



# JAPAN – IN THE SHADOW OF CHINA?

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IFN  
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# AGENDA

How important  
is Japan today?

What is changing?

Areas with special  
interest for  
Swedish companies



# JAPAN IS SMALLER, BUT BIGGER THAN SWEDEN

Land area:	378 000km <sup>2</sup> , or 80% of Sweden
Land shape:	Mountainous as Norway – Only 20% habitable
People:	126 million (Sweden 8,9)
Capital:	Tokyo, 11,8 million (30 million for greater Tokyo) (Stockholm 1million)





## JAPAN IS THE 2nd BIGGEST ECONOMY

- and larger in size than Germany, England + Sweden together

Share of World Nominal GDP by region (unit %)

	1960	1970	1980	1990	1999	2006
World	100	100	100	100	100	100
US	46,2	42,2	28,6	28,5	31,8	<b>27,2</b>
Japan	4,0	8,3	11,2	15,2	14,9	<b>9,0</b>
EU 15	29,0	30,7	35,8	33,8	28,3	<b>27,6</b>
Asian NIEs	0,7	0,8	1,5	2,7	3,2	<b>3,3</b>
ASEAN 4	1,1	1,1	1,8	1,5	1,5	<b>1,7</b>
China	5,5	3,7	2,1	1,8	3,4	<b>5,4</b>
Latin America	3,9	4,8	5,9	4,6	4,7	<b>6,3</b>
Canada	3,7	3,5	2,8	2,9	2,2	<b>2,6</b>
Others	5,8	4,8	10,3	12,0	10,1	<b>17,0</b>

Source: World Bank, IMF, Bank of China.

Note: Numbers are calculated on current prices, based on USD.



# CHINA WILL GROW IN IMPORTANCE

- but Japan will remain as mega player

Rank 2005	Country	GDP 2006 (USD bn)
1	United States	13244
2	Japan	4367
3	Germany	2897
4	China	2630
5	UK	2374
6	France	2232
7	Italy	1853
8	Canada	1269
9	Spain	1226
10	Brazil	1068
11	Korea, rep.	888
12	India	887



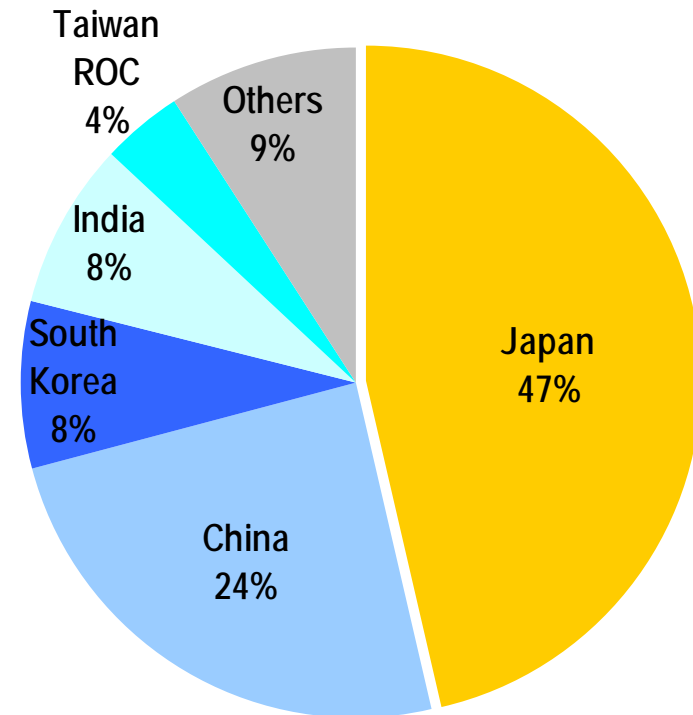
Rank 2050	Country	Estimated GDP 2050 (USD bn)*
1	China	44453
2	United States	35165
3	India	27803
4	Japan	6673
5	Brazil	6074
6 (14)	Russia	5870
7	UK	3782
8	Germany	3603
9	France	3148
10	Italy	2061



# JAPAN'S ECONOMY IS THE SAME SIZE AS THE REST OF ASIA



Asia GDP distribution

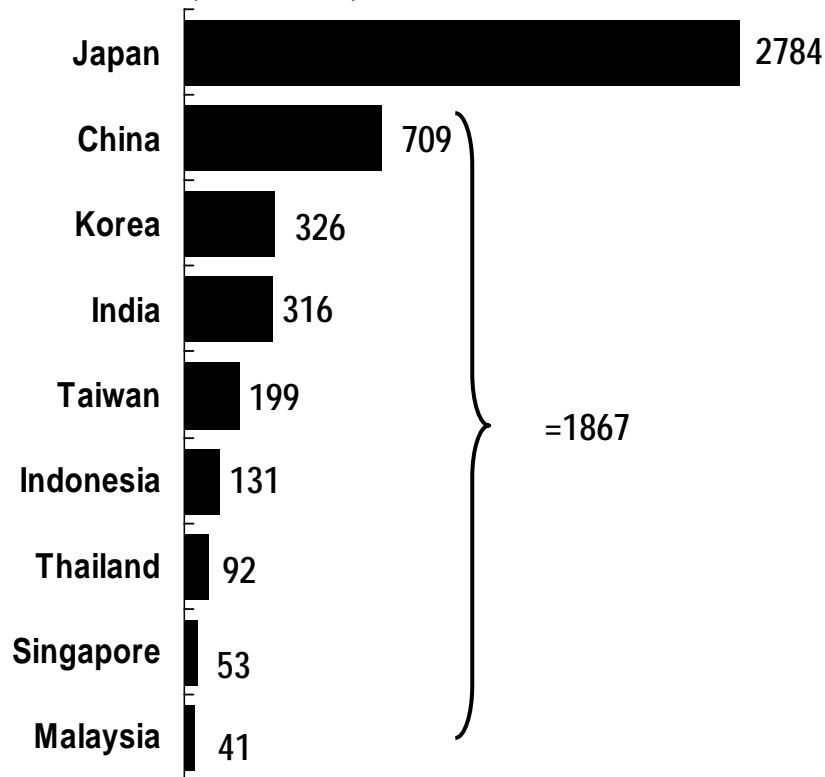




# JAPAN IS BY FAR THE LARGEST CONSUMER MARKET IN ASIA

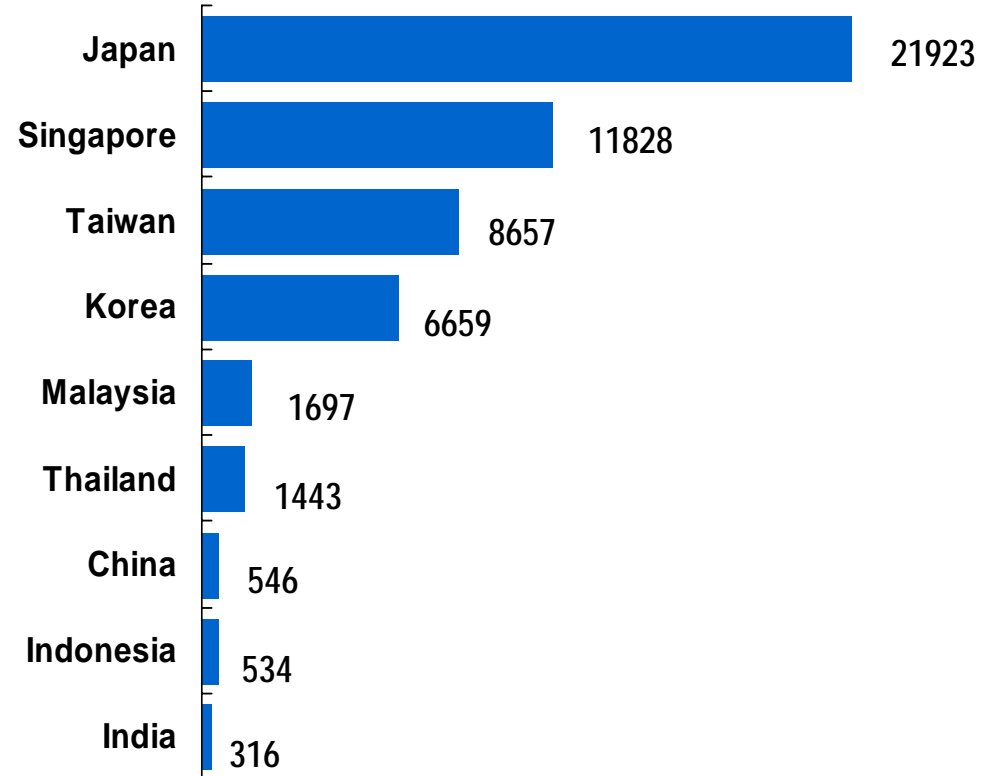
**Total consumer spending**

(USD Billion)



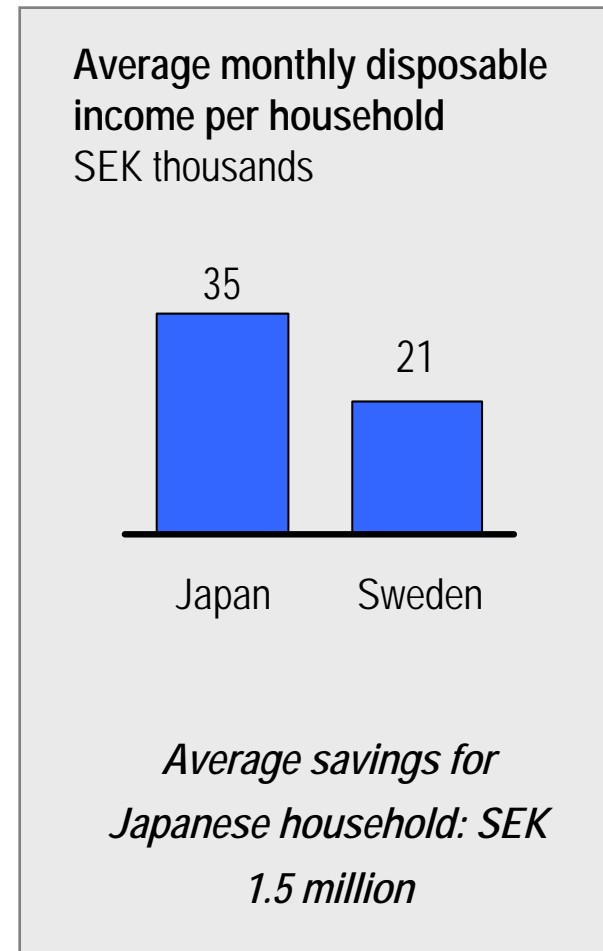
**Consumer spending per capita**

(USD)





## DESPITE THE LONG RECESSION, JAPAN IS STILL A VERY RICH COUNTRY

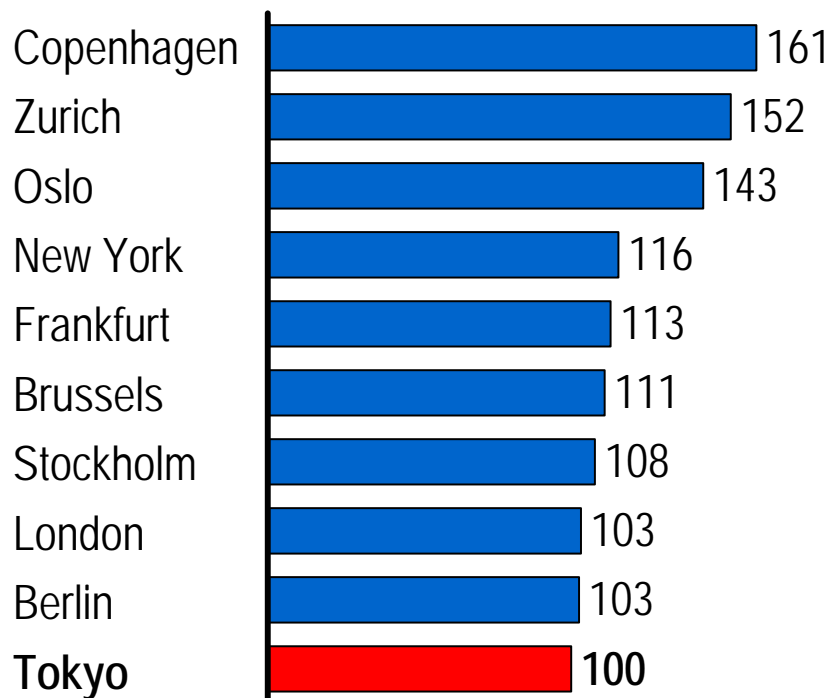




## JAPAN IS NOT MORE EXPENSIVE THAN OTHER MAJOR CITIES

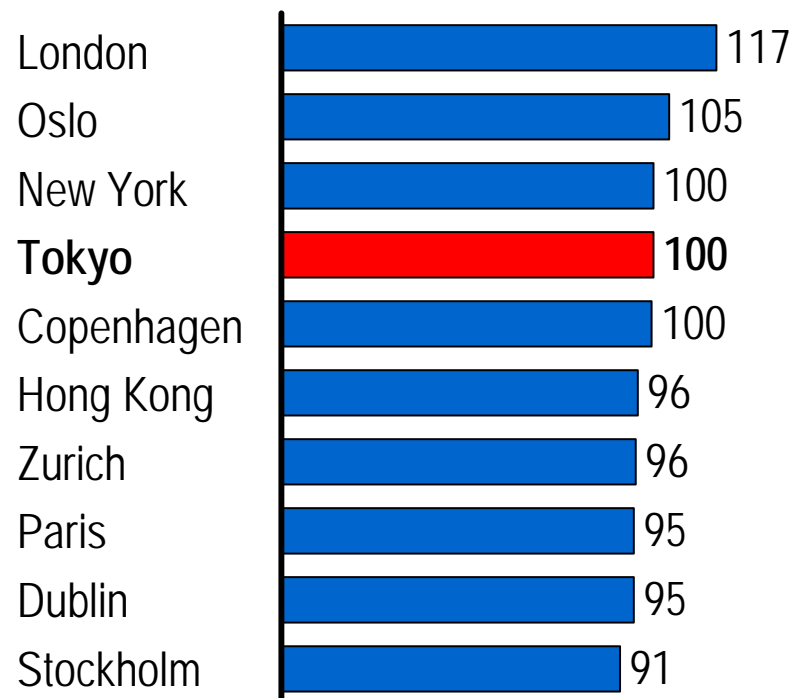
### Gross wage comparison

Index, 2005



### Price comparison (incl. rent)

Index, 2005

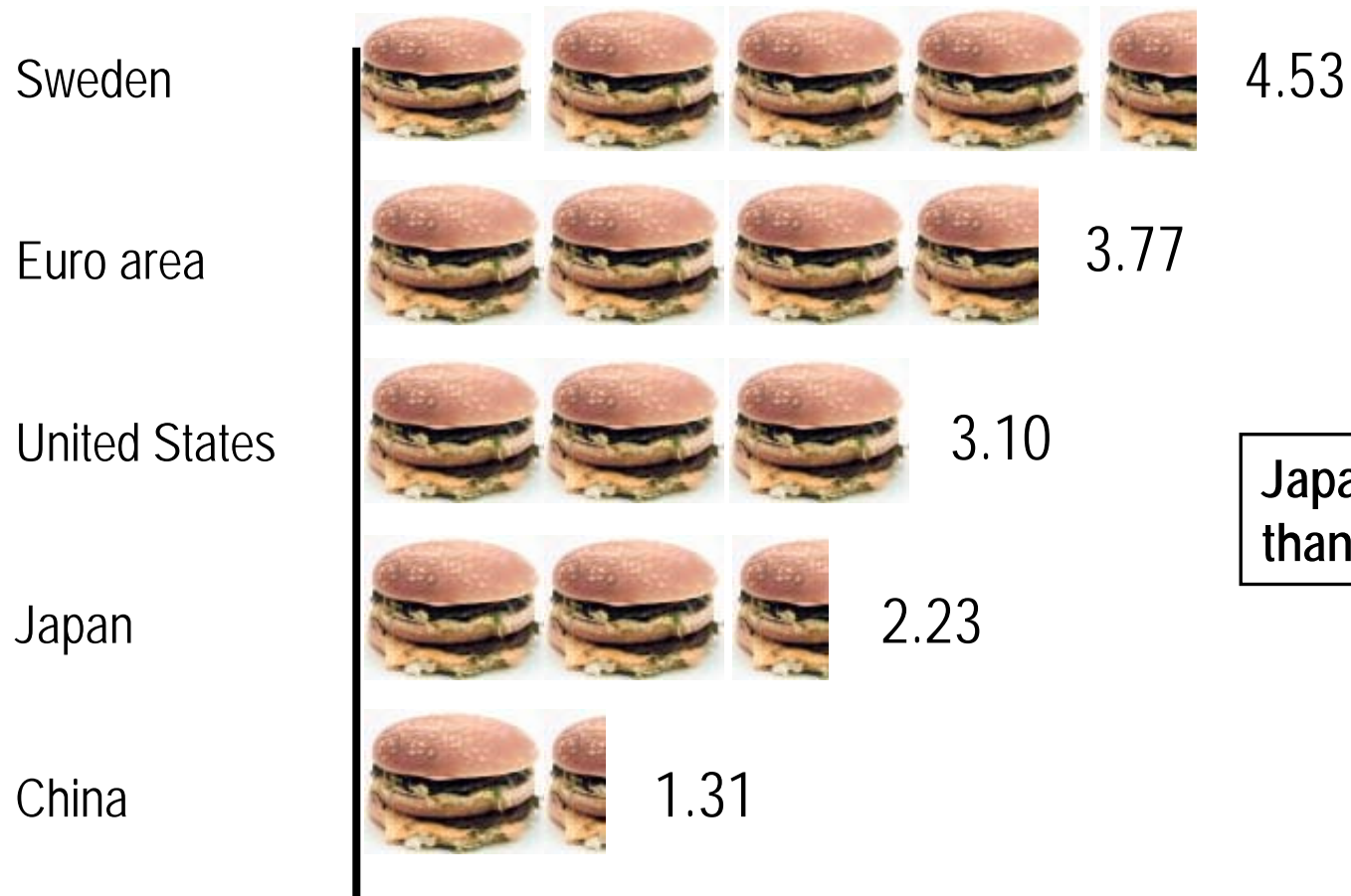


Note: Price comparison based on a basket of 115 goods and services, including 3 rent categories, weighted in favor of Western European consumer habits  
Source: UBS "Prices and earnings"



## BIG MAC PRICES A TELLING EXAMPLE

Local price of one Big Mac translated into US\$  
May 2006



Japan 100% higher  
than US in 1995

# JAPAN - A WORLD LEADER IN MANY SECTORS

## Electronics

Car Audio, navigation systems  
Microwave and satellite communication  
Semiconductors  
VCRs, home audio, flat panel screens

## Leisure products

Musical instruments  
Advanced hobby products  
Video games, animations

## Machinery

Home air conditioners  
Industrial sewing machines  
Robotics

## Optical instruments

All types of cameras, TV equipment

## Transportation

Automobiles, Trucks, Forklift trucks  
Commercial Tires  
Ships





Japan is BIG  
and an important  
market

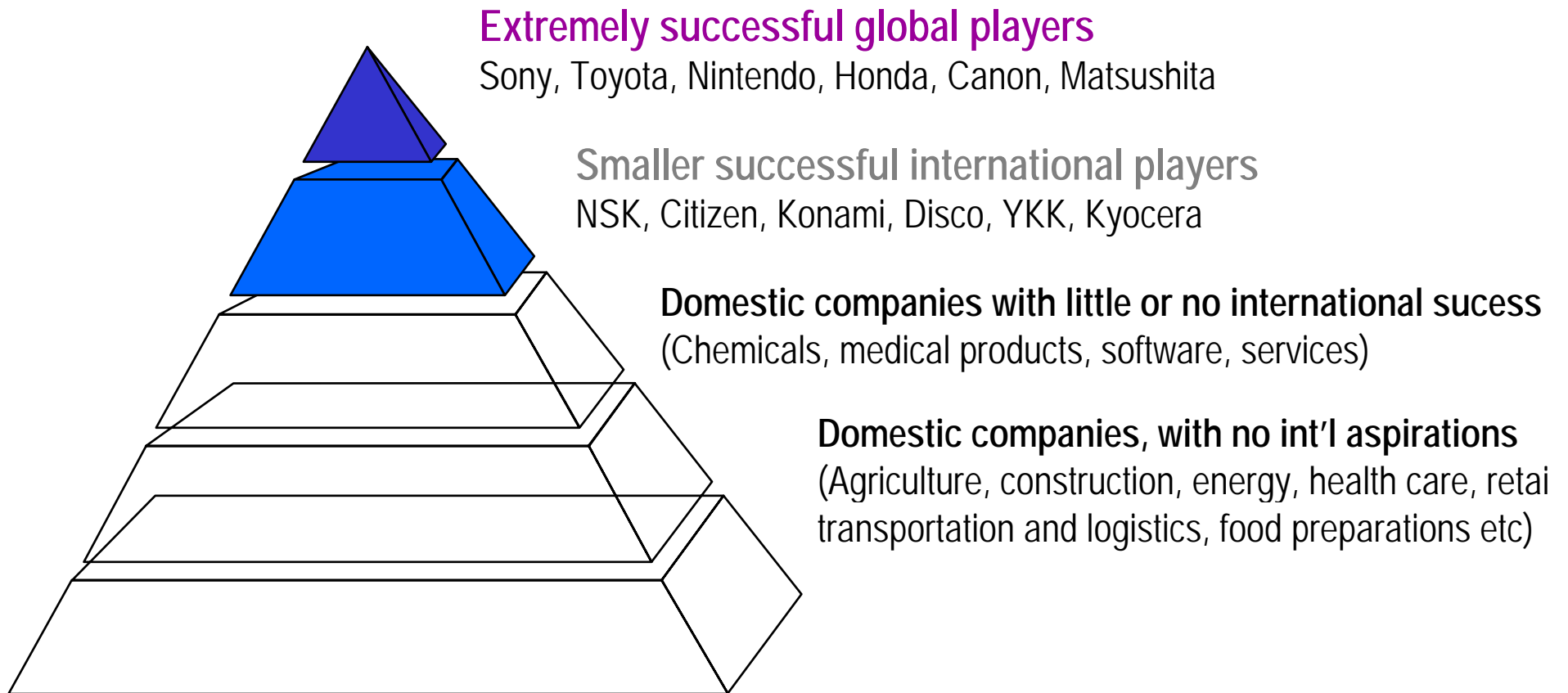
What is changing

Areas with special  
Interest for  
Swedish companies



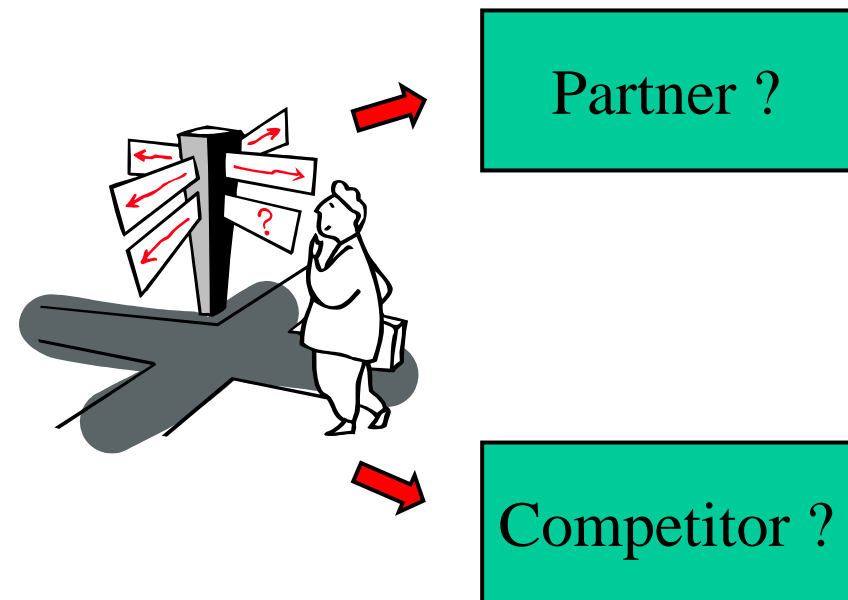
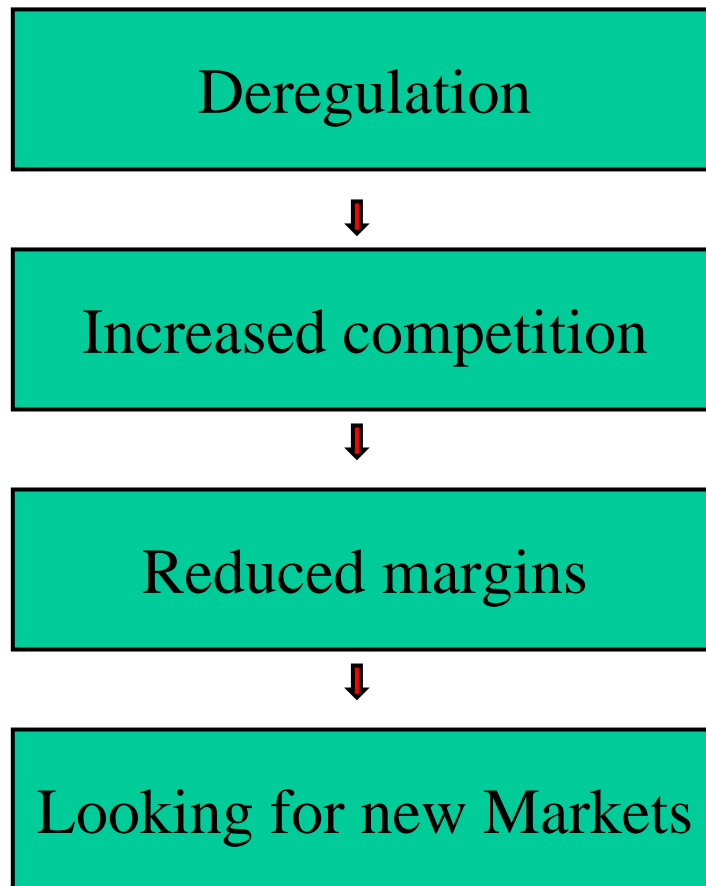
# THE JAPANESE BUSINESS STRUCTURE

- You only see the tip of the iceberg



## GLOBALISATION INCREASE

- Threat or opportunity?





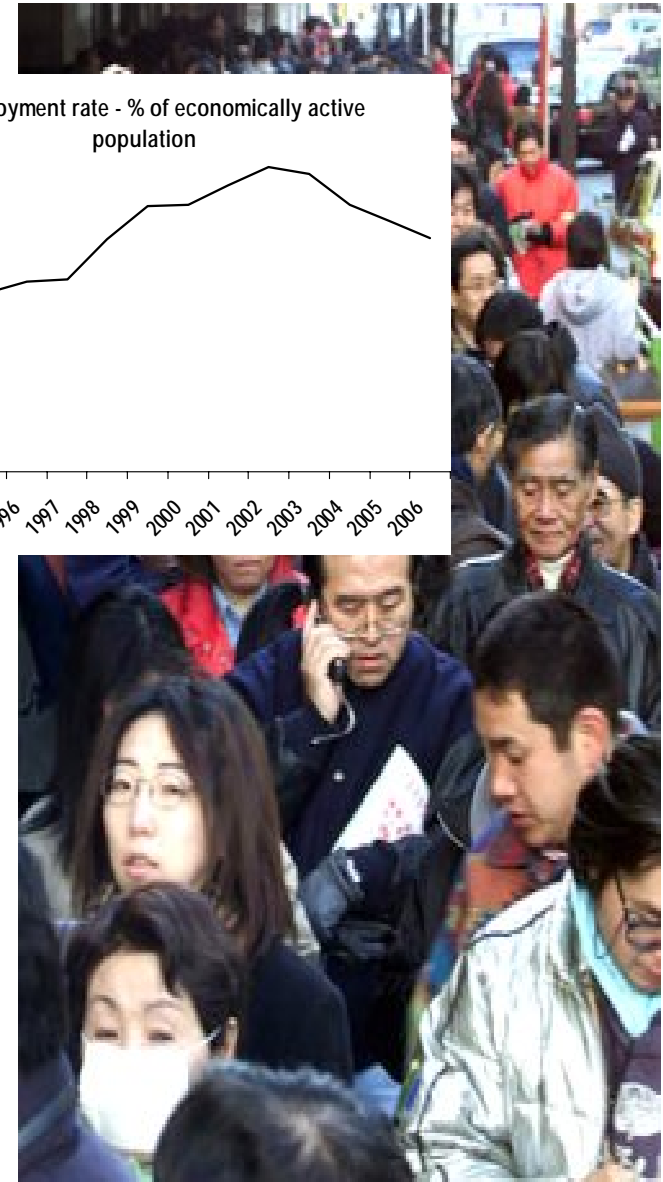
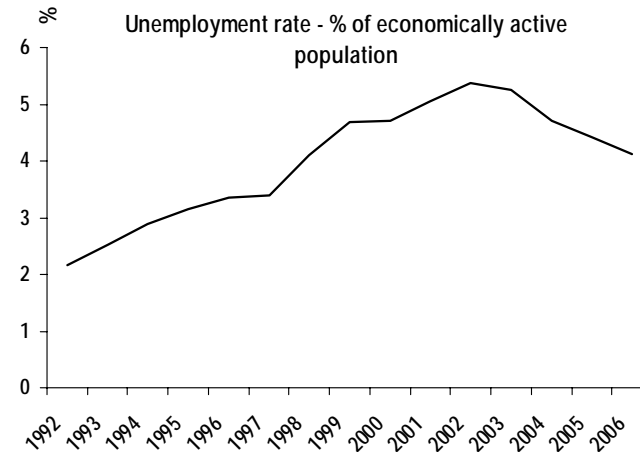
## A MORE FLEXIBLE LABOUR MARKET

The life time employment is all over.  
Many Japanese companies lay off large number of employees.

Qualified persons apply for less qualified jobs.  
Requested salaries lower than at former employment.

Qualified employees available and on “bargain discount”

The key to successful business in Japan is to recruit, develop and maintain Japanese staff



## GLOBALISATION AND DIGITALISATION TRANSFORMS THE SALES CHANNELS

Global Japanese companies can not pay more than  
their international competitors  
– *but the cost of doing business in Japan is still  
higher*

More Japanese companies can buy direct

Every middle man has to add a value

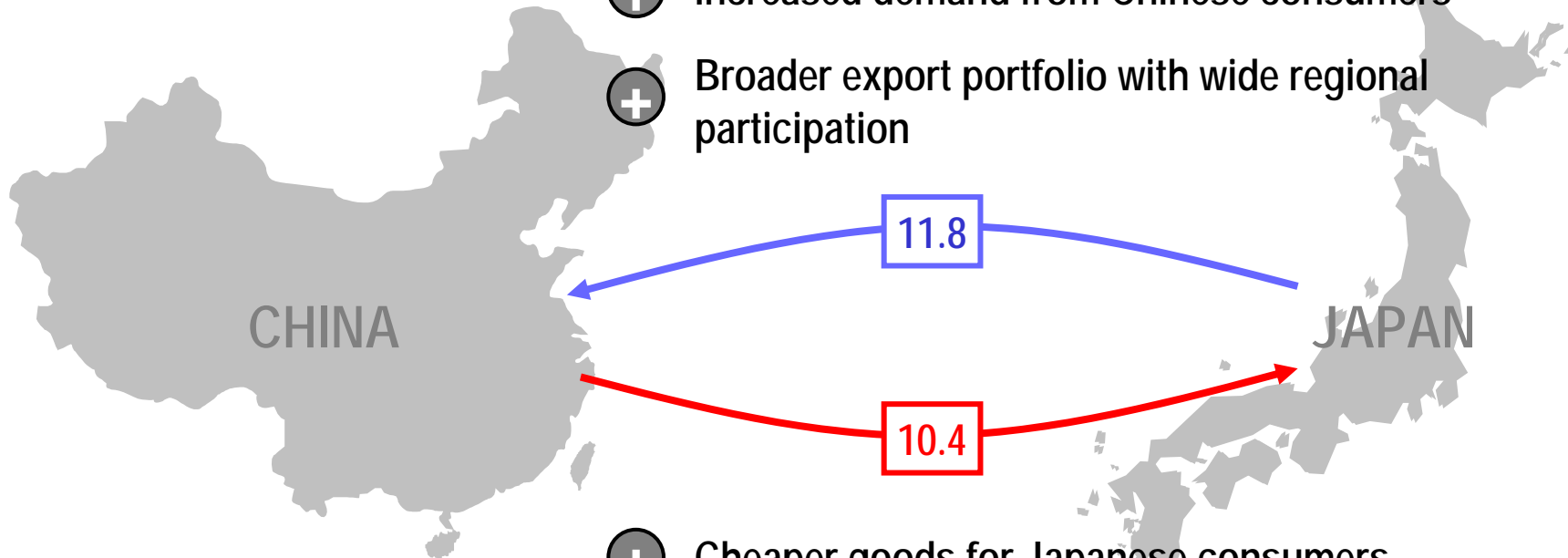
More Foreign companies takes control of their  
own business by setting up their own presence



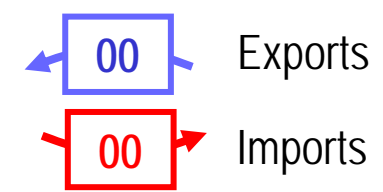


# GROWTH OF CHINA MAINLY POSITIVE EFFECTS ON JAPANESE ECONOMY

- ⊕ Increased demand for intermediate inputs (e.g., steel, electronic components) and manufacturing equipment
- ⊕ Increased demand from Chinese consumers
- ⊕ Broader export portfolio with wide regional participation



- ⊕ Cheaper goods for Japanese consumers
- ⊖ Outsourcing of jobs to China

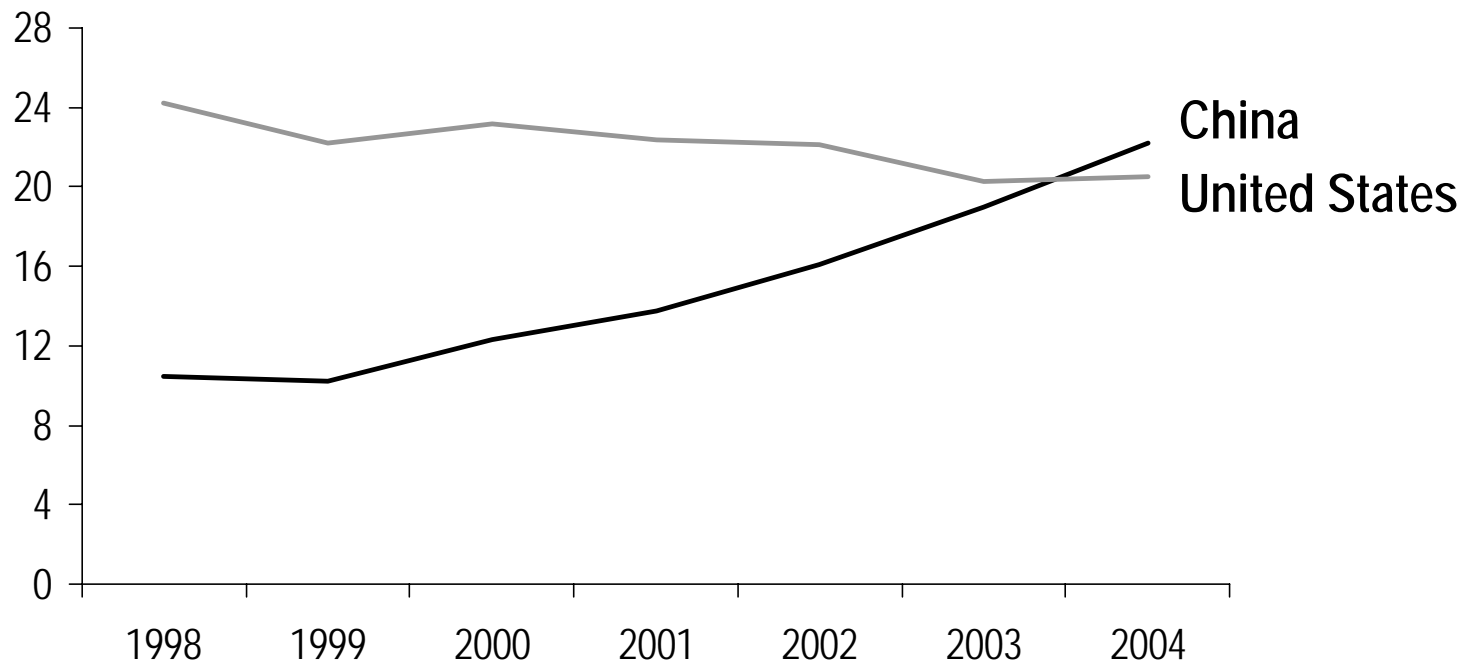


Note: Figures for 2004  
Source: Ministry of Economy, Trade and Industry; business press; STC analysis



# CHINA HAS OVERTAKEN UNITED STATES AS MAIN TRADING PARTNER FOR JAPAN

International trade with Japan  
JPY trillions

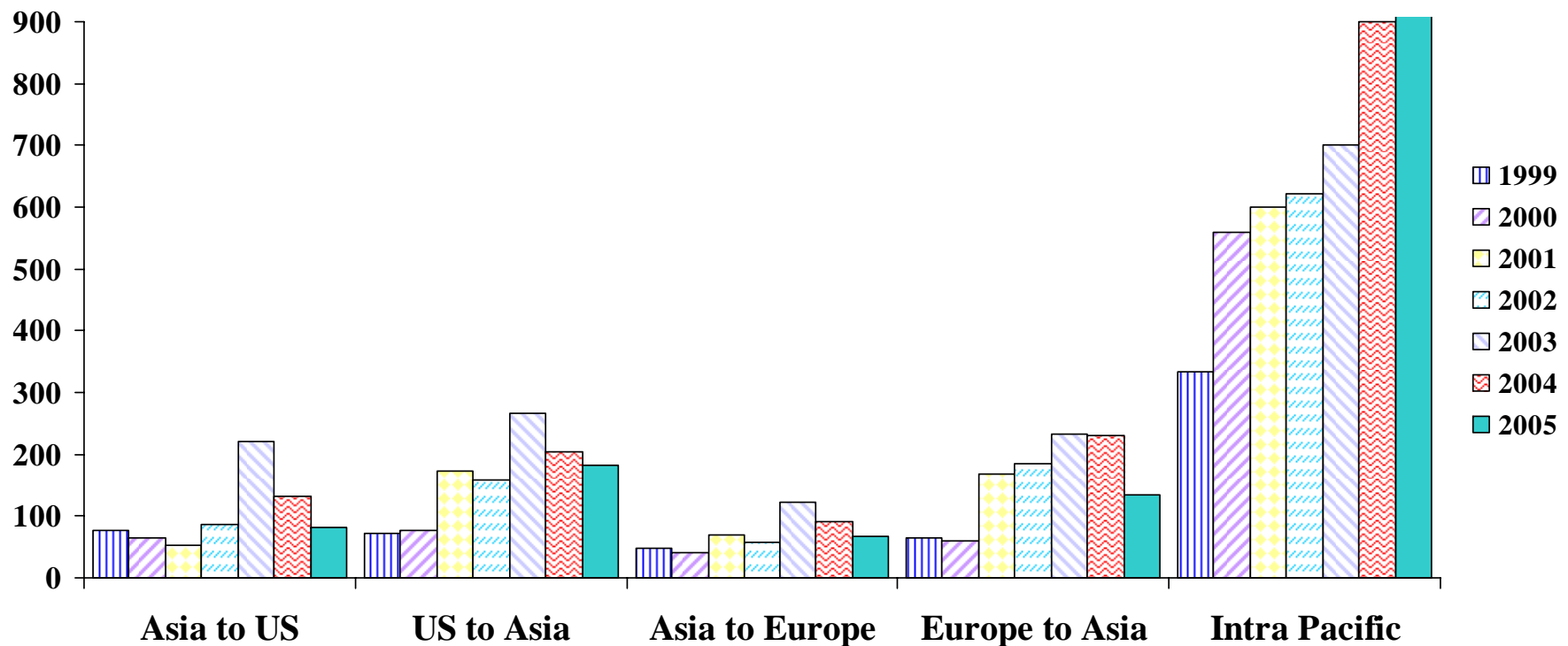


Note: International trade defined as exports + imports. Figures for China includes Hong Kong  
Source: Ministry of Economy, Trade and Industry



# THE INTERNAL ASIAN MARKETS ARE MORE IMPORTANT THAN OTHERS

M & A Trends in Asia, No. of deals





Japan is BIG  
and an important  
market

Globalisation is  
changing Japan with  
mainly positive effects

Areas with special  
Interest for  
Swedish companies



## SWEDISH COMPANIES ARE DOING WELL IN JAPAN

- Increased attention this year

STORAENSO

AstraZeneca JAPAN



VOLVO



Mölnlycke  
Health Care

ELEKTA

ERICSSON

Electrolux  
Japan

Welcome

ABB



Tetra Pak  
protects what's good™

GAMBRO

SANDVIK

Atlas Copco

IKEA

SCANIA

SKF

SWEDISH MATCH



TEMPUR  
PRESSURE RELIEVING  
MATTRESSES AND PILLOWS

SPACE  
HYPER-OSAKA  
SOCIETY OF THE LXX



120 Swedish subsidiaries in Japan

• No of Employees ~12,000

• Export 16,8 BSEK (2006)

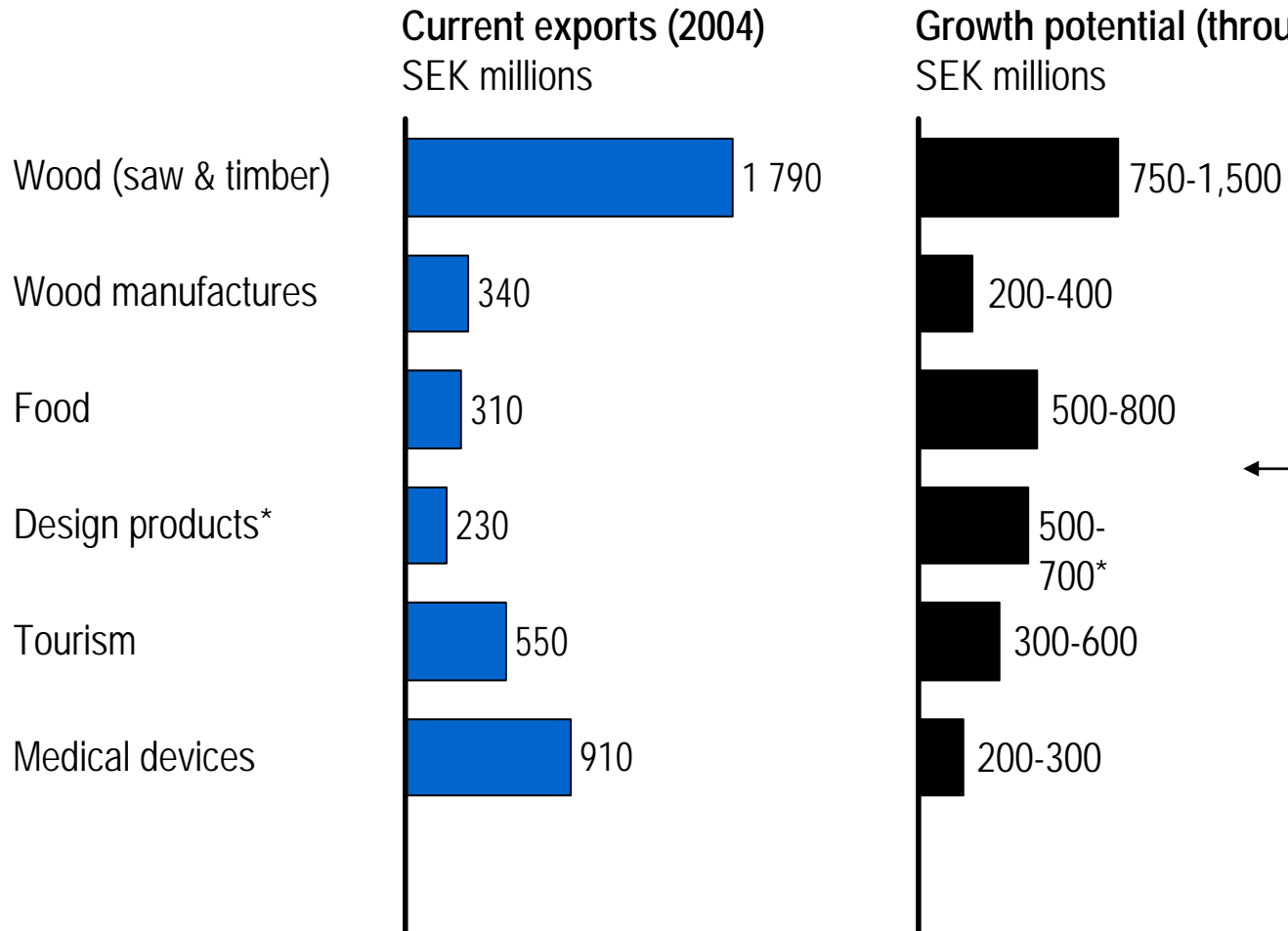
• Total sales in Japan ~40 BSEK (2004)

• ~1,500 Swedish companies selling through 3rd parties

Source: STC Japan survey 2005



## STILL A LOT OF GROWTH POTENTIAL



*“Growth potential” is an estimate of the potential upside if the government and industry would be dedicated and commit resources to support growth*

\* Excluding IKEA and H&M  
Source: STC analysis

# STRONG SWEDISH IMAGE OPENS OPPORTUNITIES ON THE WORLD'S MOST ATTRACTIVE CONSUMER MARKET

The world's largest and  
richest homogeneous  
consumer market



Strong Swedish image  
and media exposure

...creates opportunities  
for consumer oriented  
products

Design products

Furniture

Fashion

Food



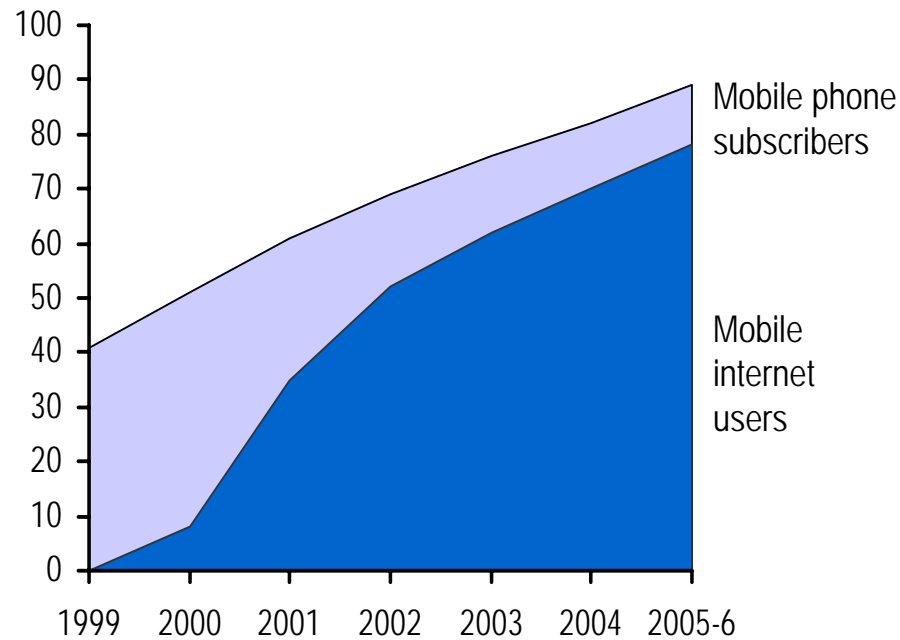
# ADVANCED CONSUMERS CREATE OPPORTUNITIES IN ICT SECTOR

The world's most sophisticated telecom and consumer electronics market...

...creates opportunities in several ICT sectors

Mobile phone and mobile internet users

Million people



Telecom equipment

ICT applications

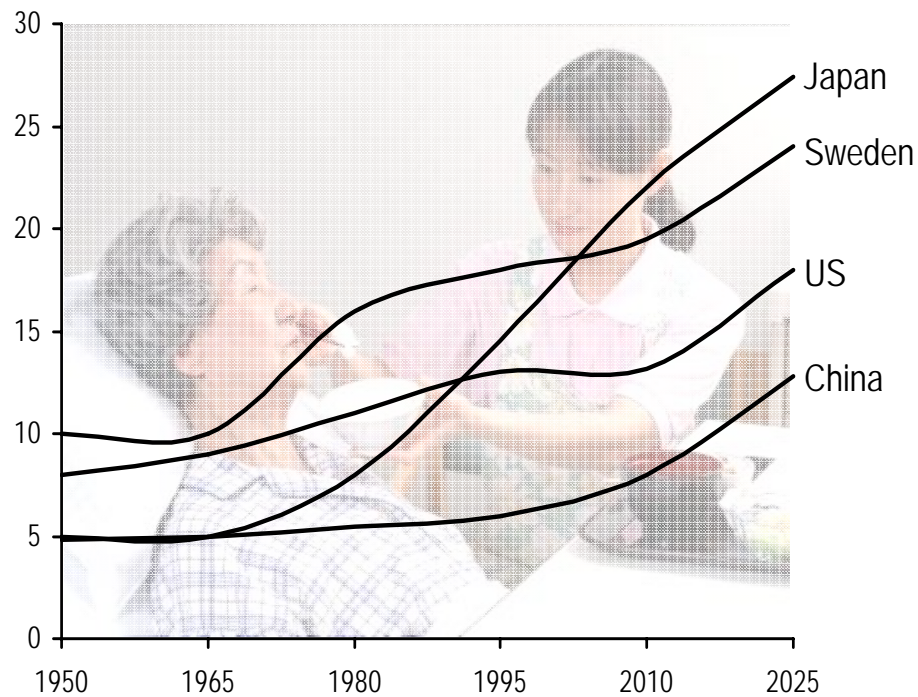
IT security solutions

IP solutions



# AGING POPULATION IS CREATING OPPORTUNITIES IN HEALTH CARE RELATED SECTORS

Share of population over 65 years  
Percent



## Opportunities in health care related sectors

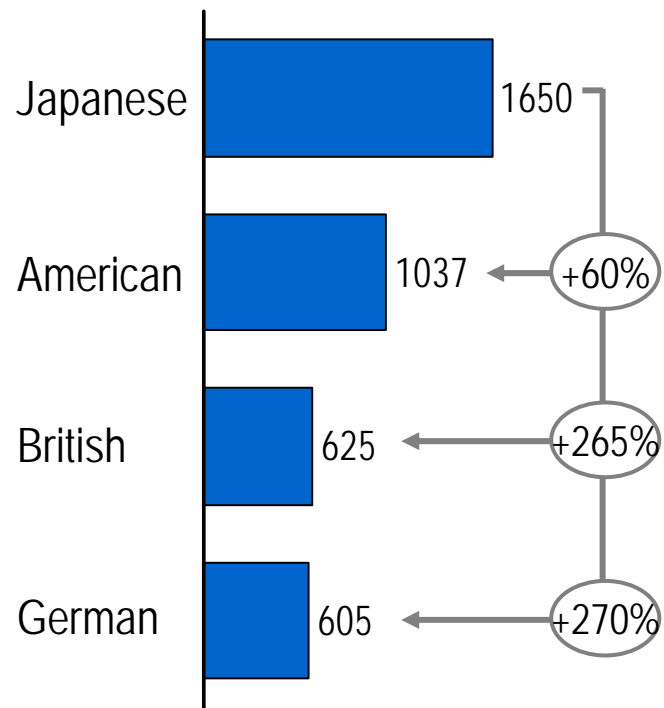
- Pharmaceuticals
- Medical devices
- Functional foods
- Elderly and handicap care related products



# JAPANESE TOURISTS REPRESENT A HUGE OPPORTUNITY FOR SWEDEN

Japanese spend more than other tourists

Average price paid for international trip  
USD/trip, 2001





## WHY JAPAN?

1. A huge market
2. A quality oriented market
3. A market for sourcing
4. A market for bench marking





Japan is BIG  
and an important  
market

Globalisation is  
changing Japan with  
mainly positive effects

A lot of growth  
potential



Thank you for your attention

Swedish Trade Council

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