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Doing Business with Japan: The Perspective of Australian Companies

Findings from the Australia–Japan Business Survey 2008–09

Anne Leahy, Elizabeth Webster and Jongsay Yong



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of Applied Economic and Social Research



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Anne Leahy, Elizabeth Webster and Jongsay Yong

Melbourne Institute of Applied Economic and Social Research

The University of Melbourne

Melbourne Institute of Applied Economic and Social Research
Level 7, 161 Barry Street
Alan Gilbert Building
The University of Melbourne
Vic 3010 Australia
Phone: (03) 8344 2100
Fax: (03) 8344 2111
Email: melb-inst@unimelb.edu.au
WWW: www.melbourneinstitute.com

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Executive Summary

1. In view of the ongoing importance of the Australia–Japan trade and investment relationship and the need to maintain an in-depth understanding of the nature of this relationship for policy guidance and further engagement with Japan, the Australia–Japan Foundation (AJF) funded this research investigating Australian companies’ business dealings with and perceptions about Japan.
2. The research, which consisted of a telephone survey of Australian companies, was conducted by the Melbourne Institute, and is a follow-up to a survey conducted in the year 2000.
3. In total 861 companies (209 large companies and 186 SMEs) participated in the survey, of which 397 companies (46.1 per cent of total) have international business exposure, and 164 companies (19.1 per cent of the total) have business dealings specifically with Japan.
4. Of the companies dealing specifically with Japan: 53.0 per cent were importing goods; 34.1 per cent were exporting goods; 11.6 per cent were importing services; and 21.3 per cent were exporting services. Foreign direct investment flows, compared to other forms of business dealings, were much smaller in significance.
5. Trade in raw materials and simply processed goods dominates Australian companies’ business dealings with Japan, with companies preferring to deal directly with buyers and sellers in Japan, and with most of these companies having traded with Japan for more than 10 years.
6. Most of the companies doing business with Japan were optimistic about future business prospects in regard to Japan; the size of the Japanese market and the nature of the goods and services they deal in were given as the key reasons for this optimism.
7. For companies in the survey which have international business dealings with countries other than Japan, the key reasons given for not trading with Japan relate to a lack of market demand and product mismatches.
8. All companies in the survey which do business internationally (including with Japan) were asked about general prospects for increased trade with Japan and they were overwhelmingly positive—80.1 per cent agreed there was broad potential in this area. This same group of companies was divided as to whether Australia promotes itself effectively in Japan, and whether Japanese economic reform had had an impact on their potential market in the past decade.
9. All 861 companies participating in the survey were asked a series of questions relating to their general perceptions about Japan, and overall the results are very positive. While a minority of respondents believed that inter-governmental relations between Australia and Japan have an important impact on their business dealings, almost 80 per cent believed that Japan offers huge potential for Australia, which indicates a general awareness of the importance of the business and economic relationship between the two countries.
10. Similarly, in regard to doing business with Japan there was considerable enthusiasm, and while most respondents believed Japan represented a sophisticated and competitive market, only a small minority believed the Japanese market was too difficult to access or that cultural differences were a major deterrent.
11. In response to a series of questions about the possible impact of a free trade agreement between Australia and Japan, respondents were generally very optimistic about the overall potential benefits; however, at the same time only a small proportion of respondents (about 6 per cent) believed a Free Trade Agreement (FTA) would have a significant impact on their own business.
12. The survey finds that Australian companies were strongly positive about the attractiveness of Australia as an investment destination for Japanese businesses. However, they were less enthusiastic about the attractiveness of investment flows in the other direction.
13. Overall, the picture which emerges from the survey is one of optimism with regard to the potential for, and lack of perceived deterrents to, doing business in Japan. This optimism suggests a positive environment in which to escalate negotiations towards an FTA between Japan and Australia, which would sustain and further enhance the already productive business and political relationship between the two countries in the coming years.

Introduction

This report describes the findings of research on Australian businesses' dealings with Japan. The project, funded by the Australia–Japan Foundation (AJF), involved the design and implementation of a survey of Australian enterprises potentially doing business with Japan. This AJF – Melbourne Institute Survey is a follow-up to the ACNielsen survey and associated report entitled 'Doing Business in Japan,' which was conducted for the AJF in the year 2000.

Trade between Australia and Japan makes an important contribution to the economies of both countries. Japan is Australia's largest trading partner and has long been Australia's largest export market, while Australia is Japan's twelfth largest export market and seventh largest trading partner. Given the importance of trade between Australia and Japan, an in-depth understanding of the trading and investment patterns, and associated problems and issues, will be significant not only in maintaining and strengthening the trade relationship, but also in fostering further trade. However, much of the information available on this topic has been anecdotal in nature; systematic and scientifically rigorous studies are few and far between.

The AJF – ACNielsen survey conducted in 2000 represented an important attempt to shed light on Australia–Japan trade issues. However, since that time there have been important developments in the economic and socio-political landscape and it became apparent that a follow-up to the 2000 study was needed. In addition to informing the work of agencies such as the Department of Foreign Affairs and Trade (DFAT) and Austrade, this project should also provide useful input to the ongoing Australia–Japan Free Trade Agreement (FTA) negotiations.

This research is aimed at producing both subjective and objective data on Australian companies' business dealings with Japan: first, in the form of background information on the nature of actual and potential business dealings with Japan and actual and perceived problems; second, in the form of subjective information about how Australian companies perceive Japan as a trading partner and investment destination. In identifying problems and gaps in business dealings with Japan, it is also hoped that the research will elicit views and suggestions about areas of activity that government agencies such as the Australia–Japan Foundation could help.

Sampling and Sample Characteristics

The sample list of companies for the AJF – Melbourne Institute Survey was drawn from two different sources—IBISWorld and the Australian Business Database (ADB)¹. The former comprises information on publicly listed companies and well-established businesses that are mostly large companies. The latter, on the other hand, includes mostly small- and medium-sized enterprises (SMEs). Although some large companies are also included in the ADB, the bulk of the data relate to SMEs and the database covers most if not all operating SMEs in Australia. After the removal of outdated records, there remained approximately 1,800 large enterprises in the IBISWorld 2008 database and all of these enterprises were included in the sampling list. In addition, the list also included approximately 6,000 companies drawn randomly from the ADB 2008, with stratification done according to industry code (in line with the Australian Bureau of Statistics (ABS) ANZSIC 2006 classification).

The telephone survey was conducted by professional market research and survey company Oz Info Pty. Ltd. in June and July 2009.² In total 861 companies completed the telephone interviews, comprising 289 companies from the IBISWorld list and 572 companies from the ADB list. The overall response rate was 16.6 per cent, while the response rates of companies from the IBISWorld and ADB lists were 28.1 and 13.7 per cent respectively.³

Some descriptive statistics about the sample are given in Table 1. Of the 861 companies in the sample, approximately 397 companies (46.1 per cent) indicated that they have international business dealings and, of these, 164 companies (19.1 per cent of the total) have business dealings specifically with Japan. Unsurprisingly, the proportion of companies with international business dealings was significantly higher for firms in the IBISWorld list (72.7 per cent) than in the ADB list (32.7 per cent). The pattern for companies dealing with Japan was similar—7.3 per cent of companies from the ADB list and 42.2 per cent of companies from the IBISWorld list said they have business dealings with Japan.

Table 2 shows the sales revenue distribution of companies in the sample. Of the 831 companies that provided sales revenue data, 324 companies, or approximately 39 per cent, reported turnover of less than \$1 million. At the other extreme 72 companies, or about 8.7 per cent, reported turnover of more than \$500 million.

The distribution of companies by employment size is shown in Table 3. Of the 857 companies that reported employment, 589 companies or approximately 68.7 per cent indicated they have less than 100 full-time equivalent employees (FTEs). At the other extreme, 86 companies or about 10 per cent employ more than 1000 FTEs.

Table 1: Sample summary statistics

	<i>ADB</i>	<i>IBISWorld</i>	<i>Total</i>
Number of companies	572	289	861
With international business dealings (per cent)	32.7	72.7	46.1
Had business dealings with Japan (per cent)	7.3	42.2	19.1

Table 2: Sales revenues of companies in sample

<i>Sales revenue in AUD</i>	<i>No. of cos</i>	<i>Per cent</i>
Up to \$1million	324	39.0
Over \$1million to \$50 million	233	28.0
Over \$50 million to \$100 million	68	8.2
Over \$100 million to \$200 million	74	8.9
Over \$200 million to \$500 million	60	7.2
Over \$500 million	72	8.7
Total	831	100.0

Table 3: Employment of companies in sample

<i>Full-time equivalent employment</i>	<i>No. of cos</i>	<i>Per cent</i>
Less than 100	589	68.7
100 to 199	47	5.5
200 to 499	75	8.8
500 to 999	60	7.0
1000 or more	86	10.0
Total	857	100.0

Table 4: Australian business employment and gross value added by business size

	<i>SME</i>	<i>Large</i>	<i>Total</i>
Employment ('000)	7,318	2,678	9,996
(per cent)	(73)	(27)	(100)
Industry Value Added (\$m)	468,803	302,268	771,071
(per cent)	(61)	(39)	(100)

Source: ABS Cat. no. 8155.0 Australian Industry, 2007–08.

1 See www.ibisworld.com.au for details of IBISWorld data. Details of ADB can be found online at www.screechmedia.com.

2 A copy of the survey questionnaire is included in Appendix B.

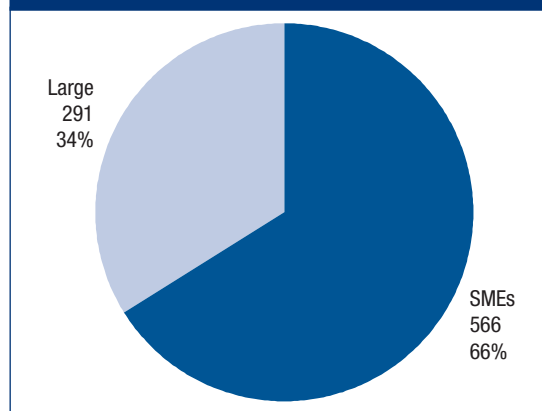
3 Attempts were made to contact 7,264 companies in the sampling list. Of these companies, 5,198 (1,030 large companies and 4,168 SMEs) were deemed contactable, the rest were non-contactable for reasons such as incorrect telephone numbers, routing to fax or answering machines, or telephone numbers being in the 'do-not-call' registry. The response rates were computed using the number of companies deemed contactable as denominators.

Using a working definition of a 'large' company as one with 200 or more full-time-equivalent employees or an annual turnover of at least \$50m, Figure 1 shows that, of the 857 companies that provided size information, 291 or 34 per cent were large companies.⁴

Given that there are more than one million businesses in the Australian economy and that close to 99 per cent are SMEs, from a survey sampling point of view large companies are clearly over-represented in the sample. However, if viewed from an employment or value added perspective, the sample distribution is reasonably representative of the Australian economy. As a reference, Table 4 provides both employment and industry value added shares of large companies vis-à-vis SMEs in the Australian economy.

The sample incorporates a range of different industries across the economy; this was achieved by taking a stratified sample using the ANZSIC industry classifications. Table 5 presents the sample distribution by industry. The largest industry group in the sample was Manufacturing (35.1 per cent), followed

Figure 1: Size distribution of companies



by Property and business Services (14.9 per cent), and Health and community services (8.2 per cent). Table 5 also shows that, in terms of industry gross value added, Manufacturing is over-represented in the sample, while Mining and Other services are under-represented.⁵

Table 5: Sample distribution by industry

<i>Industry</i>	<i>No. of cos</i>	<i>Per cent</i>	<i>Industry gross value added as % of total Australian gross value added*</i>
Agriculture, Forestry and Fishing	14	1.6	2.7
Mining	22	2.6	8.4
Manufacturing	302	35.1	10.1
Electricity, Gas, Water and Waste Services	9	1.0	2.3
Construction	45	5.2	7.8
Wholesale Trade	24	2.8	4.8
Retail Trade	69	8.0	5.9
Accommodation and Food Services	35	4.1	2.0
Transport, Postal and Warehousing	13	1.5	5.0
Media and Telecommunication	9	1.0	2.6
Financial and Insurance Services	19	2.2	8.1
Property and Business Services	128	14.9	13.0
Education and Training	28	3.3	4.4
Health and Community Services	71	8.2	6.4
Arts and Recreation Services	12	1.4	1.6
Other Services	61	7.1	14.9
Total	861	100.0	100.0

* ABS Cat. no. 5206006. Gross value added at basic prices 2008–09. 'Other services' GVA includes government administration, and defence and ownership of dwellings.

⁴ Note this definition of a 'large' company is different from the ABS definition, for which a large company is one with employment above 200 FTEs, or an asset value threshold of A\$200 million (ABS Cat. no. 8140.0). This definition is not used here due to the lack of asset value information in the survey data.

⁵ See Appendix A for tabulations of the sample data by industry.

Comparison with the AJF – ACNielsen Survey

It is important to note that the current survey differs from the previous AJF – ACNielsen Survey, not only in terms of sample size and coverage, but also in sampling methodologies. The 2000 AJF – ACNielsen Survey consisted of 251 large Australian businesses that traded internationally. Its sampling frame was all large companies with international business dealings. By contrast, the present survey consists of 861 Australian businesses, of which approximately 30 per cent are large companies and the rest are SMEs. The sampling frame was all Australian companies, large and small, and regardless of whether they have any international business dealings.

Given that the present survey includes both large companies and SMEs, the overall distributions in terms of turnover and employment differ from the AJF – ACNielsen Survey. Similarly, the proportions of companies that have business dealings with Japan differ substantially. Overall, around 19 per cent of companies in the present survey sample have business dealings with Japan, compared with 59 per cent in the AJF – ACNielsen Survey. However, if the present sample is restricted to companies with international business dealings, the percentage of companies that deal with Japan increases to 41 per cent. This group of companies can be further divided according to size as per the definition that underpins Figure 1. The proportions of large and SME companies

Table 6: Business dealings with Japan

<i>Per cent of companies with international business dealings that also do business with Japan</i>	<i>Current Survey 2009</i>		<i>ACNielsen Survey 2000</i>
	<i>SMEs</i>	<i>Large</i>	
Yes	23	58	59
No	77	42	41
Total number of companies	186	209	251

dealing with Japan in the present survey are presented in Table 6, along with the corresponding figures for the AJF – ACNielsen Survey. As shown in Table 6, the percentage of large companies that have business dealings with Japan in the present survey is 58 per cent, which is statistically no different from the 59 per cent figure relating to the AJF – ACNielsen Survey. Table 6 further shows that SMEs differ substantially from large companies in terms of the degree to which they trade with Japan.

Given these considerations, in particular the fact that the present survey includes SMEs, and the higher likelihood that large companies will engage in international trade, any comparisons between the findings of the two surveys should be undertaken and interpreted with caution.

Survey Findings

The survey identified three groups of companies: those that had business dealings with Japan; those that had international business dealings with countries other than Japan; and those with no international business dealings. The survey consisted of different sets of questions directed at different groups of companies.

1. Australian companies dealing with Japan

Nature of business dealings with Japan

The nature of business activity engaged in by companies identified in the survey as dealing with Japan is presented in Table 7. Of the 164 companies in the survey which deal with Japan, more than half were importing goods from Japan, while slightly more than one-third were exporting goods to Japan. The pattern is reversed in relation to services—11.6 per cent of these companies were importing services from Japan while 21.3 per cent were exporting services to Japan. Foreign direct investment was relatively less common than the other forms of business dealings identified in the survey. Of the 22 companies identified as investing in Japan or in Australia with a Japanese partner, nine of them (40.9 per cent) said that the investment was related to R&D.

Table 7: Types of business dealings with Japan

<i>Business dealings</i>	<i>No. of cos</i>	<i>Per cent</i>
Importing products from Japan	87	53.0
Exporting products to Japan	56	34.1
Importing services from Japan	19	11.6
Exporting services to Japan	35	21.3
Investing in Japan	12	7.3
Investing in Australia with a Japanese partner	10	6.1
Investing with a Japanese partner in a third country	9	5.5
Other	7	4.3
Total number of companies dealing with Japan	164	

Note: Numbers do not add to total because some companies engaged in two or more types of business activity.

While only 19 per cent of all companies in the survey deal with Japan, this figure increases to 42 per cent when the base is restricted to large companies only, and 58 per cent when the base is restricted further to large companies with international dealings; this is almost the same as the AJF – ACNielsen Survey which found that 59 per cent of companies traded with Japan. (It should be noted, however, that the AJF – ACNielsen Survey appears to exclude investment in their analysis.) While in the present survey more companies are importing from rather than exporting to Japan (53 per cent vis-à-vis 34 per cent of the companies dealing with Japan respectively), the comparable figures in the AJF – ACNielsen Survey showed a different picture, with 45 per cent of companies importing from versus 66 per cent exporting to Japan.

With the exception of those specifically undertaking investment, most companies have been doing business with Japan for a long period of time, as shown by Table 8. This is true particularly of companies importing goods or services. The last column in Table 8 shows that investment, whether in Japan, with a Japanese partner in Australia or in a third country, has a relatively short history compared to the activities identified. Comparing the duration of trade in goods (the key form of trade between the two countries) across survey—in the AJF – ACNielsen Survey 71 per cent of companies had been exporting to Japan for more than 10 years, cf. 67.3 per cent in the present survey; meanwhile 86 per cent of companies participating in the AJF – ACNielsen Survey had been importing products from Japan for more than 10 years, cf. 72.3 per cent of companies doing business with Japan in the present survey.

The channels through which Australian businesses conduct business with Japan vary, as shown in Table 9. Businesses involved in importing and exporting goods and services tend to deal directly with buyers and sellers in Japan. A number of businesses also made use of trading houses when importing or exporting products. In contrast, most investment activities were conducted via businesses' own offices in Japan. Dealing directly with

Table 8: Duration of business dealings

<i>Duration</i>	<i>Import products %</i>	<i>Export products %</i>	<i>Import services %</i>	<i>Export services %</i>	<i>Investing*</i>
Less than one year	1.2	1.8	0.0	0.0	6.7
One year to less than five years	9.6	12.7	0.0	17.7	30.0
Five years to less than ten years	16.9	18.2	17.7	20.6	20.0
Ten years to less than 20 years	24.1	32.7	29.4	35.3	16.7
20 years or more	48.2	34.6	52.9	26.5	26.7
Total number of companies	83	55	17	34	30

* Includes companies investing in Japan, or with a Japanese partner in Australia or a third country.

Table 9: Business counterparts in Japan

	<i>Import products</i> %	<i>Export products</i> %	<i>Import services</i> %	<i>Export services</i> %	<i>Investing*</i> %
Direct buyer/seller in Japan	54	33	11	16	7
Trading house	20	19	5	3	5
Joint venture company	4	6	3	4	5
Own office(s) in Japan	17	15	6	9	11
Japanese rep. in Australia (non-trading company)	11	7	3	4	4
Japanese rep. in third country (non-trading company)	4	1	0	0	0
Other	4	4	3	6	2
Total number of companies	83	55	17	34	30

* Includes companies investing in Japan and those investing with a Japanese partner in Australia or a third country.

Note: Numbers do not add to total because some companies do business with two or more business counterparts in Japan.

Table 10: Nature of goods/services traded and investment

	<i>Importing</i> %	<i>Exporting</i> %	<i>Investing</i> %	<i>All</i> %
Raw materials or simply processed goods	57.6	58.0	53.8	53.7
Value-added goods	41.3	27.2	19.2	33.5
Financial services	5.4	7.4	19.2	7.3
Tourism services	2.2	2.5	0.0	2.4
Education services	6.5	14.8	15.4	9.8
Legal services	0.0	2.5	0.0	1.2
Other	8.7	9.9	15.4	11.0
Total number of companies	92	81	26	164

Note: Per cent figures do not add to 100 because some companies traded in two or more types of goods/service.

buyers and sellers was also the most commonly cited form of doing business in the AJF – ACNielsen Survey—44 per cent of companies said they traded with Japan in this way, although a similar high proportion (43 per cent) said they traded via a company office in Japan and/or a trading house.

The 119 companies in the survey that do not have their own offices in Japan were asked whether they intended to open an office in the future, and of these four companies (3.4 per cent) indicated that they would. Of these four companies, two indicated that the new office in Japan would have a full branch/operational status.

Table 10 presents the types of goods and services traded between Australia and Japan. It is clear from the table that trade between Australia and Japan was dominated by raw materials, followed by value-added goods. More than half of the 164 companies dealing with Japan engage in trade related to raw materials or simply processed goods, while one-third engage in trade in value-added goods. While investment was also focused on raw materials and semi-processed goods, investment in value added goods and financial services was also important.

In sum, trade in raw materials and simply processed goods dominates Australian companies' dealings with Japan, with companies preferring to deal directly with buyers and sellers in Japan. The majority of these

companies have engaged in business with Japan for more than 10 years. Meanwhile, investment dealings are relatively less prevalent than trade and relatively more recent for the majority of companies.

Current conditions and future prospects for doing business with Japan

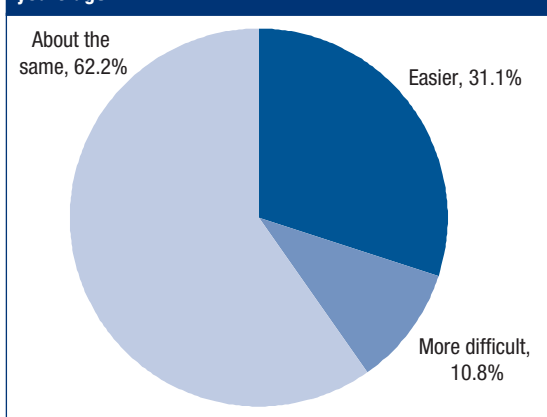
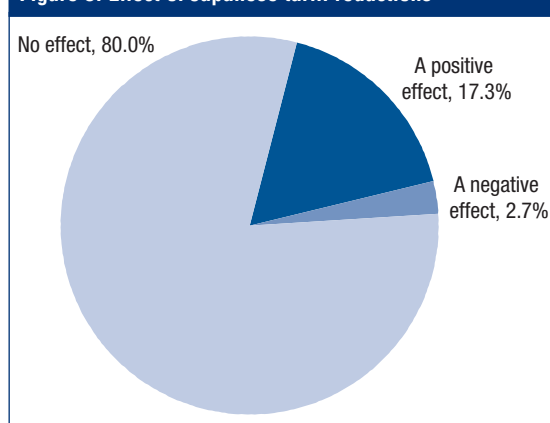
Companies dealing with Japan were asked a series of questions about how they viewed their current activities and future business prospects with Japan. Figure 2 depicts the distribution of companies according to whether they find 'current' trading conditions easier or more difficult than previously. Of the 164 companies dealing with Japan, about 31.1 per cent found conditions to be easier than 'a few years' ago, 10.8 per cent said it was more difficult, while the majority (62.2 per cent) indicated no difference.

Companies indicating that it had become 'easier' or 'more difficult' to do business were asked for their reasons; the results are presented in Table 11. Of the 51 companies indicating that doing business with Japan had become easier, more than half nominated globalisation as a reason. Meanwhile among the 11 companies that found business to be more difficult than before, an overwhelming majority (81.8 per cent) cited the state of the Japanese economy as a reason. However, company-specific issues also turned out to be an important factor for both groups of companies.

Table 11: Reasons it is easier or more difficult to do business now

Reasons	Easier		More difficult	
	No.	Per cent	No.	Per cent
Government regulations	15	29.4	1	9.1
State of the Japanese economy	15	29.4	9	81.8
Globalisation	28	54.9	4	36.4
Inter-governmental relations between Australia and Japan	15	29.4	1	9.1
Technology	19	37.3	1	9.1
Company specific issues	25	49.0	4	36.4
Other	4	7.8	0	0.0
Total number of companies	51		11	

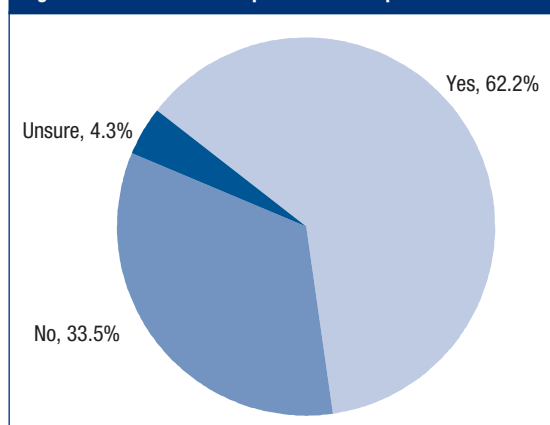
Note: Numbers do not add to total because some respondents cited multiple reasons.

Figure 2: Doing business with Japan now vis-à-vis a few years ago**Figure 3: Effect of Japanese tariff reductions**

A potentially important influence on business conditions is tariff barriers, especially for Australian exporters to Japan. The survey asked whether Japanese import tariff reductions had had an effect on the respondents' business dealings with Japan but, of the 150 companies that responded to this question, the majority (80 per cent) suggested not; only 17.3 per cent thought that tariff reductions had had a positive effect on their business dealings with Japan. These figures are almost identical to the responses to this question in the AJF – ACNielsen Survey.

In addition to asking companies dealing with Japan about current business conditions, the survey also asked about the potential of the Japanese market. The results are presented in Figure 4. Of the 164 companies, 62.2 per cent saw further market potential, while 33.5 per cent did not. That is, the ratio of positive to negative views about Japanese market potential was about two to one. These percentages are virtually unchanged when the sample is restricted to the 122 large companies dealing with Japan. They are also similar to the findings from the AJF – ACNielsen Survey in 2000, when 56 per cent of companies thought there was further potential for doing business with Japan and 36 per cent thought there was not.

Of the 102 companies that believe there to be further market potential, Table 12 shows the factors

Figure 4: Further market potential in Japan?**Table 12: Reasons for further market potential**

	No. of companies	Per cent
Large market size	64	62.7
The market is growing	40	39.2
They/we have suitable products	69	67.6
Quality of Japanese products	43	42.2
Strong network /support structures in Japan	47	46.1
Japanese economy provides scope for good returns	37	36.3
Other	5	4.9
Total	102	

Table 13: Reasons no further market potential

	No. of companies	Per cent	Per cent of large companies
Increasing costs	11	20.0	10.0
Uncompetitive exchange rate	10	18.2	15.0
Have reached market saturation in Japan	9	16.4	17.5
Products unsuitable for the Japanese market	9	16.4	20.0
Other	27	49.1	52.5
Total number of companies	55		

Note: Numbers do not add to total because some respondents cited multiple reasons.

contributing to their views. More than two-third of companies identified the specific products/services that they deal in as a reason for confidence, while 62.7 per cent saw Japan's market size as a reason.

Among the 55 companies with negative views about the potential of the Japanese market, nearly half of these cited reasons other than those listed in Table 13; for example: increasing costs, uncompetitive exchange rates, saturated Japanese market, and unsuitable products were each cited by no more than 20 per cent of these respondents. As can be seen in the Table, of the 40 large companies included in this group a much smaller proportion cited increasing costs as a reason for thinking there was no further market potential. This result echoes the finding of the AJF – ACNielsen Survey in this regard, where 12 per cent of respondents cited increasing costs as limiting market potential, although in that survey much smaller proportions cited unsuitable products (9 per cent) and market saturation (5 per cent) as reasons for thinking potential was limited.

In sum, most companies in the present survey found business conditions with Japan to be unchanged compared to a few years earlier, while at the same time pointing to further market potential for doing business with Japan. The size of the Japanese market and the nature of the products/services they deal in were the two main reasons given for optimism about business prospects.

2. Companies with non-Japan international business dealings

Reasons for not doing business with Japan

The sample consisted of 397 companies doing business internationally, of which 233 reported not having any business dealings with Japan. This group was asked their reasons for not dealing with Japan. First, they were asked to nominate all possible reasons that apply in their company's case, and next they were asked to nominate the main reason for not doing business with Japan. Table 14 provides a summary of these results.

The results in Table 14 show that a lack of market demand and the view that Japan does not produce anything the businesses need were the two major reasons given for why these Australian companies do not deal with Japan. In addition, the high costs of doing business with Japan, and a failure to consider doing business in Japan, were also important reasons. Interestingly, although language barriers were nominated as a possible reason by 27.6 per cent of respondents, only 3.5 per cent regarded it as the *main* reason for not dealing with Japan.

While 58.6 per cent of the 397 companies in the survey doing business internationally do not do business with Japan (i.e. 233 companies), when the sample is narrowed to large companies doing

Table 14: Reasons for not doing business with Japan

	All companies n=233		Large companies n=88	
	Main reason	Possible reasons*	Main reason	Possible reasons*
No market/lack of demand	31.0	52.2	35.6	55.2
They don't produce anything you need	21.0	45.7	19.5	46.0
Parent company handles trade with Japan	5.7	11.6	10.3	21.8
Haven't looked at Japan	11.4	27.6	8.0	28.7
Costs are too high	10.0	30.6	6.9	23.0
Trade barriers protecting Japanese industry	3.1	12.5	3.4	11.5
Japanese businesses/trading houses make trade difficult	2.2	14.7	1.1	12.6
Japanese are demanding customers	1.3	15.1	0.0	10.3
Bureaucracy/government regulations make doing business difficult	1.7	17.7	3.4	14.9
Language barriers	3.5	27.6	1.1	14.9
Uncompetitive exchange rate	0.9	21.6	1.1	14.9
Current weak Japanese economy	1.3	13.8	0.0	11.5
Other	7.0	6.0	8.0	3.6
Total number of companies	100		100	

* Percentages do not sum to 100 because multiple reasons were allowed.

business internationally (210 companies), the percentage of companies not dealing with Japan falls to 48 per cent (i.e. 88 companies). The two main reasons given by this group as to why they do not deal with Japan also correspond to the two key reasons cited in the AJF – ACNielsen Survey: a lack of market demand, cited by 35 per cent of these companies (cf. 20 per cent of respondents in the AJF – ACNielsen Survey), and the fact that Japan does not produce any products they need, cited by 17 per cent (cf. 13 per cent in the AJF – ACNielsen Survey). The next most common reasons cited were high costs (7 per cent) and trade barriers protecting Japanese products (6 per cent); in comparison, the next most common reasons cited in the AJF – ACNielsen Survey were a preference for trading through a parent company and a lack of competitiveness.

3. All companies with international business dealings

General prospects of increased trade with Japan

All 379 companies with international business dealings were asked a series of questions about general prospects for increased trade between Australia and Japan. Table 5 shows that an overwhelming majority of this group of respondents believes there is increased scope for further trade between Australia and Japan across different industry sectors.

Respondents who thought there was broad potential for increased trade between Australia and Japan were asked to nominate, from a given list, reasons for this belief. It can be seen from Table 15 that the range and quality of Australian resources/products, as well as good relations between Australia and Japan, Japan's potential to buy raw materials, the size of the Japanese market and its untapped opportunities were the principal reasons given for believing that there is further scope for increased trade and other business dealings between Australia and Japan.

Promotion of Australia in Japan

When asked whether Australia promoted itself effectively in Japan, a third of the 397 companies doing business internationally replied in the negative. However, Figure 6 also reveals that 38.5 per cent were unsure, possibly because they have not dealt with Japan in the past.

When asked about ways in which Australia could more effectively promote itself in Japan, more than 70 per cent of the 397 companies with international business dealings said that more intensive promotion by Australian governments would be most effective, with a slightly smaller group indicating that an increase in the resources available to AUSTRADE would be beneficial (see Table 16). More than half of respondents also believed an increase in government-facilitated trade delegations to Japan would be a good way of promoting Australia.

Figure 5: Is there broad potential for increased trade between Australia and Japan across industries?

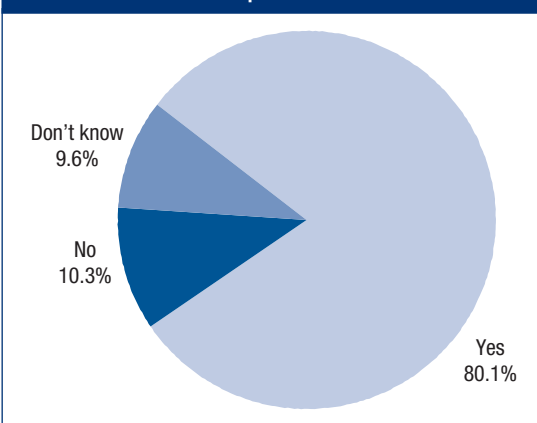


Table 15: General reasons for potential for increased trade between Australia and Japan

	<i>No. of companies</i>	<i>Per cent</i>
The size of the Japanese market	247	77.7
Untapped market/scope for opportunity	225	70.8
Australia has resources/ products that Japan wants	272	85.5
Lower tariff barriers	109	34.3
Geographic proximity	219	68.9
Japan's potential to buy raw materials	245	77.0
Quality of Australian exports	254	79.9
Relations between Australia and Japan	250	78.6
State of the Japanese economy	146	45.9
Cost of Australian labour/ competitiveness	121	38.1
Other	12	3.8
Total number of companies	318	

Note: Numbers do not add to total because multiple reasons were allowed.

Figure 6: Does Australia promote itself effectively in Japan?

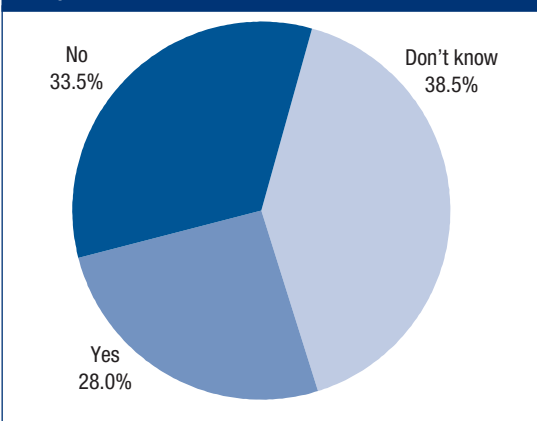


Table 16: More effective promotion of Australia

	No. of cos	Per cent
More intensive promotion of Australia in Japan by Australian governments (e.g. direct advertising)	283	71.3
Increase level of resources available to AUSTRADE for its activities in Japan	277	69.8
Increase the number of government-facilitated trade delegations to Japan	226	56.9
Total number of companies	397	

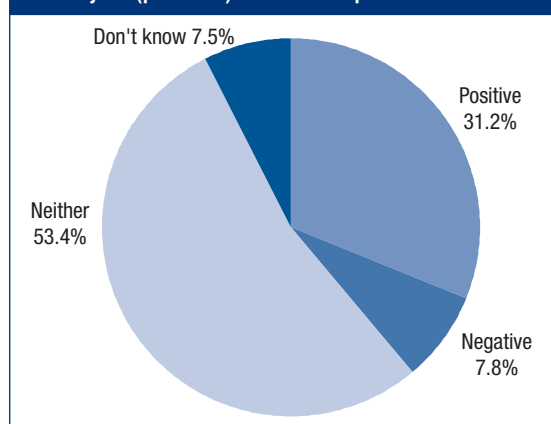
Table 17: General perceptions about doing business in Japan

	Strongly agree % of total	Agree % of total	Neutral % of total	Disagree % of total	Strongly disagree % of total	Total no. of cos
There are easier markets than Japan to export to	20.3	43.3	27.6	7.8	1.0	395
Japanese more reliable to do business with than elsewhere in Asia	17.8	43.3	28.5	9.4	1.0	393
Language barrier is a more significant issue in Japan than elsewhere	8.6	27.0	24.0	33.3	7.1	396
Setting up business in Japan is difficult /takes a long time	40.6	10.9	27.4	18.3	2.9	175
A good interpreter makes it easier to do business in Japan	38.9	43.8	10.4	5.3	1.5	393
Japanese are very loyal customers	15.6	47.6	30.2	5.6	1.0	391
Takes a long term to develop business relationships with Japanese	28.9	50.5	15.5	4.6	0.5	394
Developing business in Japan is worth the effort	22.4	56.5	15.3	4.8	1.0	393
Japanese market is unforgiving of mistakes	15.2	30.3	45.2	8.7	0.5	389
High costs within Japan discourage trade	8.2	35.5	32.0	22.5	1.8	391

When companies *specifically* exporting goods or services to Japan were asked if they believe if AUSTRADE should change its industry-sector focus, around one-third of the 81 respondents thought it should. Manufacturing received the most (specific) nominations for increased attention, followed by agriculture/food and education and tourism services. This result is hardly surprising, given that manufacturing is the largest sector in the sample.

Companies were asked about their general perceptions about doing business in Japan; the results are reported in Table 17. More than 63 per cent of respondents agreed or strongly agreed that there are easier markets to get into than Japan. Meanwhile a similar proportion believed that the Japanese were more reliable to do business with than elsewhere in Asia. The proportion of respondents who believed language is a barrier to doing business in Japan is slightly smaller than that which disagrees; meanwhile there was consensus on the benefits of having an interpreter. Overall the responses seem to indicate that doing business in Japan is worthwhile even though it tends to take a long time to develop business relationships and costs can be a deterrent.

Companies were asked about the impact of reforms in Japan in the past decade on the potential market for their goods and services, with the results shown in Figure 7 below. As shown, by far the biggest proportion of (the 861) respondents indicated that reforms had had little effect on their business prospects, possibly reflecting the fact that effective reform was actually quite limited during this period. These results are quite similar to results obtained by the AJF – ACNielsen Survey in 2000: 41 per cent of respondents to that survey believed that reform had had no effect, while 27 per cent reported a positive effect and 8 per cent a negative effect.

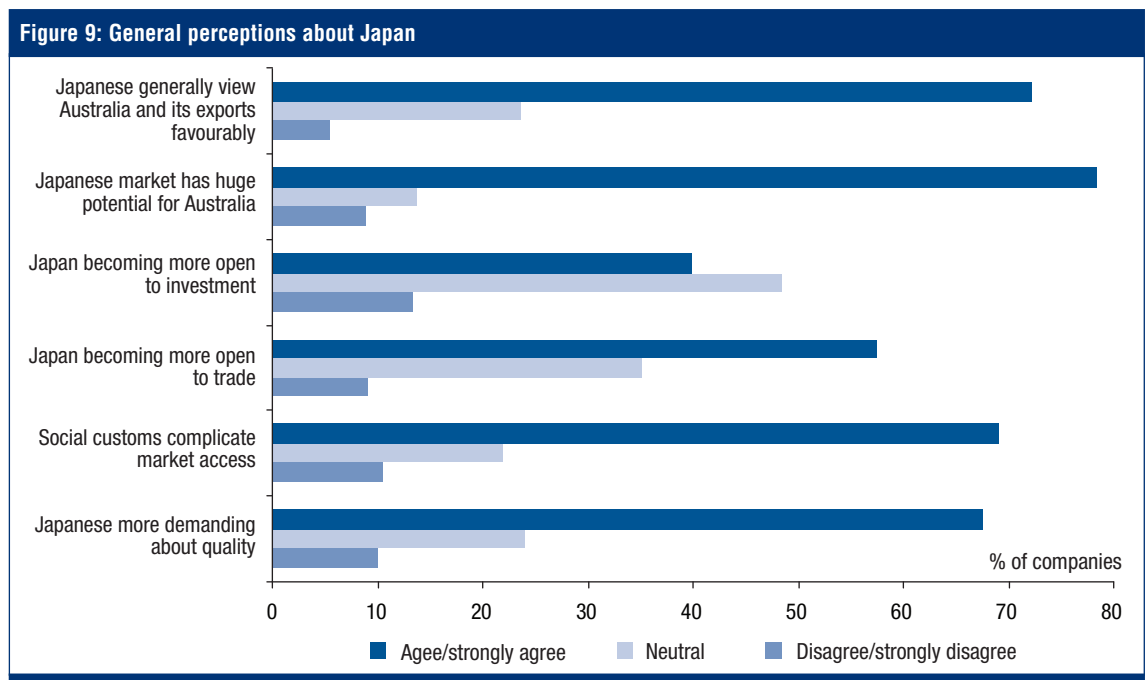
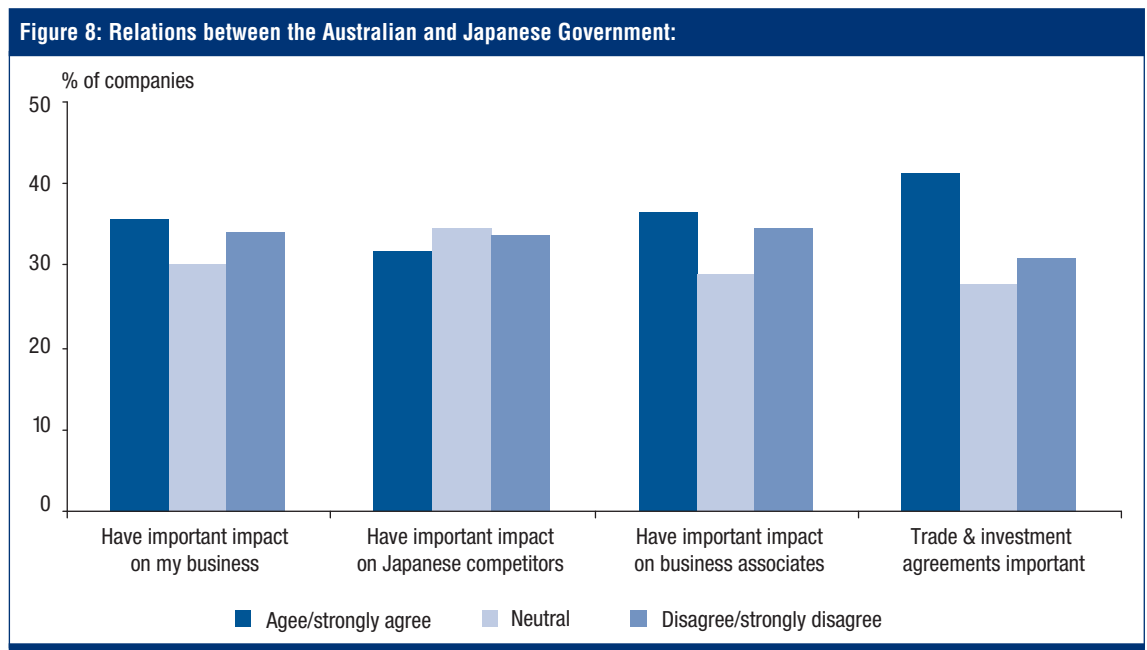
Figure 7: What effect have Japanese economic reforms had on your (potential) market in Japan?

4. General perceptions about Japan: All survey participants

All 861 companies who participated in the survey, including from those companies without any business dealings with Japan, were asked a series of questions relating to their general perceptions about Japan. The first of these questions was about the impact of inter-governmental relations and actions on their businesses. As the results reported in Figure 8 show, a minority of respondents agreed or strongly agreed that the specified developments in the relationship between the Australian and Japanese governments have an important impact on their business dealings with Japan. When the sample is restricted to large com-

panies these results differ only slightly, and in all cases the proportion of large companies agreeing or strongly agreeing with the statements is slightly higher than the results shown in the Figure below for the entire sample; this is not surprising in that one would expect large companies, which are more likely to be trading internationally, to be more sensitive to inter-governmental relations.

The question reported in Figure 9 below sought to elicit further general impressions about Japan. There tends to be significant agreement with each of the statements listed, with the exception perhaps of that suggesting Japan is becoming more open to foreign investment—only 39 per cent of respondents agreed or strongly agreed that this is



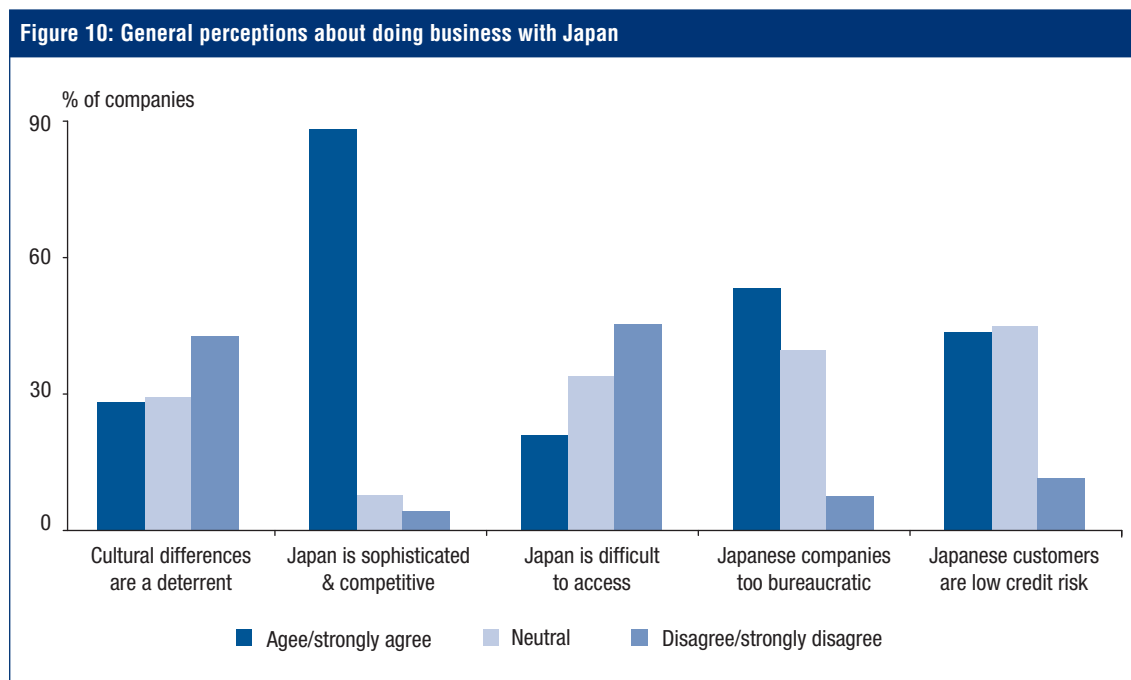
the case. Meanwhile, a significant 78 per cent of respondents agreed or strongly agreed that the Japanese market offers huge potential for Australia, which would suggest a general awareness of the importance of Japan’s economy and its significance as a trading and investment partner. When the base is restricted to large companies in the survey, the results are similar to those shown below, except in regard to views about Australia/exports and the complications caused by social customs: large companies were significantly more likely to agree/strongly agree with these statements.

Figure 10 below reports the findings of questions on general perceptions of doing business in Japan. Overall the results suggest enthusiasm about doing business in Japan. Notable features include that fact that only 21 per cent of respondents agreed or strongly agreed that Japan was too difficult a market to access. Similarly only a small proportion of respondents agreed that cultural differences discourage them from pursuing the market. Meanwhile a significant majority of respondents (88 per cent) agreed that Japan is a sophisticated market. A majority of companies, however, agreed that Japanese companies are bureaucratic. Large companies answering this survey question were once again generally more optimistic and less deterred by perceived negatives about doing business in Japan than was the case for the overall group of companies in the survey. The proportions of large companies agreeing that cultural differences, access and excessive bureaucracy were a deterrent to doing business in Japan were smaller than shown in the Figure below; meanwhile the proportions agreeing that Japan is a sophisticated market and represents low credit risk were higher for the large company group than shown in the Figure below.

Companies were asked a number of questions about the possible impact on their business of a free trade agreement (FTA) between Australia and Japan. A very small proportion of companies (6 per cent) agreed or strongly agreed that an FTA would have a significant effect on their business overall, as shown in Figure 11. A bigger proportion of companies (39 per cent) agreed that an FTA would significantly benefit their business with Japan, while only 36 per cent agreed that an FTA would cause them to change their approach to the Japanese market. Taken together, these views suggest that an FTA could have a trade-diverting effect on Australian companies, i.e. while an FTA would not significantly affect the overall business activities of most Australian companies, their business dealings with Japan could be significantly impacted.

Respondents were generally optimistic about the overall benefits of an FTA for the Australian and Japanese economies, for Australian companies investing in Japan or in Australia with Japanese company, and for trade with Japan: 70 per cent or more respondents agreed with each of the corresponding statements listed in Figure 11. The key differences between the results in Figure 11 and those for the large companies in the survey are that a higher proportion of large companies see the FTA as advantageous for Australia–Japan trade and the Australian economy, but smaller proportions of large companies feel their business would be significantly affected or would change their approach to business.

The final survey question asked about the attractiveness of Australia and Japan to both direct investment (which implies a degree of influence by the direct investor in the management of the direct investment enterprise) and portfolio investment (i.e. investment in equity and debt securities). The

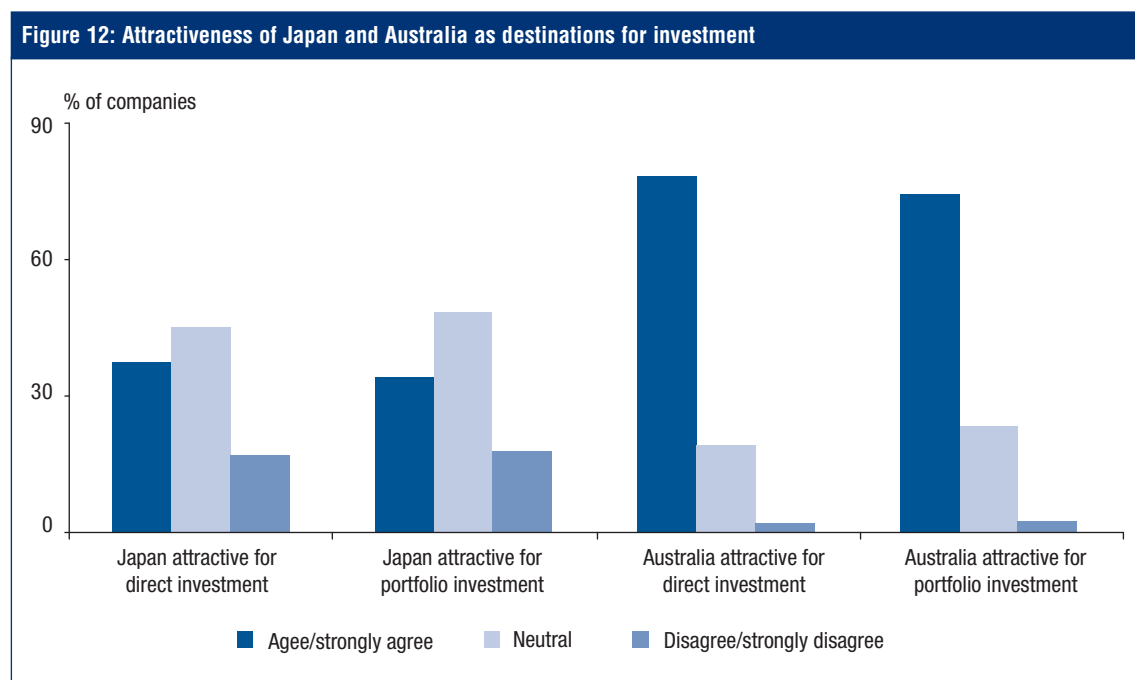
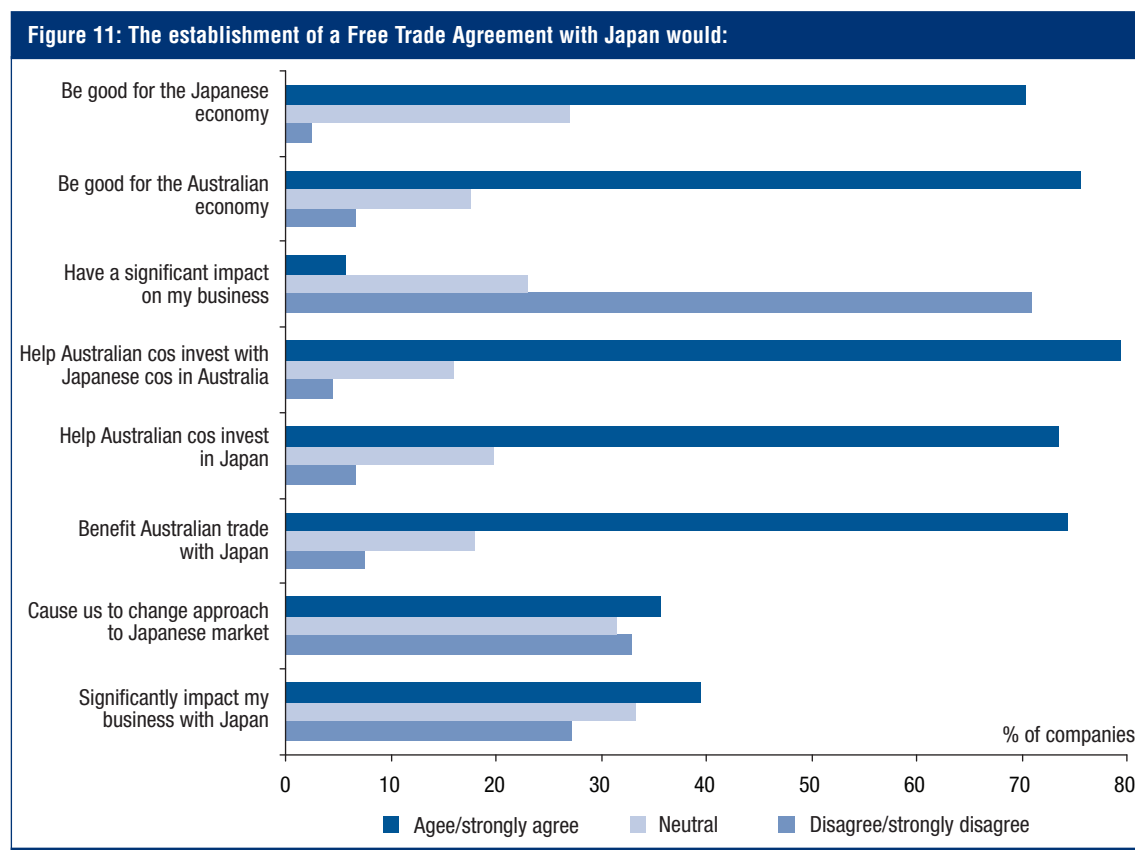


responses were strongly positive about the perceived attractiveness of Australia as a destination for both direct and portfolio investment by Japanese businesses.

portfolio investment, which is broadly in line with the proportion of companies in the survey classified as large companies; this is not surprising given that size is likely to be an important determinant of willingness and ability to invest offshore.

Figure 12 shows that around 75 per cent of respondents agreed or strongly agreed with these statements. Meanwhile around 35 per cent of companies agreed that Japan was attractive for direct or

It is worth noting that the investment relationship between Australia and Japan has been growing in recent years. However, this relationship is not uni-



form across industries. As shown in Table A20 in Appendix A, there are large variations in opinion across industries about the attractiveness of Japan as an investment destination. In particular, relatively few companies in agriculture, mining and manufacturing thought Japan was attractive for direct or portfolio investment. In contrast, a relatively high proportion of companies in service industries appeared to regard Japan as attractive for direct or portfolio investment. One suspects that the opinion of companies in different industries could simply reflect the Japanese regulatory environment towards foreign investment in different industries.

Table A20 also shows that a high proportion of companies from the utility, agriculture, and financial service industries believed Australia was an attractive destination for direct investment by Japanese companies, while relatively few companies from the mining, health services, and other services thought the same. In relation to portfolio investment, relatively more companies in the agriculture, media and financial service industries thought Australia was an attractive investment destination, while relatively few companies from the mining, utility and health service industries believed this.

Importantly, Figure 12 further shows that while Australian businesses on the whole were strongly positive about the attractiveness of Australia as an investment destination for Japanese companies, they were generally less enthusiastic about the attractiveness of investing in Japan.

Conclusion

The findings of the 2009 AJF – Melbourne Institute Survey are generally optimistic in terms of the extent of engagement by Australian businesses with Japan, and in terms of perceptions of current dealings and further potential for doing business with Japan. Whilst the size distribution of companies in the present survey differs from that of the ACNielsen survey conducted for the AJF in 2000, the findings of the two surveys are reasonably consistent when considered on a comparable company-size basis (that is, when comparisons are made by drawing on large-company data only in the present survey). As has been the case historically and more broadly, trade in raw materials and simply processed goods dominates the business dealings with Japan of the companies in the survey, with most of these companies having traded with Japan for ten years or more. No doubt partly reflecting the long and important history of trade between the two countries, most of the companies doing business with Japan were optimistic about future business prospects, with the key

reasons given by respondents for this optimism being the size of the Japanese market and the nature of the goods and services that they deal in. This optimism was maintained when *all* companies doing business internationally (not just with Japan) were asked about general prospects for increased trade with Japan: 80.1 per cent agreed there was broad potential in this area.

This enthusiasm was also evident in the responses of the entire sample of 861 companies in the survey (which includes a significant number of SMEs and some large companies not doing business abroad) when asked a series of questions relating to their general perceptions about Japan—78 per cent believed Japan offers great potential for Australia. Most respondents believed Japan is a sophisticated and competitive market, while only a small minority thought it was too difficult to access or that cultural differences were a deterrent.

In terms of the role of governments in promoting Japan–Australia business relations, the survey results were a little mixed. Less than half of all respondents believed that inter-governmental relations between Australia and Japan have an important impact on their business, their business associates or their Japanese counterparts. Having said this, respondents were generally very optimistic about the overall potential benefits of an Australia–Japan Free Trade Agreement: to both the Australian and Japanese economies; in enhancing Australian trade and investment in Japan; and in assisting Australian companies to engage in joint investment with Japanese companies in Australia. However despite this enthusiasm, only a very small proportion of respondents (6 per cent) thought that an FTA would have a significant impact on their business specifically.

In sum, the picture of overall optimism with regard to the potential for, and lack of perceived deterrents to, doing business in Japan as reflected in the survey results is extremely encouraging. More particularly, this evident optimism suggests a positive environment in which to escalate negotiations towards an FTA between Japan and Australia, which would further enhance the already productive business and political relationship between the two countries. Thus, given the ongoing significance of the Japanese economy to the world and particularly the Australian economy, Japan's geographic proximity to Australia and the positive economic and political relationship over time, the overall optimism presented in this survey provides a strong foundation for sustaining a favourable business climate between the two countries in the coming years.

Appendix A: Summary Statistics by Industry

This appendix provides a summary of the AJF – Melbourne Institute Survey data by industry and firm size. Companies in the sample are classified into 16 industry divisions according to the first-level ANZSIC classification. Additionally, companies in the sample are also classified according to size. This report adopts a working definition that a firm is considered large if it has 200 or more full-time-equivalent employees or an annual turnover of at least A\$50 million; otherwise it is classified as a small- or medium-sized enterprise (SME).

Table A1: Number of companies, by industry and size

<i>Industry</i>	<i>SME</i>	<i>Large</i>	<i>Total</i>
Agriculture, Forestry and Fishing	11	3	14
Mining	4	18	22
Manufacturing	119	183	302
Electricity, Gas, Water and Waste Services	4	5	9
Construction	39	6	45
Wholesale Trade	11	13	24
Retail Trade	61	8	69
Accommodation and Food Services	33	2	35
Transport, Postal and Warehousing	7	6	13
Media and Telecommunication	7	2	9
Financial and Insurance Services	14	5	19
Property and Business Services	112	16	128
Education and Training	16	12	28
Health and Community Services	65	6	71
Arts and Recreation Services	11	1	12
Other Services	56	5	61
Total	570	291	861

Table A2: Companies with foreign business dealings, by industry and size

<i>Industry</i>	<i>SME</i> %	<i>Large</i> %	<i>Total</i> %
Agriculture, Forestry and Fishing	28.6	21.4	50.0
Mining	18.2	77.3	95.5
Manufacturing	18.5	43.1	61.6
Electricity, Gas, Water and Waste Services	0.0	44.4	44.4
Construction	26.7	8.9	35.6
Wholesale Trade	37.5	50.0	87.5
Retail Trade	29.0	7.3	36.2
Accommodation and Food Services	8.6	2.9	11.4
Transport, Postal and Warehousing	23.1	23.1	46.2
Media and Telecommunication	11.1	22.2	33.3
Financial and Insurance Services	5.3	21.1	26.3
Property and Business Services	31.3	7.0	38.3
Education and Training	14.3	35.7	50.0
Health and Community Services	18.3	2.8	21.1
Arts and Recreation Services	16.7	8.3	25.0
Other Services	26.2	3.3	29.5
All	21.8	24.3	46.1

Note: Per cent figures were computed by taking the ratio of the number of companies with foreign dealings in each industry and under each heading to total number of companies in the industry.

Table A3: Companies with business dealings with Japan, by industry and size

<i>Industry</i>	<i>SME</i> %	<i>Large</i> %	<i>Total</i> %
Agriculture, Forestry and Fishing	0.0	28.6	28.6
Mining	14.3	52.4	66.7
Manufacturing	7.0	41.9	48.9
Electricity, Gas, Water and Waste Services	0.0	75.0	75.0
Construction	6.3	6.3	12.5
Wholesale Trade	9.5	23.8	33.3
Retail Trade	12.0	8.0	20.0
Accommodation and Food Services	0.0	25.0	25.0
Transport, Postal and Warehousing	16.7	16.7	33.3
Media and Telecommunication	0.0	66.7	66.7
Financial and Insurance Services	0.0	60.0	60.0
Property and Business Services	26.5	6.1	32.7
Education and Training	14.3	57.1	71.4
Health and Community Services	0.0	6.7	6.7
Arts and Recreation Services	33.3	0.0	33.3
Other Services	16.7	5.6	22.2
All	10.6	30.7	41.3

Note: Per cent figures were computed by taking the ratio of the number of companies that deal with Japan in each industry and under each heading to total number of companies with international dealings in the industry.

Table A4: Reasons for not dealing with Japan, by industry

<i>Industry</i>	<i>(1)</i> %	<i>(2)</i> %	<i>(3)</i> %	<i>(4)</i> %	<i>(5)</i> %	<i>(6)</i> %	<i>(7)</i> %	<i>(8)</i> %	<i>(9)</i> %	<i>(10)</i> %	<i>(11)</i> %	<i>(12)</i> %
Agriculture, Forestry & Fishing	40.0	20.0	0.0	20.0	20.0	0.0	0.0	40.0	20.0	40.0	20.0	0.0
Mining	71.4	42.9	42.9	0.0	42.9	14.3	14.3	28.6	28.6	0.0	14.3	14.3
Manufacturing	42.1	48.4	20.0	24.2	29.5	12.6	17.9	14.7	13.7	27.4	20.0	13.7
Electricity, Gas, Water and Waste	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction	57.1	42.9	7.1	28.6	14.3	14.3	21.4	21.4	28.6	35.7	35.7	28.6
Wholesale Trade	64.3	42.9	14.3	35.7	35.7	21.4	21.4	28.6	14.3	14.3	28.6	21.4
Retail Trade	55.0	65.0	5.0	20.0	30.0	10.0	0.0	5.0	20.0	35.0	25.0	0.0
Accommodation and Food Services	100.0	33.3	0.0	33.3	66.7	0.0	0.0	0.0	0.0	33.3	0.0	0.0
Transport, Postal and Warehousing	50.0	25.0	0.0	25.0	0.0	0.0	25.0	0.0	0.0	0.0	0.0	25.0
Media & Telecomm.	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial and Insurance Services	100.0	50.0	0.0	50.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	0.0
Property and Business Services	53.1	40.6	3.1	40.6	40.6	18.8	12.5	18.8	28.1	28.1	31.3	12.5
Education & Training	100.0	0.0	0.0	25.0	25.0	0.0	0.0	0.0	25.0	25.0	0.0	0.0
Health & Community Serv.	64.3	35.7	0.0	28.6	42.9	14.3	21.4	14.3	14.3	50.0	14.3	21.4
Arts & Recreation Serv.	50.0	50.0	0.0	50.0	50.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0
Other Services	42.9	50.0	0.0	35.7	21.4	7.1	14.3	7.1	14.3	21.4	21.4	21.4
All	52.2	45.7	11.6	27.6	30.6	12.5	14.7	15.1	17.7	27.6	21.6	13.8
No. of companies indicated 'yes'	121	106	27	64	71	29	34	35	41	64	50	32

Notes: (1) There is no market/lack of demand? (2) They don't produce anything you need? (3) Your parent company handles trade with Japan? (4) You haven't looked at Japan (5) The costs are too high? (6) There are trade barriers protecting Japanese industry (7) Japanese businesses/trading houses make trade difficult? (8) Japanese are demanding customers? (9) Bureaucracy/government regulations make doing business difficult? (10) Language barriers? (11) Uncompetitive exchange rate? (12) Current weak Japanese economy? Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry. Row totals do not add to 100% because multiple responses were allowed.

Table A5: Main reason for not dealing with Japan, by industry

<i>Industry</i>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	<i>Number of companies</i>											
Agriculture, Forestry & Fishing	1	1	0	0	1	0	0	1	0	0	0	0
Mining	2	2	1	0	0	1	0	0	1	0	0	0
Manufacturing	25	24	9	6	10	3	4	0	2	1	2	0
Electricity, Gas, Water & Waste	0	1	0	0	0	0	0	0	0	0	0	0
Construction	6	2	1	2	0	0	0	1	0	1	0	0
Wholesale Trade	4	2	2	1	2	1	0	0	0	1	0	1
Retail Trade	3	8	0	2	3	1	0	0	1	1	0	0
Accommodation & Food Services	1	0	0	0	1	0	0	0	0	1	0	0
Transport, Postal & Warehousing	1	1	0	1	0	0	1	0	0	0	0	0
Media & Telecommunication	1	0	0	0	0	0	0	0	0	0	0	0
Financial and Insurance Serv.	2	0	0	0	0	0	0	0	0	0	0	0
Property & Business Serv.	14	3	0	7	4	0	0	0	0	2	0	1
Education & Training	3	0	0	0	0	0	0	0	0	0	0	0
Health & Community Serv.	5	2	0	3	1	0	0	1	0	0	0	1
Arts & Recreation Services	1	0	0	0	0	0	0	0	0	1	0	0
Other Services	2	2	0	4	1	1	0	0	0	0	0	0
All	71	48	13	26	23	7	5	3	4	8	2	3

Note: (1)–(12) as per Table A4.

Table A6: Types of business dealings with Japan, by industry

<i>Industry</i>	(1) %	(2) %	(3) %	(4) %	(5) %	(6) %	(7) %
Agriculture, Forestry and Fishing	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Mining	7.1	0.0	78.6	14.3	0.0	7.1	0.0
Manufacturing	65.9	12.1	33.0	17.6	3.3	7.7	5.5
Electricity, Gas, Water and Waste Services	100.0	33.3	0.0	0.0	0.0	0.0	0.0
Construction	50.0	0.0	0.0	0.0	50.0	0.0	50.0
Wholesale Trade	71.4	14.3	28.6	0.0	0.0	0.0	0.0
Retail Trade	100.0	0.0	20.0	0.0	0.0	0.0	0.0
Accommodation and Food Services	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Transport, Postal and Warehousing	100.0	50.0	100.0	50.0	50.0	0.0	50.0
Media and Telecommunication	0.0	0.0	0.0	100.0	100.0	0.0	0.0
Financial and Insurance Services	0.0	0.0	0.0	33.3	66.7	0.0	0.0
Property and Business Services	43.8	6.3	18.8	25.0	0.0	6.3	6.3
Education and Training	10.0	30.0	20.0	70.0	20.0	10.0	10.0
Health and Community Services	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Arts and Recreation Services	0.0	0.0	0.0	100.0	0.0	0.0	0.0
Other Services	50.0	25.0	50.0	25.0	0.0	0.0	0.0
All	53.0	11.6	34.1	21.3	7.3	6.1	5.5
Number of companies	87	19	56	35	12	10	9

Notes: (1) Importing products from Japan (2) Importing services from Japan (3) Exporting products to Japan (4) Exporting services to Japan (5) Investing in Japan (6) Investing in Australia with a Japanese partner (7) Investing with a Japanese partner in a third country. Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry.

Table A7: Effects of Japanese tariff reductions on dealings with Japan, by industry

<i>Industry</i>	<i>Positive effect</i>	<i>Negative effect</i>	<i>No effect</i>	<i>Total</i>
	<i>Number of companies</i>			
Agriculture, Forestry and Fishing	0	0	2	2
Mining	3	0	10	13
Manufacturing	12	3	69	84
Electricity, Gas, Water and Waste Services	1	0	2	3
Construction	0	0	2	2
Wholesale Trade	2	0	5	7
Retail Trade	2	0	3	5
Accommodation and Food Services	0	0	1	1
Transport, Postal and Warehousing	1	0	1	2
Media and Telecommunication	0	0	2	2
Financial and Insurance Services	0	0	2	2
Property and Business Services	2	1	11	14
Education and Training	0	0	8	8
Health and Community Services	1	0	0	1
Arts and Recreation Services	1	0	0	1
Other Services	1	0	2	3
All	26	4	120	150

Note: Respondents were companies having business dealings with Japan at time of survey.

Table A8: Doing business with Japan now than it was a few years back

<i>Industry</i>	<i>Easier</i>	<i>More difficult</i>	<i>About the same</i>	<i>Total</i>
	<i>Number of companies</i>			
Agriculture, Forestry and Fishing	0	1	1	2
Mining	3	1	10	14
Manufacturing	24	4	63	91
Electricity, Gas, Water and Waste Services	0	0	3	3
Construction	1	0	1	2
Wholesale Trade	2	1	4	7
Retail Trade	3	0	2	5
Accommodation and Food Services	1	0	0	1
Transport, Postal and Warehousing	2	0	0	2
Media and Telecommunication	1	0	1	2
Financial and Insurance Services	2	0	1	3
Property and Business Services	5	2	9	16
Education and Training	4	2	4	10
Health and Community Services	1	0	0	1
Arts and Recreation Services	0	0	1	1
Other Services	2	0	2	4
All	51	11	102	164

Note: Respondents were companies having business dealings with Japan at time of survey.

Table A9: Japan having further market potential?

<i>Industry</i>	<i>Yes</i>	<i>No</i>	<i>Unsure</i>	<i>Total</i>
	<i>Number of companies</i>			
Agriculture, Forestry and Fishing	1	1	0	2
Mining	11	1	2	14
Manufacturing	49	39	3	91
Electricity, Gas, Water and Waste Services	0	3	0	3
Construction	2	0	0	2
Wholesale Trade	6	1	0	7
Retail Trade	3	2	0	5
Accommodation and Food Services	1	0	0	1
Transport, Postal and Warehousing	2	0	0	2
Media and Telecommunication	2	0	0	2
Financial and Insurance Services	2	1	0	3
Property and Business Services	9	6	1	16
Education and Training	9	0	1	10
Health and Community Services	1	0	0	1
Arts and Recreation Services	1	0	0	1
Other Services	3	1	0	4
All	102	55	7	164

Note: Respondents were companies having business dealings with Japan at time of survey.

Table A10: Broad potential for increased trade with Japan?

<i>Industry</i>	<i>Yes</i>	<i>No</i>	<i>Unsure</i>	<i>No. of companies</i>
	<i>Per cent</i>			
Agriculture, Forestry and Fishing	71.4	14.3	14.3	7
Mining	66.7	9.5	23.8	21
Manufacturing	81.2	10.8	8.1	186
Electricity, Gas, Water and Waste Services	100.0	0.0	0.0	4
Construction	100.0	0.0	0.0	16
Wholesale Trade	85.7	4.8	9.5	21
Retail Trade	88.0	4.0	8.0	25
Accommodation and Food Services	100.0	0.0	0.0	4
Transport, Postal and Warehousing	83.3	0.0	16.7	6
Media and Telecommunication	66.7	33.3	0.0	3
Financial and Insurance Services	60.0	40.0	0.0	5
Property and Business Services	77.6	10.2	12.2	49
Education and Training	78.6	7.1	14.3	14
Health and Community Services	66.7	20.0	13.3	15
Arts and Recreation Services	66.7	33.3	0.0	3
Other Services	72.2	16.7	11.1	18
All	80.1	10.3	9.6	397

Note: Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry.

Table A11: Reasons for potential for increased trade with Japan

<i>Industry</i>	(1) %	(2) %	(3) %	(4) %	(5) %	(6) %	(7) %	(8) %	(9) %	(10) %
Agriculture, Forestry & Fishing	80.0	60.0	80.0	20.0	80.0	100.0	100.0	60.0	60.0	40.0
Mining	92.9	71.4	78.6	21.4	71.4	78.6	85.7	78.6	78.6	35.7
Manufacturing	74.2	70.2	85.4	39.7	63.6	76.2	76.2	80.8	43.7	35.1
Electricity, Gas, Water & Waste Services	100.0	100.0	100.0	50.0	50.0	100.0	100.0	100.0	75.0	50.0
Construction	81.3	62.5	81.3	31.3	81.3	75.0	75.0	68.8	43.8	43.8
Wholesale Trade	61.1	61.1	83.3	27.8	61.1	83.3	77.8	77.8	55.6	33.3
Retail Trade	77.3	72.7	77.3	31.8	54.5	68.2	77.3	63.6	36.4	50.0
Accommodation & Food Services	100.0	50.0	100.0	25.0	100.0	100.0	75.0	75.0	0.0	25.0
Transport, Postal & Warehousing	80.0	80.0	100.0	40.0	80.0	80.0	100.0	80.0	60.0	60.0
Media & Telecommunication	100.0	50.0	100.0	50.0	100.0	100.0	100.0	100.0	100.0	50.0
Financial & Insurance Services	100.0	100.0	100.0	0.0	66.7	100.0	100.0	100.0	33.3	33.3
Property & Business Services	86.8	73.7	86.8	36.8	81.6	71.1	81.6	86.8	50.0	34.2
Education & Training	72.7	54.5	100.0	18.2	72.7	63.6	81.8	81.8	27.3	54.5
Health & Community Services	80.0	100.0	80.0	20.0	80.0	90.0	90.0	70.0	50.0	40.0
Arts & Recreation Services	100.0	100.0	100.0	0.0	100.0	100.0	100.0	50.0	0.0	50.0
Other Services	69.2	69.2	84.6	30.8	76.9	76.9	84.6	69.2	38.5	38.5
All	77.7	70.8	85.5	34.3	68.9	77.0	79.9	78.6	45.9	38.1
Number of companies	247	225	272	109	219	245	254	250	146	121

Notes: (1) Size of the Japanese market (2) Untapped market/scope for opportunity (3) Australia has resources/products that Japan wants (4) Lower tariff barriers (5) Geographic proximity (6) Japan's potential to buy raw materials (7) Quality of Australian exports (8) Relation between Australia and Japan (9) State of the Japanese economy (10) Cost of Australian labour/competitiveness. Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry. Row totals do not add to 100% because multiple responses were allowed.

Table A12: Australia promotes itself effectively in Japan?

<i>Industry</i>	<i>Yes</i>	<i>No</i>	<i>Unsure</i>	<i>No. of companies</i>
	<i>Per cent</i>			
Agriculture, Forestry and Fishing	14.3	0.0	85.7	7
Mining	42.9	33.3	23.8	21
Manufacturing	24.2	32.3	43.6	186
Electricity, Gas, Water and Waste Services	75.0	0.0	25.0	4
Construction	25.0	50.0	25.0	16
Wholesale Trade	38.1	33.3	28.6	21
Retail Trade	16.0	40.0	44.0	25
Accommodation and Food Services	0.0	0.0	100.0	4
Transport, Postal and Warehousing	16.7	33.3	50.0	6
Media and Telecommunication	66.7	0.0	33.3	3
Financial and Insurance Services	20.0	40.0	40.0	5
Property and Business Services	30.6	34.7	34.7	49
Education and Training	71.4	14.3	14.3	14
Health and Community Services	33.3	46.7	20.0	15
Arts and Recreation Services	0.0	0.0	100.0	3
Other Services	16.7	61.1	22.2	18
All	28.0	33.5	38.5	397

Note: Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry.

Table A13: Ways of more effective promotion

<i>Industry</i>	(1) %	(2) %	(3) %
Agriculture, Forestry and Fishing	85.7	85.7	57.1
Mining	57.1	52.4	38.1
Manufacturing	66.1	72.0	56.5
Electricity, Gas, Water and Waste Services	100.0	50.0	50.0
Construction	81.3	75.0	68.8
Wholesale Trade	71.4	81.0	52.4
Retail Trade	72.0	48.0	64.0
Accommodation and Food Services	75.0	75.0	75.0
Transport, Postal and Warehousing	83.3	83.3	83.3
Media and Telecommunication	33.3	100.0	33.3
Financial and Insurance Services	100.0	60.0	40.0
Property and Business Services	75.5	77.6	63.3
Education and Training	78.6	57.1	50.0
Health and Community Services	86.7	53.3	26.7
Arts and Recreation Services	66.7	66.7	66.7
Other Services	83.3	72.2	77.8
All	71.3	69.8	56.9
Number of companies	283	277	226

Notes: (1) More intensive promotion of Australia in Japan by Australian governments (e.g. direct advertising) (2) An increase in the level of resources available to AUSTRADE for its activities in Japan (3) An increase in the number of government-facilitated trade delegations to Japan. Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry. Row totals do not add to 100% because multiple responses were allowed.

Table A14: General perceptions about trading with Japan

<i>Industry</i>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	<i>Per cent "agreed" or "strongly agreed"</i>									
Agri., Forest. & Fishing	57.1	42.9	28.6	0.0	85.7	28.6	57.1	50.0	57.1	42.9
Mining	71.4	71.4	28.6	50.0	71.4	71.4	85.7	95.2	57.1	23.8
Manufacturing	65.2	66.5	34.9	47.5	82.6	69.4	82.7	79.5	38.8	44.5
Electricity, Gas, Water & Waste Services	25.0	75.0	0.0	75.0	75.0	75.0	75.0	100.0	0.0	0.0
Construction	75.0	56.3	31.3	46.7	93.8	87.5	62.5	81.3	43.8	37.5
Wholesale Trade	81.0	61.9	23.8	50.0	85.7	66.7	90.5	61.9	52.4	47.6
Retail Trade	48.0	52.0	40.0	58.3	72.0	56.0	72.0	88.0	76.0	40.0
Accommodation & Food Services	0.0	75.0	50.0	50.0	100.0	50.0	100.0	100.0	50.0	25.0
Transp., Postal & Warehousing	83.3	50.0	83.3	66.7	100.0	40.0	83.3	83.3	66.7	50.0
Media & Telecom.	33.3	33.3	33.3	66.7	100.0	33.3	66.7	100.0	66.7	0.0
Financial & Insurance Services	60.0	60.0	60.0	60.0	80.0	40.0	100.0	100.0	100.0	60.0
Property & Business Services	71.4	51.1	38.8	55.3	75.5	50.0	71.4	67.3	42.9	55.1
Education & Training	78.6	57.1	57.1	71.4	92.9	57.1	78.6	92.9	42.9	42.9
Health & Community Services	40.0	73.3	26.7	38.5	86.7	46.7	60.0	73.3	46.7	46.7
Arts & Recreation Services	33.3	33.3	33.3	0.0	100.0	33.3	100.0	100.0	0.0	0.0
Other Services	44.4	41.2	29.4	66.7	94.1	62.5	88.2	68.8	40.0	50.0
All	63.5	61.1	35.6	50.7	82.7	63.2	79.4	78.9	45.5	43.7

Notes: (1) When it comes to exporting, there are other easier markets than Japan in which to sell our goods or services (2) The Japanese are more predictable and reliable to do business with than other Asian countries (3) The language barrier is more significant when dealing with Japan than with other countries (4) Setting up business in Japan is hard and takes a long time (5) A good interpreter makes doing business in Japan much easier (6) The Japanese are very loyal customers (7) It takes a long time to gain credibility and develop business relationships with the Japanese (8) It is worth spending time and effort developing business in Japan (9) You can't afford to make a mistake in Japan – the market is too unforgiving (10) High costs within Japan discourage us from trading there.

Table A15: Effects of Japanese economic reforms on business dealings with Japan

<i>Industry</i>	<i>Positive</i>	<i>Negative</i>	<i>Neither</i>	<i>Unsure</i>	<i>No. of companies</i>
	<i>Per cent</i>				
Agriculture, Forestry & Fishing	35.7	21.4	42.9	0.0	14
Mining	36.4	9.1	54.6	0.0	22
Manufacturing	35.8	8.3	52.7	3.3	302
Electricity, Gas, Water & Waste Services	11.1	0.0	77.8	11.1	9
Construction	22.2	13.3	53.3	11.1	45
Wholesale Trade	41.7	4.2	50.0	4.2	24
Retail Trade	26.1	10.1	52.2	11.6	69
Accommodation and Food Services	22.9	8.6	62.9	5.7	35
Transport, Postal and Warehousing	38.5	7.7	38.5	15.4	13
Media and Telecommunication	33.3	11.1	55.6	0.0	9
Financial and Insurance Services	42.1	5.3	47.4	5.3	19
Property and Business Services	25.0	5.5	56.3	13.3	128
Education and Training	32.1	3.6	53.6	10.7	28
Health and Community Services	28.2	1.4	57.8	12.7	71
Arts and Recreation Services	50.0	0.0	33.3	16.7	12
Other Services	29.5	13.1	50.8	6.6	61
All	31.24	7.78	53.43	7.55	861

Note: Per cent figures were computed by taking the ratio of the number of companies in each industry and under each heading to total number of companies in the industry.

Table A16: Impact of government relations on dealings with Japan

<i>Industry</i>	(1)	(2)	(3)	(4)
	<i>Per cent "agreed" or "strongly agreed"</i>			
Agriculture, Forestry and Fishing	35.7	35.7	50.0	42.9
Mining	36.4	50.0	31.8	40.9
Manufacturing	36.5	32.3	39.9	42.9
Electricity, Gas, Water and Waste Services	44.4	33.3	33.3	33.3
Construction	22.2	24.4	34.1	34.1
Wholesale Trade	45.8	45.8	45.8	54.2
Retail Trade	40.6	30.4	37.7	46.4
Accommodation and Food Services	28.6	28.6	28.6	31.4
Transport, Postal and Warehousing	46.2	30.8	30.8	33.3
Media and Telecommunication	22.2	0.0	33.3	33.3
Financial and Insurance Services	36.8	31.6	31.6	36.8
Property and Business Services	35.9	33.1	35.9	46.9
Education and Training	60.7	42.9	32.1	60.7
Health and Community Services	28.6	21.7	26.1	26.1
Arts and Recreation Services	54.5	54.5	63.6	54.5
Other Services	24.6	27.9	33.3	34.4
All	35.5	31.7	36.5	41.4

Notes: (1) Government relations have an important impact on my business (2) Government relations have an important impact on Japanese businesses with which my company competes (3) Trade and investment agreements between governments are important to my business's commercial activities (4) Government relations have an important impact on my business partners and associates.

Table A17: General perceptions about Japan

<i>Industry</i>	(1)	(2)	(3)	(4)	(5)	(6)
	<i>Per cent "agreed" or "strongly agreed"</i>					
Agriculture, Forestry & Fishing	69.2	76.9	66.7	18.2	71.4	64.3
Mining	81.8	81.8	77.3	38.1	90.9	86.4
Manufacturing	68.7	69.1	56.3	40.1	73.4	74.3
Electricity, Gas, Water & Waste Services	77.8	44.4	66.7	66.7	77.8	88.9
Construction	57.8	59.1	37.2	45.2	65.1	54.8
Wholesale Trade	70.8	79.2	58.3	31.8	78.3	75.0
Retail Trade	66.2	68.1	66.7	36.9	81.2	63.2
Accommodation & Food Services	65.7	65.7	54.3	48.6	91.4	91.4
Transport, Postal & Warehousing	50.0	69.2	40.0	36.4	76.9	58.3
Media & Telecommunication	55.6	55.6	33.3	44.4	66.7	77.8
Financial & Insurance Services	68.4	78.9	73.7	52.6	73.7	68.4
Property & Business Services	64.1	66.7	62.1	35.2	83.6	73.4
Education & Training	71.4	75.0	50.0	25.0	78.6	71.4
Health & Community Services	57.4	65.2	56.9	38.1	84.1	63.8
Arts & Recreation Services	75.0	90.9	30.0	33.3	81.8	75.0
Other Services	70.0	61.0	46.6	42.9	72.1	65.0
All	66.5	68.2	56.6	39.2	77.5	71.4

Notes: (1) The Japanese are extremely demanding about quality compared with our other customers (2) Accessing the Japanese market is complicated by different social and cultural customs (3) Japan is becoming more open to foreign trade (4) Japan is becoming more open to foreign investment (5) The Japanese market offers huge potential to Australia (6) The Japanese have a generally favorable view of Australia and Australian goods and services.

Table A18: Perceptions about Japanese market

<i>Industry</i>	(1)	(2)	(3)	(4)	(5)
	<i>Per cent "agreed" or "strongly agreed"</i>				
Agriculture, Forestry and Fishing	28.6	85.7	7.1	50.0	57.1
Mining	27.3	95.5	18.2	63.6	68.2
Manufacturing	25.9	86.4	19.4	59.0	46.8
Electricity, Gas, Water and Waste Services	0.0	100.0	11.1	44.4	33.3
Construction	26.7	84.4	20.5	52.3	37.8
Wholesale Trade	29.2	87.5	20.8	60.9	39.1
Retail Trade	39.1	84.1	27.9	43.3	33.8
Accommodation and Food Services	37.1	85.7	32.4	68.6	37.1
Transport, Postal and Warehousing	15.4	84.6	30.8	66.7	38.5
Media and Telecommunication	11.1	100.0	11.1	55.6	44.4
Financial and Insurance Services	15.8	94.7	5.3	55.6	47.4
Property and Business Services	29.9	88.3	24.2	49.2	39.7
Education and Training	21.4	92.9	21.4	57.1	60.7
Health and Community Services	32.9	94.4	14.5	33.3	33.3
Arts and Recreation Services	16.7	83.3	18.2	30.0	27.3
Other Services	29.5	85.2	25.9	50.8	50.8
All	28.0	87.8	21.0	53.2	43.5

Notes: (1) Cultural differences and the rules of business etiquette in Japan discourage us from pursuing this market (2) Japan is a sophisticated and competitive market (3) Japan is a 'closed shop' and just too difficult to get into (4) Japanese companies operate with large and complex bureaucratic structures (5) Japanese customers represent low credit risk.

Table A19: Australia-Japan free trade agreement would...

<i>Industry</i>	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<i>Per cent "agreed" or "strongly agreed"</i>							
Agriculture, Forestry & Fishing	15.4	50.0	71.4	71.4	50.0	7.1	50.0	71.4
Mining	63.6	31.8	81.0	71.4	81.0	4.5	81.0	66.7
Manufacturing	41.9	31.3	79.1	72.1	79.3	4.3	78.2	70.0
Electricity, Gas, Water & Waste Services	44.4	22.2	88.9	77.8	77.8	0.0	88.9	88.9
Construction	40.0	42.2	66.7	80.0	80.0	13.3	77.8	75.6
Wholesale Trade	45.8	43.5	70.8	58.3	73.9	4.2	70.8	66.7
Retail Trade	36.2	43.5	65.2	67.2	82.4	8.7	69.6	72.5
Accommodation & Food Services	37.1	42.9	77.1	85.7	71.4	17.1	79.4	65.7
Transport, Postal & Warehousing	38.5	16.7	66.7	58.3	83.3	0.0	46.2	53.8
Media & Telecommunication	44.4	44.4	66.7	77.8	44.4	11.1	66.7	66.7
Financial & Insurance Services	31.6	36.8	89.5	94.7	94.7	0.0	89.5	84.2
Property & Business Services	36.2	36.7	77.3	73.8	79.5	4.7	81.1	75.2
Education & Training	39.3	32.1	75.0	78.6	82.1	7.1	71.4	53.6
Health & Community Services	31.4	27.5	70.0	75.7	89.9	2.9	71.4	66.2
Arts & Recreation Services	36.4	45.5	50.0	54.5	72.7	8.3	81.8	80.0
Other Services	44.3	44.3	64.4	75.4	77.0	6.7	68.3	70.0
All	39.5	35.6	74.4	73.5	79.4	5.9	75.7	70.4

Notes: (1) Have a significant positive impact on my business's trade prospects with Japan (2) cause us to change our approach to the Japanese market (3) be beneficial to Australian trade in goods and services with Japan (4) be beneficial to Australian investors seeking to invest in Japan (5) be beneficial to Australian companies seeking to cooperate with Japanese investors in Australia (6) have a significant negative impact on my business (7) be good for the Australian economy (8) be good for the Japanese economy.

Table A20: Attractiveness as investment destination

<i>Industry</i>	(1)	(2)	(3)	(4)
	<i>Per cent "agreed" or "strongly agreed"</i>			
Agriculture, Forestry and Fishing	35.7	16.7	92.9	85.7
Mining	22.7	19.0	66.7	57.1
Manufacturing	33.6	30.5	79.2	73.3
Electricity, Gas, Water and Waste Services	44.4	33.3	100.0	66.7
Construction	43.2	27.9	73.3	75.6
Wholesale Trade	29.2	30.4	79.2	70.8
Retail Trade	39.7	41.2	76.8	82.6
Accommodation and Food Services	38.2	42.4	79.4	82.4
Transport, Postal and Warehousing	46.2	38.5	75.0	75.0
Media and Telecommunication	22.2	44.4	77.8	88.9
Financial and Insurance Services	47.4	42.1	89.5	89.5
Property and Business Services	47.2	38.0	83.3	73.6
Education and Training	35.7	14.3	82.1	71.4
Health and Community Services	36.8	36.8	68.1	67.6
Arts and Recreation Services	50.0	60.0	81.8	72.7
Other Services	36.8	41.7	73.8	72.1
All	37.7	34.0	78.4	74.2

Notes: (1) Japan is an attractive destination for direct investment (2) Japan is an attractive destination for portfolio (financial) investment (3) Australia is an attractive destination for direct investment by Japanese companies (4) Australia is an attractive destination for portfolio (financial) investment by the Japanese.

Appendix B: Survey Questionnaire

***SECTION A: Screening—International or Japanese business activities (or not)**

[For all questions with 'other' or 'don't know' options: DO NOT read out these two options]

Q1 Do you import, export or have any business dealings with foreigners or foreign companies?

1. Yes
2. No
3. Don't know

If Q1 =1, continue. If Q1=2 or 3 skip to Q24

Q2 Do you have any business dealings with Japanese companies or Japanese people?

1. Yes
2. No
3. Don't know

If Q2 =2, continue. If Q2=1 skip to SECTION C Q5. If Q2=3, skip to Section D Q18

***SECTION B: Businesses with international dealings not doing any business with Japan**

[Q1=1 and Q2=2]

Q3 We would like to find out the reasons your business does not currently trade or deal with Japan. Please answer yes or no to the following list of possible reasons. [After each option is read out, please respond 'Yes' or 'No']

1. Is it because: there is no market/lack of demand?
2. They don't produce anything you need?
3. Your parent company handles trade with Japan?
4. You haven't looked at Japan
5. The costs are too high?
6. There are trade barriers protecting Japanese industry
7. Japanese businesses/trading houses make trade difficult?
8. Japanese are demanding customers?
9. Bureaucracy/government regulations make doing business difficult?
10. Language barriers?
11. Uncompetitive exchange rate?
12. Current weak Japanese economy?
13. Other (please specify)?

Q4 What is the *main* reason your business does not currently trade with Japan or with Japanese companies or people? [Do not read out options; select appropriate response based on answers]

1. No market/lack of demand
2. They don't produce anything we need
3. Our parent company handles trade with Japan
4. We haven't looked at Japan
5. The costs are too high
6. Trade barriers protecting Japanese industry
7. Japanese businesses/trading houses make trade difficult
8. Japanese are demanding customers
9. Bureaucracy/government regulations make doing business difficult
10. Language barriers
11. Uncompetitive exchange rate
12. Current weak Japanese economy
13. Other (please specify)
14. Don't know

Skip to Section D Q18.

***SECTION C: Businesses dealing with Japan—duration/form of activity and perceptions about Japanese market potential [Q2=1]**

The next series of questions deal specifically with your business dealings with Japan/Japanese people.

Q5 Do you operate in Australia as a subsidiary of a Japanese company?

1. Yes
2. No
3. Don't know

Q6 Which of the following *best* describe(s) your business dealings, do you: *[Read out 1 to 7] [Allow multiple response]*

1. importing products from Japan?
2. importing services from Japan?
3. exporting products to Japan?
4. exporting services to Japan?
5. investing in Japan?
6. investing in Australia with a Japanese partner?
7. investing with a Japanese partner in a third country?
8. Other (please specify)?
9. Don't know

If Q6=Don't know, skip to Q10.

For each response coded in Q6, ask Q7 & Q8 below:

Q7 How long has your company been << insert Q6 response>> ? *[Read out 1 to 5]*

1. Less than 1 year
2. 1 year to less than 5 years
3. 5 years to less than 10 years
4. 10 years to less than 20 years
5. 20 years or more
6. Don't know

Q8 Who do you deal with when <<insert Q6 response>> ? *[Read out 1 to 6]*

1. Direct buyer/seller in Japan
2. Trading house
3. Joint venture company
4. Our own office(s) in Japan
5. Japanese representative in Australia (non-trading company)
6. Japanese representative in third country (non-trading company)
7. Other (please specify)
8. Don't know

If Q6= 5 and/or 6 continue, otherwise skip to Q10

Q9 You indicated that you have an investment relationship with Japan – does this investment relate to R&D (research and development)?

1. Yes
2. No
3. Don't know

If Q8=4, ask Q10, otherwise skip to Q11.

Q10 Does your company have any intention of opening an office in Japan?

1. Yes
2. No
3. Don't know

If Q10 =yes, ask Q10b, otherwise skip to Q11.

Q10b What will be the status of this office—will it have:

1. representative status only?
2. full branch/operational status?

Q11 How would you describe the goods and/or services you trade [export/import/both] with Japan? [Read out 1 to 6]

1. Raw materials or simply processed goods
2. Value-added goods
3. Financial services
4. Tourism services
5. Education services
6. Legal services
7. Other (please specify, e.g. cultural)
8. Don't know

Q12 Have Japanese tariff reductions had a positive or a negative effect on your trade with Japan? [Read out 1 to 3]

1. A positive effects
2. A negative effect
3. No effect
4. Don't know

Q13 Is it easier or more difficult to do business with Japan now than it was a few years back?

1. Easier
2. More difficult
3. About the same

If Q13=1 or 2 continue, otherwise skip to Q15

Q14 Is this because of: [Read out 1 to 6]

1. government regulations?
2. state of the Japanese economy?
3. globalisation?
4. inter-governmental relations between Australia and Japan?
5. technology?
6. company specific issues?
7. Other (please specify)
8. Don't know

Q15 Do you see Japan as having further market potential for your goods, services or investment?

1. Yes
2. No
3. Unsure

If Q15=1, continue; If Q15=2, skip to Q17; If Q15=3 skip to Q18

Q16 For what reasons do you believe there to be further potential in the Japanese market? [Read out 1 to 6]

1. Large market size
2. The market is growing
3. They/we have suitable products
4. Quality of Japanese products
5. Strong network /support structures in Japan
6. Japanese economy provides scope for good returns
7. Other (please specify)
8. Don't know

Q17 Why do you believe there is no (further) market potential in Japan? *[Read out 1 to 4]*

1. Increasing costs
2. Uncompetitive exchange rate
3. Have reached market saturation in Japan
4. Products unsuitable for the Japanese market
5. Other (please specify)
6. Don't know

SECTION D: General perceptions about Japanese market potential—All respondents with foreign business dealings [Q1=1]

Q18 In your view, is there broad potential for increased trade between Australia and Japan, across *many* industry sectors?

1. Yes
2. No
3. Don't know

If Q18=1, continue, otherwise skip to Q20

Q19 Why do you believe there is potential for increased trade between Australia and Japan in a broader sense? Is this due to: *[After each option is read out, please respond 'Yes' or 'No']*

1. The size of the Japanese market?
2. Untapped market/scope for opportunity?
3. Australia has resources/ products that Japan wants?
4. Lower tariff barriers?
5. Geographic proximity?
6. Japan's potential to buy raw materials?
7. Quality of Australian exports
8. Relations between Australia and Japan
9. State of the Japanese economy
10. Cost of Australian labour /competitiveness
11. Other (please specify)[Don't read out]

Q20 Do you think Australia promotes itself effectively in Japan?

1. Yes
2. No
3. Don't know

Q21 In what ways do you think Australia could promote itself more effectively in Japan? Should there be: *[After each option is read out, please respond 'Yes' or 'No']*

1. more intensive promotion of Australia in Japan by Australian governments (e.g. direct advertising)
2. an increase in the level of resources available to AUSTRADE for its activities in Japan
3. an increase in the number of government-facilitated trade delegations to Japan
4. Other (please specify) [Don't read out]

Q22 *[Ask only if Q6 = 3 or 4]* **Since you are currently exporting to Japan, do you think AUSTRADE should reduce its focus on certain industry sectors, and increase the time it focuses on others?**

1. Yes (please specify industry sectors to receive increased focus) _____
2. No
3. Don't know

Q23 This question addresses your general perceptions about Japan. Please indicate how much you agree or disagree with each of the following statements, on a 5-point scale where 1=strongly agree, 2= agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree, 6=Don't know. *[Respondent to reply after each option is read]*

1. When it comes to exporting, there are other easier markets than Japan in which to sell our goods or services
2. The Japanese are more predictable and reliable to do business with than other Asian countries
3. The language barrier is more significant when dealing with Japan than with other countries
4. Setting up business in Japan is hard and takes a long time
5. A good interpreter makes doing business in Japan much easier
6. The Japanese are very loyal customers
7. It takes a long time to gain credibility and develop business relationships with the Japanese
8. It is worth spending time and effort developing business in Japan
9. You can't afford to make a mistake in Japan—the market is too unforgiving
10. High costs within Japan discourage us from trading there

Q24 Over the past decade Japan has implemented a number of economic reforms. Do you believe these reforms have had a positive or negative effect on the potential market for your goods or services in Japan?

1. Positive
2. Negative
3. Neither positive nor negative
4. Unsure/Don't know

Q25 The following questions ask about Australia–Japan government relations. Please indicate how much you agree or disagree with each of the following statements, on a 5-point scale where 1=strongly agree, 2= agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree, 6=Don't know. *[Respondent to reply after each option is read]*

1. Developments in the relationship between the Japanese and Australian governments have an important impact on my business
2. Developments in the relationship between the Japanese and Australian governments have an important impact on Japanese businesses with which my company competes
3. Trade and investment agreements between the Japanese and Australian government, whether at the multi-lateral, regional and/or bi-lateral level, are important to my business's commercial activities
4. Developments in the relationship between the Japanese and Australian governments have an important impact on my business partners and associates

SECTION E: General perceptions about Japan—All survey participants *[All survey participants]*

Q26 This question addresses your general perceptions about Japan. Please indicate how much you agree or disagree with each of the following statements, on a 5-point scale where 1=strongly agree, 2= agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree, 6=Don't know. *[Respondent to reply after each option is read]*

1. The Japanese are extremely demanding about quality compared with our other customers
2. Accessing the Japanese market is complicated by different social and cultural customs
3. Japan is becoming more open to foreign trade
4. Japan is becoming more open to foreign investment
5. The Japanese market offers huge potential to Australia
6. The Japanese have a generally favorable view of Australia and Australian goods and services

Q27 Following are some statements concerning perceptions about doing business with Japan. Please indicate how much you agree or disagree with each of the following statements, on a 5-point scale where 1=strongly agree, 2= agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree, 6=Don't know. *[Respondent to reply after each option is read]*

1. Cultural differences and the rules of business etiquette in Japan discourage us from pursuing this market
2. Japan is a sophisticated and competitive market
3. Japan is a 'closed shop' and just too difficult to get into
4. Japanese companies operate with large and complex bureaucratic structures
5. Japanese customers represent low credit risk

Q28 Please indicate how much you agree or disagree with each of the following statements, on a 5-point scale where 1=strongly agree, 2= agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree, 6=Don't know. *[Respondent to reply after each option is read]*

The establishment of a free trade agreement between Australia and Japan would:

1. have a significant positive impact on my business's trade prospects with Japan
2. cause us to change our approach to the Japanese market
3. be beneficial to Australian trade in goods and services with Japan
4. be beneficial to Australian investors seeking to invest in Japan
5. be beneficial to Australian companies seeking to cooperate with Japanese investors in Australia
6. have a significant negative impact on my business
7. be good for the Australian economy
8. be good for the Japanese economy

Q29 The following questions relate to the attractiveness of investment in Australia and Japan. Please indicate how much you agree or disagree with each of the following statements, on a 5-point scale where 1=strongly agree, 2= agree, 3=neither agree nor disagree, 4=disagree, 5=strongly disagree, 6=Don't know.

[Respondent to reply after each option is read]

1. Japan is an attractive destination for direct investment
2. Japan is an attractive destination for portfolio (financial) investment
3. Australia is an attractive destination for direct investment by Japanese companies
4. Australia is an attractive destination for portfolio (financial) investment by the Japanese

Q30 What should the Australian government be doing to assist the commercial relationship between Australia and Japan?

SECTION F: Background *[All survey participants]*

Q31 What is your company's approximate annual turnover or sales? *[Prompt if needed]*

1. Up to \$1million
2. Over \$1million to \$50 million
3. Over \$50 million to \$100 million
4. Over \$100 million to \$200 million
5. Over \$200 million to \$500 million
6. Over \$500 million
7. Refused/Don't know

Q32 How many full-time-equivalent employees does your company employ? *[Prompt if needed]*

1. Less than 100
2. 100-199
3. 200-499
4. 500-999
5. 1000 or more
6. Refused/Don't know

Q33 Where is your head office located?

1. Australia
2. Outside Australia
3. Refused

Concluding comments: *[Last two sentences must be included]*

Thank you for participating in this survey. For your information, the researchers involved in this project are Dr Beth Webster, Dr Jongsay Yong and Ms Anne Leahy, from the Melbourne Institute at the University of Melbourne. This project has received ethical clearance from the Human Research Ethics Committee at the University of Melbourne. If you have any concerns about the conduct of this project please contact the executive officer of this committee on 8344 2073.

END SURVEY

