Support SME Globalization

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Issues to Address

1. There are few SMEs involved in the import/export business.

2. Existing EPAs/FTAs are not so user-friendly.
   - Difficult terms
   - Tariff concessions are not sufficient
   - Costs and burdens of administration
     - Mostly bilateral agreements - Procedures and regulations relating to export/import and investment differ economy by economy.

3. Awareness of EPAs/FTAs is not high enough.
SMEs Involved in EPAs Are Increasing, But…

The number of companies registered for preferential COO application (6,039) is smaller than the number of exporters registered for non-preferential COO application (21,900).

Source: Japan Chamber of Commerce and Industry
There are Few Exporting SMEs

Source: 2010 White Paper on Small and Medium Enterprises in Japan
(Recompiled from METI, 2007 Census of Manufactures)
Export Value of SME is Low

Source: Bank of Japan “Short-Term Economic Survey of Enterprises in Japan (Tankan)”

Notes: 1. Size classification
   - Large enterprise: Capital of 1 billion yen and more
   - Medium-sized enterprise: Capital of 100 million yen to less than 1 billion yen
   - Small enterprise: Capital of 20 million yen to less than 100 million yen

2. Exports include both indirect exports and direct exports.
Even small companies focused on the domestic market have become greatly influenced by the global economy.

The Japan Chamber of Commerce and Industry placed its highest priority on “Globalization of SMEs” and enhanced activities to support SMEs go global.

However, many Japanese SMEs were rather reluctant to expand their business in overseas.

After the Great East Japan Earthquake, Japanese SMEs have become increasingly interested in the global market.

- Electricity shortages, possible electricity rate hikes, and a high yen have been accelerating large corporations’ overseas transfer of production.

- Manufacturing SMEs are concerned about being cut out of the global supply chain.

The Thailand floods have accelerated this tendency.
SMEs Involved in Overseas Business Activities are Increasing

Note: Overseas business activities include export, import, and production, sales, procurement, and services provision in overseas.
Source: Japan Chamber of Commerce and Industry
“Quick Survey of Local Business Outlook (LOBO)”
Management Plan for SMEs Involved in Overseas Business Activities

Production/Sales Base in Japan

- Expand/Keep as they are: 65.9%
- Not yet determined: 30.9%
- Downscale (incl. withdrawal): 3.2%

Employment in Japan

- Increase/Keep as they are (incl. relocation): 67.8%
- Not yet determined: 26.8%
- Downsize: 5.4%

Source: Japan Chamber of Commerce and Industry “Quick Survey of Local Business Outlook (June 2012)”
TCCI’s Measures to Support SME Globalization

- Tokyo Chamber of Commerce and Industry (TCCI) authorizes and registers legal entities that have profound expertise in overseas business as “SME Overseas Business Development Advisors.”
  - Advisors provide support for SME members (subject to fees) in such areas as strategy planning, feasibility studies, marketing, finding business partners, factory location planning, trading business, taxation, labor management, and accounting.
  - 183 legal entities have been registered (as of July 31, 2012).

- TCCI provides SME members with legal consultation concerning overseas business with the cooperation of the Japan Federation of Bar Associations.
  - TCCI and JFBA exchanged a MoU with regard to legal consultation for SME members with affordable fees.

- TCCI provides support for feasibility study to SMEs planning direct investment in developing countries with the cooperation of the Japan International Cooperation Agency (JICA).
The Strategic Partnership Program of the U.S. Commercial Service aims to provide SMEs with valuable export assistance they need to be successful.

According to the U.S. Commercial Service, partners are classified in the following categories (number of partners in parentheses):

- Associations (17)
- Export Finance (5)
- Legal and Regulatory Advice (3)
- Transportation and Shipping (7)
- e-Commerce (2)
- Event Organizers (3)
- Advertising and Marketing (1)

- Business Development and Consulting (4)
- State and Local Government (5)
- Education (3)
- Chambers of Commerce (13)
- Lodging and Conferences (1)
- World Trade Centers (4)

For more information:
http://export.gov/CSPartners/index.asp
Although 7 years have passed since the Japan-Mexico EPA went into force, questions are rarely different from those of 7 years ago. It is most likely that this situation will remain unchanged in the future.

○ What preferential COO is about and how to make use of it
○ Differences between preferential COO and non-preferential COO
○ How to look up tariff rates of importing countries
○ What HS tariff classification is about
○ How to look up HS tariff classification of export goods
○ Definition of terms used in FTA/EPA texts (i.e. originating materials, non-originating goods)
○ Differences between “material made in Japan” and “originating material of Japan”
○ Product-specific rules of origin for export goods
○ How to calculate regional value contents

(Source: Tokyo CCI)
Suggestions for Improvement

- Support SME globalization - Find business partners/clients
- Simplify, harmonize, and enhance transparency of regulations and procedures relating to import/export and investment
  - Seek a wider (plurilateral) agreement - FTAAP
  - Use easy-to-understand terms in an agreement
  - Enhance user-friendliness of ROO and COO procedures
    - Fewer “Product Specific Rules of Origin”
    - Ensure “Co-Equal” access to rules based on either CTC or RVC, full cumulation, and De Minimis
    - Relax records keeping obligations - 5 years is too long
    - Raise minimum aggregate customs value for COO requirement
    - Establish effective and transparent advance rulings process including specific time limits for rulings
- Redouble efforts to disseminate information on FTAs, inter alia, it’s necessary to pay more attention to importers than to exporters
Useful Databases & Websites

- APEC Tariffs and Rules of Origin in APEC Member Economies (WebTR)
- WTO RTA Database
  http://rtais.wto.org/ui/PublicMaintainRTAHome.aspx
- WTO Tariff Download Facility
- International Trade Centre Market Access Map
  http://www.macmap.org/
- UNCTAD Investment Instruments Online
- UNCTAD Database of Treaty-Based ISDS Cases
  http://archive.unctad.org/iaa-dbcases/
- UNCTAD Automated System for Customs Data (ASYCUDA)
  http://www.asycuda.org/default.asp
- OAS Foreign Trade Information System (SICE)
  http://www.sice.oas.org/
- EU Market Access Database
THANK YOU FOR YOUR ATTENTION!

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