

From Japan External Trade Organization (JETRO) San Francisco Office

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“Japan as a Bridge between California, China, India and Other Asian Countries”

Dear Sir/Madam in the California Business Community,

Today, I would like to start by touching upon our vision for Global Economic Integration.

There are four mega FTA negotiations that are currently ongoing (or will be beginning soon): namely TPP, EU-Japan, TTIP and RCEP. Promoting these negotiations towards liberalization of trade and investment could be essential to recovery from the stagnant WTO Doha Round. These movements represent a new era across the Pacific, the Atlantic, and Eurasia.

In the Asia-Pacific context, the TPP and RCEP will function as the mutually complementary wheel of the scheme. While the TPP could function as an innovative driving force aiming at an advanced agreement suitable for the 21st century, the RCEP could work as a facilitator to gradually but steadily improve the regional economy with wide range of economic coverage and growth potential by including lesser developed countries, setting broader agendas, and aiming to be business friendly, to eventually attain the competitive and comprehensive goal of regional economic integration.

The leadership roles taken by both Japan and the U.S. are essential to achieving the liberalization of trade and investment through these negotiations. Japan's involvement in three of the four negotiations will be critically important, and Japan clearly recognizes its responsibility as a bridging partner, especially between TPP

and RCEP, along with the leadership roles taken by both U.S. and Japan in the new global framework.

Our chairman, Hiroyuki Ishige, explained his thoughts about this issue in-depth at the CSIS-JETRO Seminar held in Washington D.C. last month. Please watch his presentation in the video at the URL below.

<http://csis.org/multimedia/video-csis-jetro-seminar-asia-pacific-economic-integration>

(Our Chairman's presentation begins at around 44 minutes of the video.)

So, what kinds of implications does the negotiation process of the new global framework have for the California Economy and Industries?

Of course, it will provide further business opportunities all over the world, including California and Japan.

Especially with Japan as a bridging partner between American Continent Economies and Asian Economies, there would be further business intelligence and infrastructure developed, which could offer enormous opportunities for Asian headquarters or Asian centers of business development for California companies, besides the more liberalized Japanese market itself.

While these are our thoughts on further development, we currently have more to offer under the current investment environment in Japan: a large market with the population of more than 125 million people, a center of innovation, a diligent labor force, and incentives by the government.

Large market: Japan's nearly \$6 trillion economy is the third largest in the world. The Kanto region (the multi-prefecture area surrounding Tokyo) alone has a GDP greater than each of the economies of Russia and Brazil, for example (Source: IMF World

Economic Outlook, 2011; Prefectural Economic Almanac, 2011; Cabinet Office, 2011). In addition, of course, Japan already has well developed business infrastructure including the intellectual property protection.

A center of innovation: Japan is a center of innovation, with a higher percentage of researchers and higher R&D expenditures as a percentage of GDP (3.6%) than Korea (3.4%), the U.S. (2.8%), Germany (2.8%), France (2.2%), China (1.7%), and many other countries (Source: Ministry of Internal Affairs and Communications, 2011). Japan also has the second highest percentage of PCT (Patent Cooperation Treaty) patents (21%) in the world after the U.S. (28%) (Source: WIPO, 2011). Japan ranks number one in the world for production process sophistication, local supplier quantity and quality, value chain breadth, and control of international distribution (Source: World Economic Forum “Global Competitiveness Report”, 2011-2012).

Diligent labor force: Foreign companies regularly cite access to highly skilled workers and a high retention rate of Japanese employees as some of the benefits of doing business in Japan (Source: JETRO).

Incentives by the government: The Japanese government, at both the national and local levels, offer a range of location- and industry-based incentives, including grants, low-interest loans, tax breaks, and other assistance. In the last three years alone, 13 foreign-affiliated companies were selected for national-level subsidies for the establishment of new R&D sites in Japan (Source: JETRO) Please look at investment incentive programs in Japan at:

https://www.jetro.go.jp/en/invest/incentive_programs

We are still continuously working on necessary issues, as further development could be possible for more investment friendly conditions.

I would appreciate your feedback, especially about investment conditions in Japan or our related activities.

Thank you very much for your attention.

I look forward to communicating with you soon again.

Best regards,



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