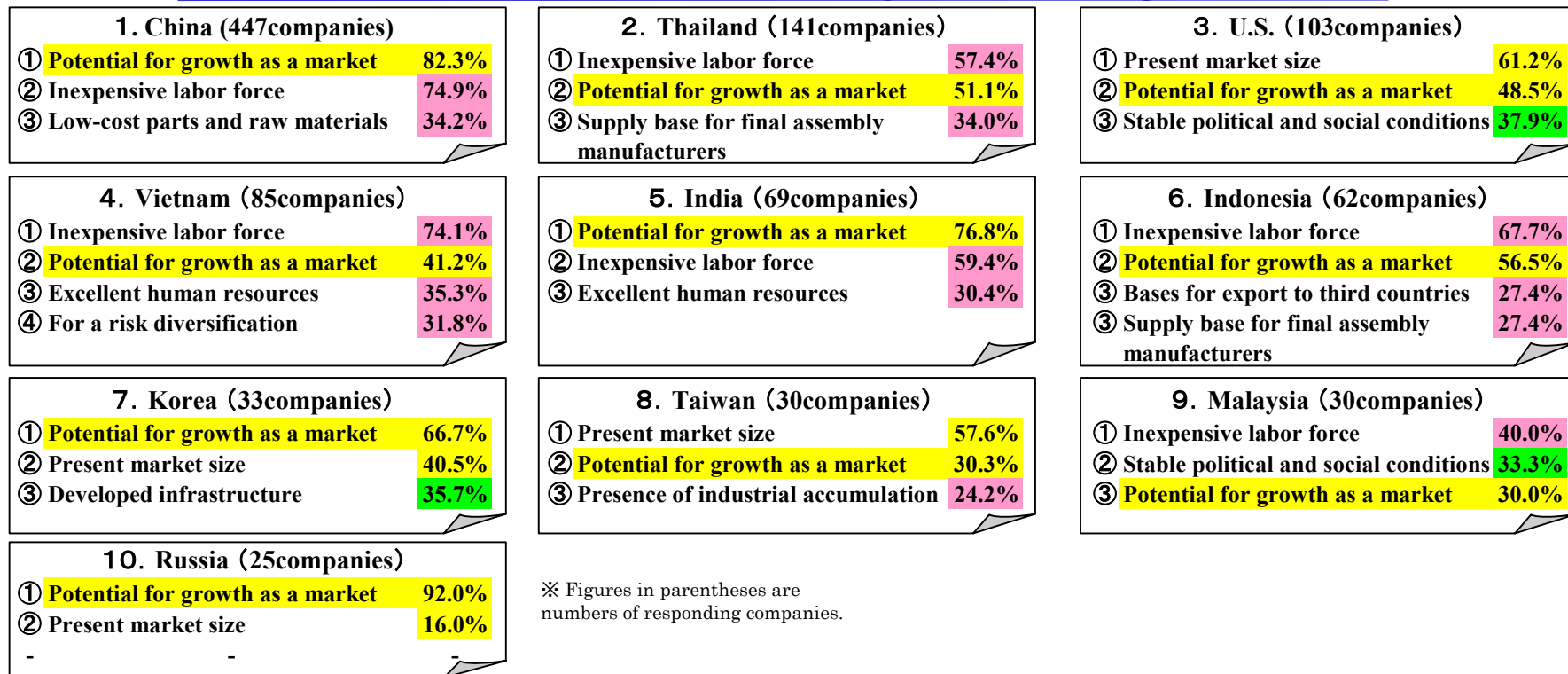
Notes) :

(1) In this survey, respondent companies described the name of their top five countries with promising prospects for business operations in the medium term. The number of mentions of each country in the rankings are tallied and the countries listed according to that number.

(2) Other than the countries listed above, there were North America (listed by 41 companies, 8.4% share) and the EU (listed by 39 companies, 8.0% share).



Figure 29 Main Reasons for Selection of the Top Ten Most Promising Countries (⇒See Appendix 2 for details)



■ Potential for growth as a market is the common reason for promising prospects in all countries

The reasons for promising prospects in the top ten countries show that “Potential for growth as a market” is the top reason for all countries. While companies’ main reasons for entering into any country include motives such as participation in local markets and cost reduction, strong potential for an expanding local market for the company’s products is a major factor attracting the interest of many companies.

“Inexpensive labor force” is a common reason for business development in Asian countries such as China, Thailand and Vietnam, and countries with the potential for low-cost production are viewed as promising. In U.S., South Korea, and Taiwan etc., the reason is commonly “present market size”, as the markets these countries already possess are viewed as promising.

For China, viewed as the most promising country, the most common reason was “Potential for growth as a market” (82.3%), followed by “Inexpensive labor force” (74.9%) and “Low-cost parts and raw materials” (34.2%). Most companies have strong expectations for expansion in the Chinese market, and at the same time it is a country with the potential for low-cost production, which is why they view business in China as promising.

For Vietnam, in fourth place, the third reasons for the country’s promise was “Excellent human resources” (35.3%), followed by “For a risk diversification” (31.8%). These are characteristics of Vietnam. This result indicates that many companies are increasingly interested in Vietnam as a way to diverse the risk of over-concentration of business in China.

For Russia, which entered the top ten for the first time this year, “Potential for growth as a market” was chosen by 92.0% of companies.

## 5. 【 Promising Countries for Overseas Business Operations ~Issues for promising countries~ 】

Figure 30 Main Issues for the Top Ten Most Promising Countries (⇒See Appendix 3 for details)

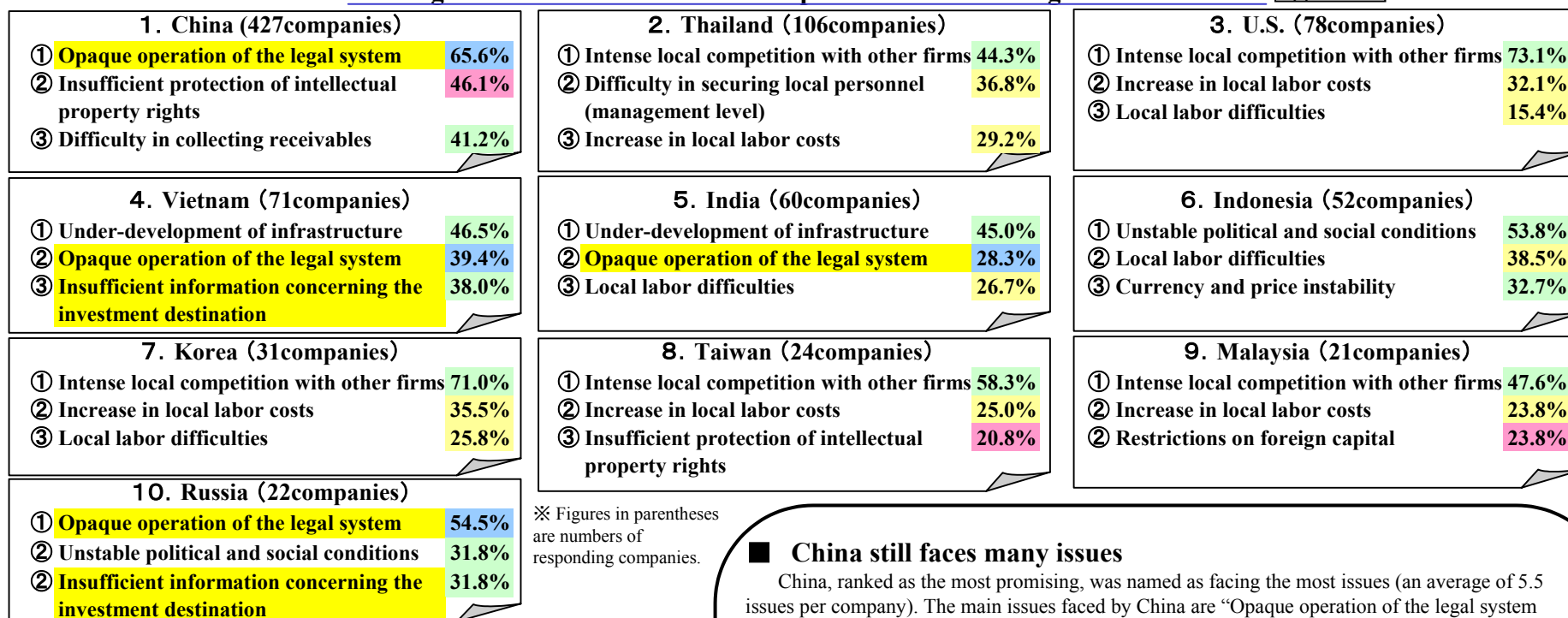
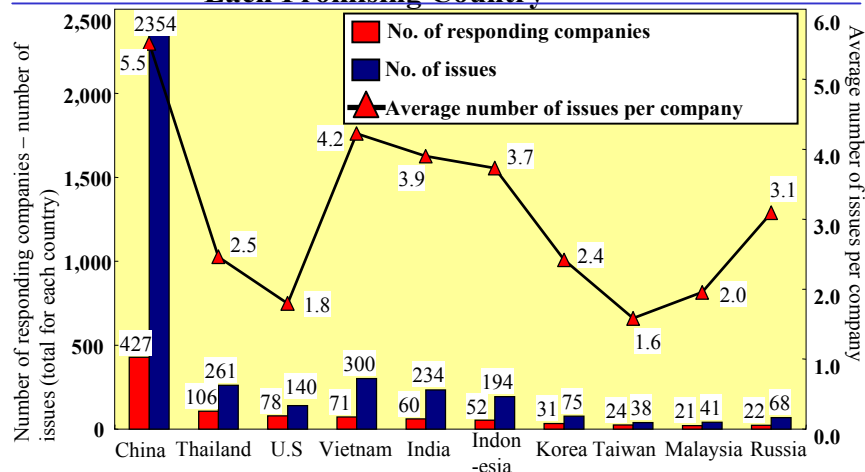


Figure 31 Numbers of Issues Facing Each Promising Country



### ■ China still faces many issues

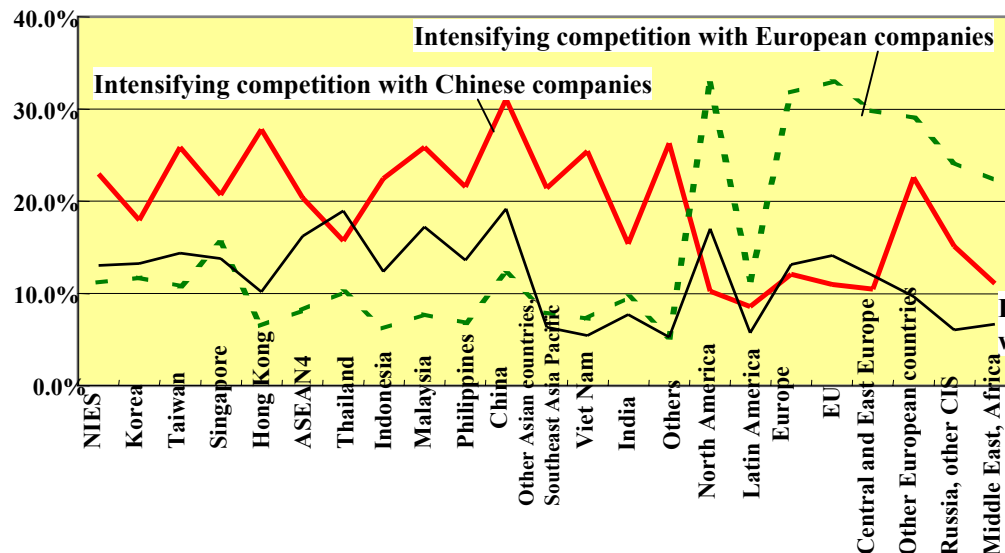
China, ranked as the most promising, was named as facing the most issues (an average of 5.5 issues per company). The main issues faced by China are “Opaque operation of the legal system (frequent changes etc.)” (65.6%), the most common complaint, followed by “Insufficient protection of intellectual property rights” (46.1%) and “Difficulty in collecting receivables” (41.2%). Even though the legal system has been developed after WTO entry, many companies still feel that the opacity and inconsistency of the system as applied to corporate activity in China is a major problem. There are still many problems in the operation of China’s legal system, in the same way as has been indicated for Vietnam, India and Russia. “Increase in local labor costs” has been indicated as a problem in some countries, including Thailand and Malaysia, which are valued for their low-cost workforce, thus they are losing their competitive edge in labor costs. Many companies indicated “Intense competition with other firms” as an issue in Thailand, the U.S, South Korea and elsewhere, but that is also proof of growth in the local market, and is an issue that each company should tackle for itself. For Vietnam and Russia, which rose in the rankings in this survey, many companies complained of “Lack of information on the country as an investment destination”. Companies should be provided with far more related information so that they can materialize their business plans for these countries, for which they have great future expectations. “Under-development of infrastructure” was commonly cited as an issue for Vietnam and India, as those countries are expected to develop their basic infrastructure. In China (urban areas), there is progress in the development of roads and other basic infrastructure, but distribution functions are insufficient, and some companies said the quality of such infrastructure had to be enhanced for industrial purposes.

External factors affecting the medium-term outlook for business operations

(Unit: Companies)

	NIES					ASEAN4					China				Other Asian countries, Southeast Asia Pacific		Vietnam		India		Others		North America		Latin America		Europe		EU		Middle and Eastern Europe	
Number of respondent companies	491	128	139	116	108	549	216	129	116	88	386	126	55	52	19	253	70	289	191	67												
Low cost of local business	40	15	12	7	6	157	75	38	16	28	218	44	23	19	2	2	9	18	1	15												
High cost of local business (rising costs)	80	15	24	26	15	48	10	11	24	3	20	5	1	2	2	34	6	28	26	2												
Expansion of the local market for the company's products	186	64	50	35	37	253	122	60	40	31	250	74	33	33	8	145	29	144	93	35												
Contraction of the local market for the company's products	64	8	24	18	14	42	7	11	15	9	11	6	3	2	1	25	8	19	18	1												
Entry and business expansion by clients	59	20	19	10	10	140	85	29	16	10	175	22	9	10	3	63	4	46	24	18												
Withdrawal and business downsizing by clients	23	0	6	13	4	30	2	9	12	7	3	1	0	0	1	9	3	15	14	1												
Increased role for local bases with the progress of regional integration	29	4	4	14	7	36	20	9	4	3	39	7	3	3	1	10	4	37	27	7												
Reduced role for local bases with the progress of regional integration	24	3	7	5	9	3	0	1	1	1	3	0	0	0	0	3	1	5	4	1												
Exchange rate trends	64	20	15	17	12	113	37	38	16	22	71	28	12	10	6	67	33	71	53	11												

(Unit: %)



External factors affecting the medium-term outlook for business operations Intensifying competition in each country and region

For the figure below, companies were asked to identify the countries of origin of their competitors (between Chinese, European and Japanese) in each region where they faced intensifying competition\*, and numbers competitor for each were divided by the total number of respondents in each country and region.

\* Intensifying competition: Intensifying competition in local and export markets that affects local production activity.

## Appendix 2 【 Promising Countries for Overseas Business Operations ~ Reasons of promising prospects for the top ten countries ~ 】

		China (447companies)		Thailand (141companies)		U.S. (103companies)		Vietnam (85companies)		India (69companies)	
Production	Excellent human resources	108	24.2%	26	18.4%	25	24.3%	30	35.3%	21	30.4%
	Inexpensive labor force	335	74.9%	81	57.4%	2	1.9%	63	74.1%	41	59.4%
	Low-cost parts and raw materials	153	34.2%	16	11.3%	1	1.0%	11	12.9%	10	14.5%
	Supply base for final assembly manufacturers	128	28.6%	48	34.0%	27	26.2%	12	14.1%	17	24.6%
	Industrial concentration (concentration of sources, buyers and partners)	64	14.3%	30	21.3%	20	19.4%	2	2.4%	2	2.9%
	For a risk diversification	20	4.5%	18	12.8%	5	4.9%	27	31.8%	3	4.3%
	Base for exports to Japan	100	22.4%	28	19.9%	0	0.0%	21	24.7%	7	10.1%
	Bases for export to third countries	98	21.9%	42	29.8%	4	3.9%	18	21.2%	12	17.4%
Sales	Present local market size	88	19.7%	24	17.0%	63	61.2%	5	5.9%	13	18.8%
	Potential for growth as a market	368	82.3%	72	51.1%	50	48.5%	35	41.2%	53	76.8%
	Product development tailored to the local needs	35	7.8%	9	6.4%	17	16.5%	1	1.2%	2	2.9%
Infrastructure and systems	Local infrastructure (electric power, communications, transport etc) is well developed	42	9.4%	33	23.4%	37	35.9%	4	4.7%	2	2.9%
	Tax incentives for investment	78	17.4%	35	24.8%	3	2.9%	12	14.1%	3	4.3%
	Policies to attract foreign capital are stable	20	4.5%	21	14.9%	6	5.8%	6	7.1%	1	1.4%
	Progress towards regional integration (reduction of tariffs)	6	1.3%	13	9.2%	0	0.0%	2	2.4%	1	1.4%
	Stable political and social conditions	18	4.0%	48	34.0%	39	37.9%	17	20.0%	1	1.4%
		Indonesia (62companies)		Korea (42companies)		Taiwan (33companies)		Malaysia (30companies)		Russia (25companies)	
Production	Excellent human resources	3	4.8%	9	21.4%	6	18.2%	5	16.7%	1	4.0%
	Inexpensive labor force	42	67.7%	3	7.1%	1	3.0%	12	40.0%	2	8.0%
	Low-cost parts and raw materials	8	12.9%	3	7.1%	2	6.1%	4	13.3%	1	4.0%
	Supply base for final assembly manufacturers	17	27.4%	2	4.8%	5	15.2%	7	23.3%	1	4.0%
	Industrial concentration (concentration of sources, buyers and partners)	7	11.3%	8	19.0%	8	24.2%	1	3.3%	1	4.0%
	For a risk diversification	5	8.1%	3	7.1%	2	6.1%	7	23.3%	1	4.0%
	Base for exports to Japan	9	14.5%	1	2.4%	1	3.0%	7	23.3%	0	0.0%
	Bases for export to third countries	17	27.4%	4	9.5%	6	18.2%	4	13.3%	0	0.0%
Sales	Present local market size	11	17.7%	17	40.5%	19	57.6%	2	6.7%	4	16.0%
	Potential for growth as a market	35	56.5%	28	66.7%	10	30.3%	9	30.0%	23	92.0%
	Product development tailored to the local needs	2	3.2%	4	9.5%	2	6.1%	2	6.7%	0	0.0%
Infrastructure and systems	Local infrastructure (electric power, communications, transport etc) is well developed	4	6.5%	15	35.7%	6	18.2%	8	26.7%	1	4.0%
	Tax incentives for investment	4	6.5%	2	4.8%	2	6.1%	7	23.3%	0	0.0%
	Policies to attract foreign capital are stable	2	3.2%	3	7.1%	1	3.0%	7	23.3%	0	0.0%
	Progress towards regional integration (reduction of tariffs)	6	9.7%	0	0.0%	0	0.0%	2	6.7%	0	0.0%
	Stable political and social conditions	0	0.0%	5	11.9%	6	18.2%	10	33.3%	0	0.0%

: top three reasons
  : reasons, which is beyond the forth and its share is under the 20%

Note: Figures in parentheses under each country name are numbers of respondent companies for each country. The left column shows the number of respondent companies and the right column shows the share.

# Appendix 3 【 Promising Countries for Overseas Business Operations ~Issues for the top ten countries~ 】

: top three issues
  : issues, which is beyond the forth and its share is under the 20%

Note: Figures in parentheses under each country name are numbers of respondent companies for each country. The left column shows the number of respondent companies and the right column shows the share.

		China (427companies)	Thailand (106companies)	U.S. (78companies)	Vietnam (71companies)	India (60companies)
Laws and taxation systems	Local legal system is under-developed	128 30.0%	4 3.8%	0 0.0%	26 36.6%	15 25.0%
	Opaque operation of the local legal system (frequent changes etc.)	280 65.6%	10 9.4%	0 0.0%	28 39.4%	17 28.3%
	Complexity of local tax collection systems	103 24.1%	9 8.5%	1 1.3%	4 5.6%	9 15.0%
	Opaque operation of the local taxation system (frequent changes etc.)	175 41.0%	10 9.4%	0 0.0%	12 16.9%	12 20.0%
	Strengthened local taxation (income taxation, transfer price taxation, etc.)	67 15.7%	15 14.2%	9 11.5%	5 7.0%	5 8.3%
Administration, overall	Restrictions on foreign capital (restrictions on controlling shares and business types, frequent changes etc.)	141 33.0%	12 11.3%	0 0.0%	19 26.8%	8 13.3%
	Complexity and opacity of local investment permit procedures	115 26.9%	8 7.5%	1 1.3%	18 25.4%	10 16.7%
	Difficulty of obtaining local working visas	15 3.5%	5 4.7%	11 14.1%	1 1.4%	4 6.7%
	Insufficient local protection of intellectual property rights	197 46.1%	11 10.4%	0 0.0%	14 19.7%	10 16.7%
	Local restrictions on currency exchange and remittance	175 41.0%	4 3.8%	1 1.3%	10 14.1%	9 15.0%
	Local import restrictions (components, raw materials etc.)	70 16.4%	5 4.7%	0 0.0%	11 15.5%	7 11.7%
Labor problems	Local anti-dumping measures (abuse of safeguards etc.)	19 4.4%	1 0.9%	10 12.8%	1 1.4%	1 1.7%
	Difficulty in securing local personnel (management level)	111 26.0%	39 36.8%	9 11.5%	25 35.2%	7 11.7%
	Increase in local labor costs	85 19.9%	31 29.2%	25 32.1%	3 4.2%	6 10.0%
	Local labor difficulties (labor and management relationship, etc.)	60 14.1%	12 11.3%	12 15.4%	8 11.3%	16 26.7%
General problems	Intense local competition with other firms	159 37.2%	47 44.3%	57 73.1%	6 8.5%	13 21.7%
	Local demands for technology transfer and performance	34 8.0%	6 5.7%	2 2.6%	4 5.6%	5 8.3%
	Difficulty in collecting receivables	176 41.2%	2 1.9%	0 0.0%	7 9.9%	9 15.0%
	Difficulty in local procurement of funds	38 8.9%	3 2.8%	0 0.0%	8 11.3%	2 3.3%
	Lack of local development of peripheral industries (procurement of raw materials and components etc. is difficult)	54 12.6%	5 4.7%	1 1.3%	20 28.2%	13 21.7%
	Local currency and price instability	17 4.0%	6 5.7%	0 0.0%	5 7.0%	5 8.3%
	Local infrastructure (electric power, communications, transport etc.) is under-developed	67 15.7%	9 8.5%	0 0.0%	33 46.5%	27 45.0%
	Unstable local political and social conditions	47 11.0%	3 2.8%	1 1.3%	5 7.0%	11 18.3%
Insufficient information concerning the investment destination	21 4.9%	4 3.8%	0 0.0%	27 38.0%	13 21.7%	
		Indonesia (52companies)	Korea (31companies)	Taiwan (24companies)	Malaysia (21companies)	Russia (22companies)
Laws and taxation systems	Local legal system is under-developed	8 15.4%	0 0.0%	2 8.3%	0 0.0%	6 27.3%
	Opaque operation of the local legal system (frequent changes etc.)	13 25.0%	1 3.2%	0 0.0%	0 0.0%	12 54.5%
	Complexity of local tax collection systems	5 9.6%	0 0.0%	0 0.0%	0 0.0%	1 4.5%
	Opaque operation of the local taxation system (frequent changes etc.)	5 9.6%	2 6.5%	1 4.2%	0 0.0%	5 22.7%
	Strengthened local taxation (income taxation, transfer price taxation, etc.)	4 7.7%	2 6.5%	1 4.2%	4 19.0%	0 0.0%
Administration, overall	Restrictions on foreign capital (restrictions on controlling shares and business types, frequent changes etc.)	1 1.9%	3 9.7%	0 0.0%	5 23.8%	3 13.6%
	Complexity and opacity of local investment permit procedures	4 7.7%	1 3.2%	0 0.0%	0 0.0%	1 4.5%
	Difficulty of obtaining local working visas	4 7.7%	0 0.0%	0 0.0%	1 4.8%	1 4.5%
	Insufficient local protection of intellectual property rights	10 19.2%	5 16.1%	5 20.8%	0 0.0%	2 9.1%
	Local restrictions on currency exchange and remittance	1 1.9%	4 12.9%	3 12.5%	4 19.0%	1 4.5%
	Local import restrictions (components, raw materials etc.)	3 5.8%	1 3.2%	0 0.0%	0 0.0%	1 4.5%
Labor problems	Local anti-dumping measures (abuse of safeguards etc.)	1 1.9%	2 6.5%	0 0.0%	0 0.0%	0 0.0%
	Difficulty in securing local personnel (management level)	12 23.1%	3 9.7%	3 12.5%	2 9.5%	2 9.1%
	Increase in local labor costs	10 19.2%	11 35.5%	6 25.0%	5 23.8%	0 0.0%
	Local labor difficulties (labor and management relationship, etc.)	20 38.5%	8 25.8%	2 8.3%	3 14.3%	1 4.5%
General problems	Intense local competition with other firms	14 26.9%	22 71.0%	14 58.3%	10 47.6%	4 18.2%
	Local demands for technology transfer and performance	3 5.8%	2 6.5%	0 0.0%	1 4.8%	0 0.0%
	Difficulty in collecting receivables	1 1.9%	2 6.5%	0 0.0%	0 0.0%	4 18.2%
	Difficulty in local procurement of funds	3 5.8%	0 0.0%	0 0.0%	2 9.5%	0 0.0%
	Lack of local development of peripheral industries (procurement of raw materials and components etc. is difficult)	11 21.2%	0 0.0%	0 0.0%	2 9.5%	1 4.5%
	Local currency and price instability	17 32.7%	2 6.5%	0 0.0%	1 4.8%	5 22.7%
	Local infrastructure (electric power, communications, transport etc.) is under-developed	13 25.0%	0 0.0%	0 0.0%	1 4.8%	4 18.2%
	Unstable local political and social conditions	28 53.8%	2 6.5%	0 0.0%	0 0.0%	7 31.8%
Insufficient information concerning the investment destination	3 5.8%	2 6.5%	1 4.2%	0 0.0%	7 31.8%	