



Country Brief

on

JAPAN



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BASIC FACTS & FIGURES

GDP (Purchasing power parity)

\$4.389 trillion (2011 est.)

Inflation rate

0.4% (2011 est.)

Agriculture products

Rice, sugar beets, vegetables, fruit; pork, poultry, dairy products, eggs; fish.

Industries

Among world's largest and technologically advanced producers of motor vehicles, electronic equipment, machine tools, steel and nonferrous metals, ships, chemicals, textiles, processed foods

Exports

\$800.8 billion (2011 est.)

Export commodities

Transport equipment, motor vehicles, semiconductors, electrical machinery, chemicals.

Export partners

China 19.4%, US 15.7%, South Korea 8.1%, Hong Kong 5.5%, Thailand 4.4% (2010)

Imports

\$794.7 billion (2011 est.)

Import commodities

petroleum 15.5%; liquid natural gas 5.7%; clothing 3.9%; semiconductors 3.5%; coal 3.5%; audio and visual apparatus 2.7% (2010 est.)

Import partners

China 22.1%, US 9.9%, Australia 6.5%, Saudi Arabia 5.2%, UAE 4.2%, South Korea 4.1%, Indonesia 4.1% (2010)

(Source: CIA Factbook-www.cia.gov)

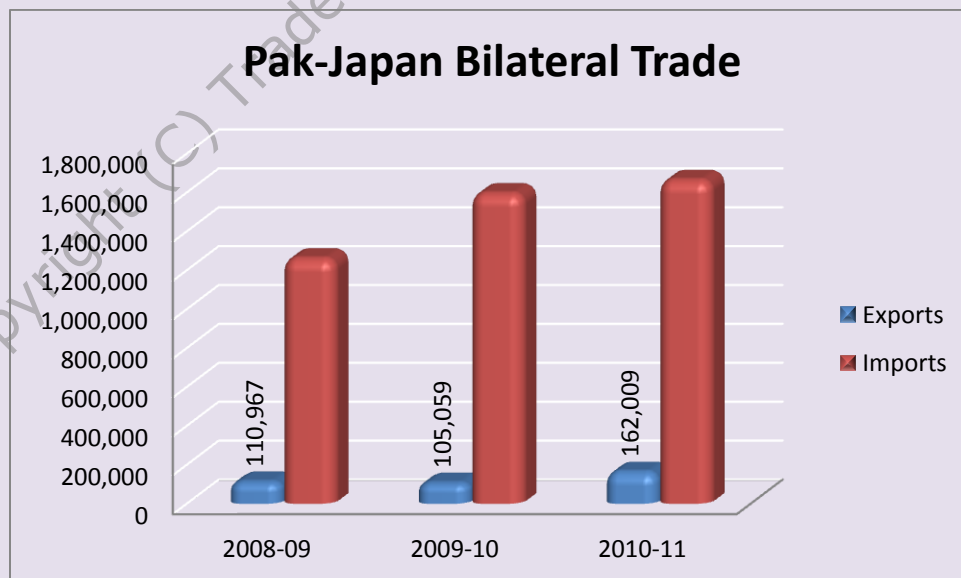
PAKISTAN - JAPAN BILATERAL TRADE

(Value in '000' US Dollars)

Source FBS

	2008-09	2009-10	2010-11
Exports	110,967	105,059	162,009
Imports	1,259,997	1,536,171	1,663,065
Balance	(1149,030)	(1,431,112)	-1,501,056

Japanese market offers big potential for Pakistani exports especially in sectors like Textile, Leather, Sea Food, Fresh Fruits & Vegetables, rice, surgical goods and sports goods. Our exports to Japan have shown an increasing trend for the last few years. Pakistan exports to Japan has traditionally been dependent on Textiles mainly cotton yarn and cotton fabrics.



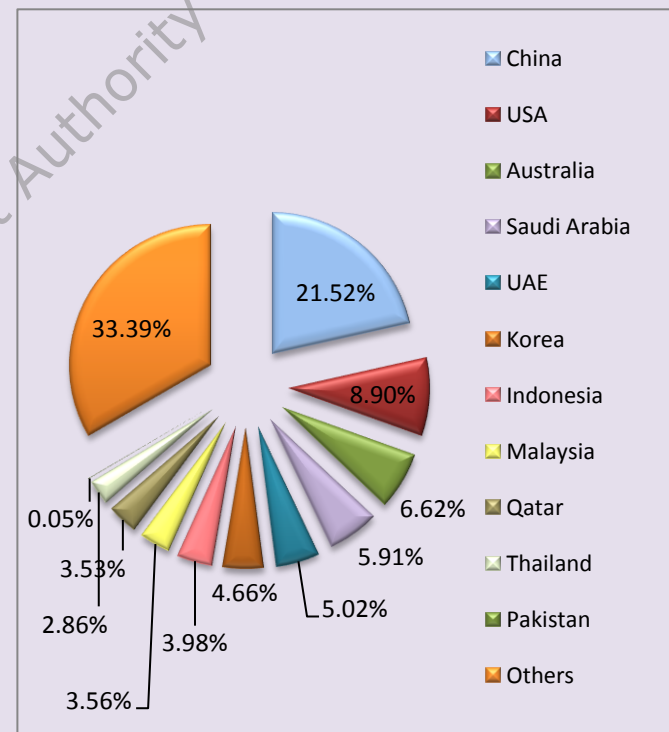
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TOP 10 EXPORTERS TO JAPAN

Value in 000 \$

Source: ITC

S#	Exporters	2011	Share % 2011
	World	855,249,968	
1	China	184,055,020	21.52%
2	USA	76,136,712	8.90%
3	Australia	56,589,679	6.62%
4	Saudi Arabia	50,520,255	5.91%
5	UAE	42,907,540	5.02%
6	Korea	39,819,166	4.66%
7	Indonesia	34,042,618	3.98%
8	Malaysia	30,485,208	3.56%
9	Qatar	30,152,949	3.53%
10	Thailand	24,498,416	2.86%
64	Pakistan	455,940	0.05%
	Others	285,586,465	33.39%



TOP 20 products imported by Japan*Value in 000 \$**Source: ITC*

S#	Code	Product label	2009	2010	2011
	TOTAL	All products	551,984,751	692,620,567	855,249,968
1	'27	Mineral fuels, oils, distillation products, etc	152,488,996	198,627,587	274,523,912
2	'85	Electrical, electronic equipment	64,897,332	86,369,685	92,509,165
3	'84	Machinery, nuclear reactors, boilers, etc	46,059,225	55,895,281	63,702,560
4	'26	Ores, slag and ash	20,086,810	31,471,268	39,126,275
5	'90	Optical, photo, technical, medical, etc apparatus	18,162,639	22,489,852	24,840,296
6	'30	Pharmaceutical products	13,058,253	16,178,573	19,928,050
7	'29	Organic chemicals	14,080,886	16,238,193	19,183,283
8	'87	Vehicles other than railway, tramway	10,927,187	14,519,967	17,849,173
9	'62	Articles of apparel, accessories, not knit or crochet	12,095,315	12,618,824	15,917,525
10	'39	Plastics and articles thereof	9,781,035	12,682,537	15,299,055
11	'61	Articles of apparel, accessories, knit or crochet	11,974,511	12,643,403	15,275,325
12	'71	Pearls, precious stones, metals, coins, etc	8,143,821	11,526,829	13,932,113

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S#	Code	Product label	2009	2010	2011
13	'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	10,524,336	11,623,815	13,558,018
14	'44	Wood and articles of wood, wood charcoal	8,702,476	10,432,773	12,509,968
15	'99	Commodities not elsewhere specified	10,238,481	11,965,101	12,333,574
16	'28	Inorganic chemicals, precious metal compound, isotopes	5,527,632	7,908,809	11,394,197
17	'72	Iron and steel	4,910,610	8,498,559	11,391,382
18	'02	Meat and edible meat offal	7,390,242	8,553,457	10,323,145
19	'10	Cereals	6,581,784	6,958,190	9,652,329
20	'76	Aluminium and articles thereof	4,998,785	8,046,764	9,221,759

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PAKISTAN TOP 30 EXPORTING PRODUCTS TO JAPAN

Value in 000 \$

Source: FBS

S#	Products	2010-11	2009-10
	TOTAL	162,009	105,059
1	Cotton yarn	68,134	30,167
2	Cotton cloth	24,632	9,843
3	Other commodities	8,839	7,230
4	Leather	7,810	5,681
5	Surgical goods, medical	5,828	5,207
6	Apparel & clothing	5,244	4,304
7	W. Carpets & rugs	5,036	4,418
8	Foot balls complete	4,881	3,066
9	Guar and guar products	4,694	3,605
10	Ready made garments	4,691	3,248
11	Knitwear	3,658	2,100
12	Fish & fish prep.	3,368	3,600
13	Oil seeds, nuts & kernals	2,706	660
14	Towels	2,278	1,224
15	Crude animal material	1,393	1,451
16	Bed wear	998	223
17	Waste material of textile	821	363
18	Gloves (sports)	770	568
19	Tex.made ups(exc.t.& bed).	756	820
20	Tule, lace, embroidery etc	569	553
21	Rice basmati	557	290
22	Leather gloves	541	375
23	Cutlery	528	346
24	Kintted or croc.fabrics	374	231
25	Yarn oth. Than c. Yarn	371	631
26	Other (sports)	319	368
27	Feed.stuff for animals	307	13
28	Onyx manufactured	289	391
29	Fruits	256	152
30	Rubber manufactures	215	97

PAKISTAN TOP 30 IMPORTING PRODUCTS FROM JAPAN

Value in 000 \$

Source: FBS

S#	H.S #	ITEMS DESCRIPTION	2010-11	J2009-10
			000 \$	000 \$
		TOTAL	1,663,065	1,536,171
1	89080000	Vessels & f-stru for breaking up	165,988	129,176
2	87032210	Components veh 1000-1500cc akf	122,610	126,305
3	87032191	Compnen veh,in akf,8 1000cc	114,256	102,185
4	72083990	OTH COIL-HR I/NA-S TH < 3 mm	43,080	0
5	87032111	Comp veh,in akf,800cc,sp-igni	37,164	24,640
6	87032290	Oth veh cyl-cpa 1000-1500cc	35,086	15,160
7	87112010	Comp m-cycle cy-c-50-250cc-akf	33,262	29,597
8	84463000	Weav mach fab >30cm shutles	32,157	9,352
9	87032311	Compnen veh,in akf1500-1800cc	27,397	33,000
10	87059000	Oth special purpose motor vehl	25,503	47,856
11	87141990	Oth parts & acce h-8711- 8713	25,071	20,825
12	87043110	Comp veh(sp-ing)not>5ton-akf	22,567	15,380
13	87082939	Body parts of other vehicles	21,752	4,757
14	84451300	Drawing /roving machines	17,588	1,281
15	72104910	Oth fr i/na-s p/c zinc s/qlty	17,282	11,787
16	87032112	Compnents,mini van ,in a-k-f	17,063	11,324
17	87032199	Oth vehicles, 800cc to 1000cc	16,758	15,649
18	55020090	Other, artificial filament tow	15,989	11,248
19	87032220	Oth motor vehicle 1000-1300cc	15,708	6,470
20	84452000	Texting spinning machines	15,004	5,071
21	87021090	Oth m.veh diesel eng 10-person	14,895	22,193
22	84143010	Compressor non cfc/hcfc gases	14,300	10,804
23	87042110	Comp veh(die)g.v.w no>5ton-akf	13,995	15,214
24	87032329	Oth vehicle cyc 1800-3000cc	13,949	11,311
25	87032119	Oth veh cy-capacity not>800cc	13,819	8,260
26	84099140	Oth parts of eng veh chap-87	12,996	1,412
27	73042900	Oth casing,tubing i/s-oil/gas	12,546	21,723
28	88033000	Oth parts of aeroplane/helicop	12,015	0
29	87088090	Oth parts/suspen sys oth-veh	11,287	12,430
30	84099910	Oth ring&piston for veh ch-87	10,841	11,899

MARKET ACCESS STRATEGY

(a) Crucial Factors

To sell foreign products in Japan following factors are important:

- Foreign Companies presence in Japan
- Japanese Companies presence Overseas
- Joint Ventures between Japanese and Overseas Companies

Any marketing plan needs to have the following ingredients to be able to penetrate the local Market.

- Strong Business credentials or Japanese references
- Complete understanding of local business environment
- Presence either direct or through local agents /Distributors
- Product Quality assurance
- JIT (Just in Time delivery)
- Strong Customer support
- After Sales Service
- Frequent personal interaction with buyers
- Patience

It is essential for a foreign company wishing to enter the Japanese Market to either establish its presence in Japan or hire services of a reputable and well-connected local agent or distributor of the related product.

Japanese attach high importance to personal relations. Frequent personal visits are essential to cultivate business contacts and these take time to establish in Japan. Patience and regular follow-ups are required before conclusion of deal. Japanese take painfully long time to arrive at a decision. Merely depending on a list of companies or importers for establishing business contacts will hardly yield any results. The Japanese normally do not respond to "Cold calls" from new companies unless it carries strong business credentials. The other route is a proper introduction either by a Japanese Company or local bank. The overseas companies dealing with Japanese companies can also play a role in introducing the new companies. Local Trade associations and Chambers can also be helpful for establishing the contacts.

To evoke interest in a Japanese business concern a foreign exporting firm must present an image of dependability, quality, competitiveness and strong commitment. It should be responsive to cultural requirements, be ready to make



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changes on demand, answer all queries with alacrity and possess the capacity to provide strong customer support and after sales Service.

The Japanese consumers have a peculiar taste for colors and styles, which are different from the other parts of the world. The exporting firms should understand these demands for successful ventures. The Customers in Japan are valued extremely by the local companies and they are demanding too. For this they would ensure that the exporter is properly equipped for after sales service.

(b) Competitors Strategy

The Countries like China, Indonesia, Malaysia, Thailand, Taiwan, and Korea have achieved massive growth in capturing the Japanese market through:

- Continued Presence (despite initial setbacks)
- Investment in Research and study of local tastes and trends and regulations
- Patience
- Investing heavily for establishing business contacts through socializing
- responding to the demands of local buyers
- Quality
- Superior packaging
- Timely deliveries
- Strong customer support

SWOT ANALYSIS

(A) PAKISTAN'S STRENGTHS

- More than 60 years of business relations
- Strong Textiles Base
- Credible Sports, leather, and surgical instruments industries.
- Human resource
- Indigenous raw Material
- Presence of Japanese Companies / Buying houses in Pakistan

Pakistan has more than 60 years of business relations with Japan. The Pakistani companies who are engaged in businesses with Japanese companies can be



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helpful in introducing new products in the Japanese markets through their existing contacts.

The Japanese companies who are present in Pakistan can play an important role in increasing our exports or introducing new products.

Our Textile and leather products can penetrate the Japanese Market by modifications in designs and colors.

The Japanese companies can be attracted to invest in Pakistan by offering incentives.

(B) PAKISTAN'S WEAKNESSES

- Image
- Security issues
- Physical distance
- Credibility
- Lack of presence of Pakistani Companies in Japan
- Looking for Quick results
- Lack of adaptability & Investment
- Give up attitude
- Lack of entertainment for Japanese visitors

Pakistan faces serious image problem. Incidents of violence quickly capture the headlines in Japanese Media. The Japanese society is very sensitive on security issues as they enjoy an incredibly safe atmosphere at home.

Except for a handful carpet dealers there are no Pakistan companies engaged in selling Pakistani products in Japan.

Most of our competitors are geographically close to Japan giving them an edge in delivering goods in short time.

The Japanese way of doing business is different from the other parts of the world. It is rare in Japan that first few meetings will yield any positive results. This factor is not well taken by our businessmen and they give up their efforts.

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(C) OPPORTUNITIES

Japan is a vibrant, prosperous Country with the world's Second largest economy

- Japanese Consumer spends Billions of Dollars on food, clothing, travel, entertainment and wide variety of other goods and services.
- An average Japanese household has over US\$ 100,000 in savings and a disposable income of more than \$3500 per month.

(D) THREATS

- Intense competition from Overseas Companies
- Competition from Japanese companies
- Complex distribution system
- China factor
- Invisible Barriers

Optimism about opportunities in a Five Trillion Dollar economy must be tempered with realism. While Japan is more open to foreign goods and services than ever before, the Japanese economy remains over regulated and these regulations are obstacles to foreign companies. The Japanese companies will go to any extent to keep a newcomer away. This can be through severe price cutting or even pressurizing the clients and customers through different means.

Japan's distribution system is a complete maze for an outsider and even for most of the Japanese. It is complex, labor intensive and filled with outmoded business practices. It is also expensive and accounts for much of the difference between the prices in Japan and rest of the world. It remains a formidable barrier to imports and introduction of new goods and services. Domestic Consumers have a strong demand for a wide variety of goods and services, but the distributors can be and are hesitant to disrupt long standing relationship with their present suppliers even in cases where they are offered by foreign companies a superior product at a lower price.

The other most important factor is that in Japan there is no concept of failure. A failure in business damages the business individual or entity almost permanently. The Japanese retailers and wholesalers fear retaliation from their present suppliers in case they switch to new overseas resources. At the same time they are also



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concerned about the timely shipment, quality and adequate backup service by the overseas companies.

These doubts stem from a traditional reluctance to do business with strangers, who could introduce uncertainty into an existing predictable business. A clearly demonstrated commitment to foster long-term relationship with a Japanese counterpart is crucial to overcome this reluctance. Therefore, an established presence in the market (if only through knowledgeable and committed agent) is vital for winning trust.

While Tariffs are generally low, Japan does have barriers that impede or delay the import of foreign products. Though Competition, foreign pressure by Governments and overseas companies has lessened the impact of these impediments, companies may still encounter Non Tariff barriers such as:

- Standards which are unique and exist in Japan only
- requirement for companies to demonstrate prior experience in Japan
- Official regulations favoring domestic manufacturers
- Licensing power entrusted to associations with complicated and cumbersome procedures limited to members only. These have the ability to influence local market and control the information vital for new comers.
- Cartels (formal and informal)
- Preference to personal relationship mostly confined to Japanese only.

IMPEDIMENTS TO TRADE

Price Competition

Pakistani exports of textiles, leather products and fish and fish preparations are facing severe price competition from the duty free imports from least developed countries.

Visa Restrictions

Closer interaction between the business community of county is the key of successful business, which is possible only through frequent visits of the business community of both countries. But for a Pakistani businessman it is extremely difficult to get a business visit visa to Japan although recommended by TDAP and the Embassy of Pakistan.

Special Tariff for LDCs

Japan has special tariff scheme for imports in sectors like leather, textile and seafood, form LDCs including Bangladesh, Nepal, Myanmar. Duty free imports from LDCs such as Bangladesh in sectors like textiles and leather make the prices of Pakistani products less competitive.

Threat from Intended FTAs

Japan is perusing Free Trade Agreement (FTA) led Foreign Trade strategy. This will, not only facilitate Japanese businesses to face the competition from ASEAN and Chinese producers but also allow greater market access for the FTA partners in the Japanese market. As a result the major exports from Pakistan, which are also major exports of ASEAN countries, will become less competitive as regards the prices.



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Limited Range of Products

The range of the products offered by Pakistan is very limited. For example in carpets we rely on hand knotted carpets in spite of the fact that the Japanese market for hand knotted carpet is shrinking. Similarly in textile sector the range of the products being offered by our competitors like India, China and Malaysia is far wider range than the products offered by our exporters.

Lack of Product Development

We tend to sell whatever we have instead of finding out what the buyers want to buy. For example if we can not sell basmati rice to Japanese consumer, we can sell other kind of rice to food processors or rice flour. Efforts are being made to understand the demands of Japanese market and to develop the products accordingly.

Factors affecting Japanese Market Penetration

- Japanese firms tend to buy from their own subsidiaries established in other countries.
- Over the last few years, most of the Japanese textile manufacturers have shifted their manufacturing facilities to other countries mainly China and ASEAN countries. This relocation resulted in less demand for raw cotton, yarn and fabric.
- The import regulations, applicable standards and quarantine requirements make it all the more difficult to export Pakistani products specially food items.
- Pakistani exports also have the disadvantage of more distance from market than its competitors, such as China, Russia, Thailand, Korea etc. This not only increases transportation costs but also delays the delivery of goods whereas Japanese importers prefer small size lots with short delivery schedules.
- Stiff competition in price and delivery time with China, Hong Kong, Indonesian suppliers.

Pakistani Exporter education about Japanese Market etiquettes and business models

It is very necessary for Pakistani exporters to have complete knowledge of the market and study the business model before entering into the Japanese market.



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Exporter screening for Trade fairs

Most of the exporters and the delegations sent to Japan are either not serious about doing business or even if they are serious they do not produce the **quality** and do not possess the **timeliness** required for doing business in these markets. In Japan participants in a meeting must arrive 5 minutes before the scheduled time and if they fail in doing that then they will never be accorded another meeting time after that. It has happened time and time again during delegation visits, which has caused great embarrassment to the Commercial Section.

Japanese Language

The biggest non-tariff barrier of Japan is the language barrier. Unlike the French, Japanese actually do not know English and therefore using interpreters is the best way to do business in Japan.

WHY ARE OUR COMPETITORS SUCCESSFUL IN JAPAN

The most important realization or strategy employed by other countries is that they package and design their products according to Japan market specification. Packaging is the most important marketing tool in the Japanese market, which Pakistan has never concentrated on. Our exporters and delegations bring poorly packaged goods with English brochures and materials which no one in Japan understands or appreciates. This is Japan and they require Japanese materials.

Japan is a market that attaches great importance to a nicely wrapped product.



MARKETING ACTIVITIES UNDERTAKEN BY TDAP:

1. JICA has provided the services of Trade Policy Advisor to TDAP for the period of two years.
2. TDAP participated in Foodex Japan held from 11-14th March 2008 with 10 companies.
3. Chief Executive, TDAP visited Japan from 25-27th May 2009 and attended Pak-Japan Business Forum Meeting.
4. TDAP organized visit of Sialkot Chamber of Commerce trade delegation to Japan in June 2009.
5. Japan is focus country for TDAP’s marketing activities in this financial year 2012-13 as Government of Pakistan will celebrate 60 years of its relationship with Japan. TDAP organized visit of delegation for the first time in Japan Fashion Week headed by Chief Executive, TDAP in January 2011, also attended second edition in July 2011 and now planning to participate for the third time in 2012.

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