The 2016 Survey on Business Conditions of Japanese Companies in Latin America

January 2017

Japan External Trade Organization (JETRO)
Americas Division, Overseas Research Department

Index

I. Summary points

1. Latin America overall: Despite larger portion of companies reporting surplus of operating profits, delay in economic recovery and unstable exchange rate cited as hindrance

- Across Latin America, the percentage of companies reporting their operating profits for 2016 to be a surplus is 61.5%, a five-point increase from a year earlier. However, the portion of companies indicating a deficit in Peru, Colombia, Chile and Brazil is increasing. Corporate performance varied throughout the region **(Materials-Page 9)** .
- Meanwhile, the ratio of those experiencing improved operating profits from last year is 41.9%—almost the same as that of last year (41.8%)—on the back of a delay in economic recovery and unstable exchange rate **(Materials-Page 10)** .
- Regarding the business outlook in the near future, Colombia and Argentina saw an increase in positive responses; the percentages of companies expecting their business to expand in the next one or two years rose from 57.1% to 75% and from 45.2% to 56.5% respectively **(Materials-Page 24)** .
- For the first time this year, JETRO has included an item on whether initial investment has been recovered. Among companies tapping into Latin America since 2011, those in Mexico and Colombia have generally been recouping upfront investments sooner, while those in Brazil and Argentina have taken longer **(Materials-Page 74, 75)** .

2. Mexico: Concerns about unstable exchange rate

- In the first half of 2016, Mexico's domestic demand bolstered its economic growth. In the second half of the year, however, internal demand affected by a weaker Mexican peso and following worsening inflation caused economic deceleration. Continuing depreciation in the local currency—on the back of speculation over the rise of US interest rates and the US Presidential election—is a factor that Japanese-affiliated companies are concerned about. Among investment environment risks or issues, the ratio of those concerned about an unstable exchange rate increased significantly from 43.7% to 63.4%, bringing this answer to first place from forth in the previous year **(Materials-Page 55)** .

3. Argentina: High assessment of improvement in business environment through economic reforms by Macri administration

- The business environment in Argentina has been improving through economic reforms made by the administration of Mauricio Macri, which started in December 2015. Among issues on the financial, monetary and foreign exchange front, the ratio of those pointing out “restrictions on foreign remittance” drastically dropped from 96.8% the year earlier to 17.4% **(Materials-Page 40)** .
- Other issues previously cited have also been reported as being improved, such as slow easing of regulations (down from 67.7% to 17.4%) **(Materials-Page 36)** , and among issues in the trade system, high non-tariff barriers (down from 35.5% to 17.4%) and restrictions and taxes on export (down from 41.9% to 17.4%) **(Materials-Page 48)** .
- These improvements in the business environment are likely to encourage Japanese-affiliated companies to strengthen their local structures. The percentage of respondents expecting to transfer more Japanese employees was 21.7%, similarly high to Colombia (25%) and Mexico (23.2%) **(Materials-Page 32)** .

4. Colombia: Business expansion expected reflecting declining fears of terrorism as peace process ongoing

- Reflecting progress in the peace process between the Colombian government and the left-wing guerrilla force the Revolutionary Armed Forces of Colombia (FARC)—which was eventually ratified as a peace deal by the Colombian Congress on November 30, 2016—among investment environment risks or issues, fears of both terrorism and crimes targeting foreign people and companies decreased from 33.3% last year to 20.8% **(Materials-Page 57)**.
- The rate of companies expecting to expand their business in the next one or two years increased by 17.9 points to 75% **(Materials-Page 24)**.

5. Brazil: Operating profits improve, while restrained management continues

- Regarding the forecast for operating profits in 2016, the percentage of companies reporting a surplus increased by 8.2 points from 44.9% last year to 53.1% **(Materials-Page 9)** . However, reflecting a delay in Brazil's economic recovery, the ratio of respondents indicating a decline compared with the previous year is also as high as 44.8% **(Materials-Page 10)** . Of reasons for the decreased profits, decreased sales in local markets marked the highest ratio at 72.1% among Latin American countries **(Materials-Page 14)** .
- Looking at reasons contributing to improved operating profits cited by respondents experiencing increased profits from last year, the percentage of "reduction of personnel costs" ranked first within the region. Companies have continued to endure hardship **(Materials-Page 11)** .
- Regarding recovery of initial investment, Brazil showed different results than other countries. Among 14 companies tapping into the country since 2011, no companies reported that they have recovered their upfront investment. It is likely due to high business costs, collectively referred to as "Brazil cost," such as its complicated tax system, high transportation costs and careful protection of workers **(Materials-Page 75)** .

1. Purpose of the survey

The purpose of this survey is to understand the business conditions of Japanese companies and changing business environment in Latin America, and to provide information that contributes to the promotion of business environment improvement in Latin America and the drafting of overseas business strategies by Japanese companies, etc.

2. Survey coverage

"Japanese-affiliated firm" in the 7 countries in Latin America is a company one in which the capital contribution ratio of the parent firm in Japan is at least 10%, including direct and indirect investment.

3. Survey method & period

Questionnaire survey, Oct. 11 - Nov. 29, 2016

4. Valid responses

44.0% (358 / 814)

5. The number of respondents companies by category

	No. of companies targeted for survey (companies)	No. of companies participating in survey		Breakdown of industry type				Breakdown of company scale				Valid response rate (%)
		Valid responses (companies)	Country percentage distribution (%)	Manufacturing industry (companies)	Percentage distribution within industry type (%)	Non-manufacturing industry (companies)	Percentage distribution within industry type (%)	Major company (companies)	Percentage distribution of company scale (%)	Small- to mid-sized company (companies)	Percentage distribution of company scale (%)	
Mexico	400	142	39.7	69	48.6	73	51.4	121	85.2	21	14.8	35.5
Venezuela	17	13	3.6	5	38.5	8	61.5	13	100.0	0	0.0	76.5
Colombia	34	24	6.7	7	29.2	17	70.8	19	79.2	5	20.8	70.6
Peru	34	23	6.4	11	47.8	12	52.2	21	91.3	2	8.7	67.6
Chile	64	37	10.3	14	37.8	23	62.2	30	81.1	7	18.9	57.8
Brazil	222	96	26.8	48	50.0	48	50.0	84	87.5	12	12.5	43.2
Argentina	43	23	6.4	10	43.5	13	56.5	20	87.0	3	13.0	53.5
TOTAL	814	358	100.0	164	45.8	194	54.2	308	86.0	50	14.0	44.0

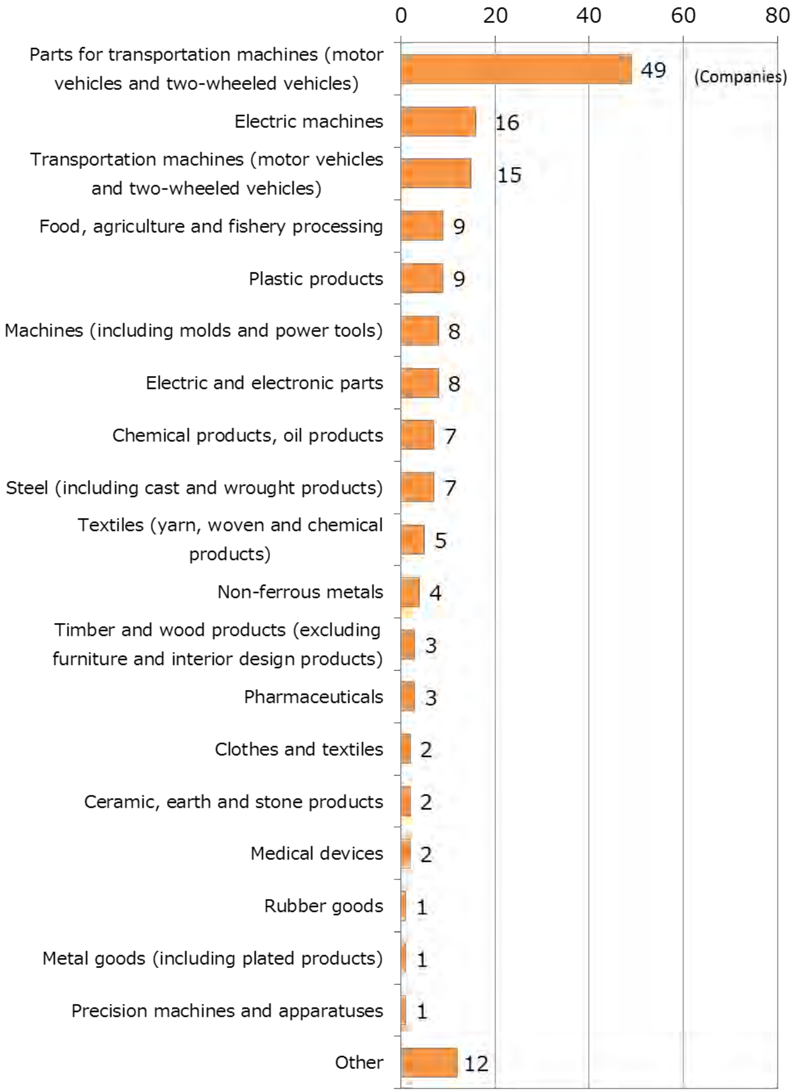
6. Note

The survey was implemented since 1999, and this fiscal year was the 16th time the survey was held. The values listed in the chart have been rounded up, so totals will not always become 100%.

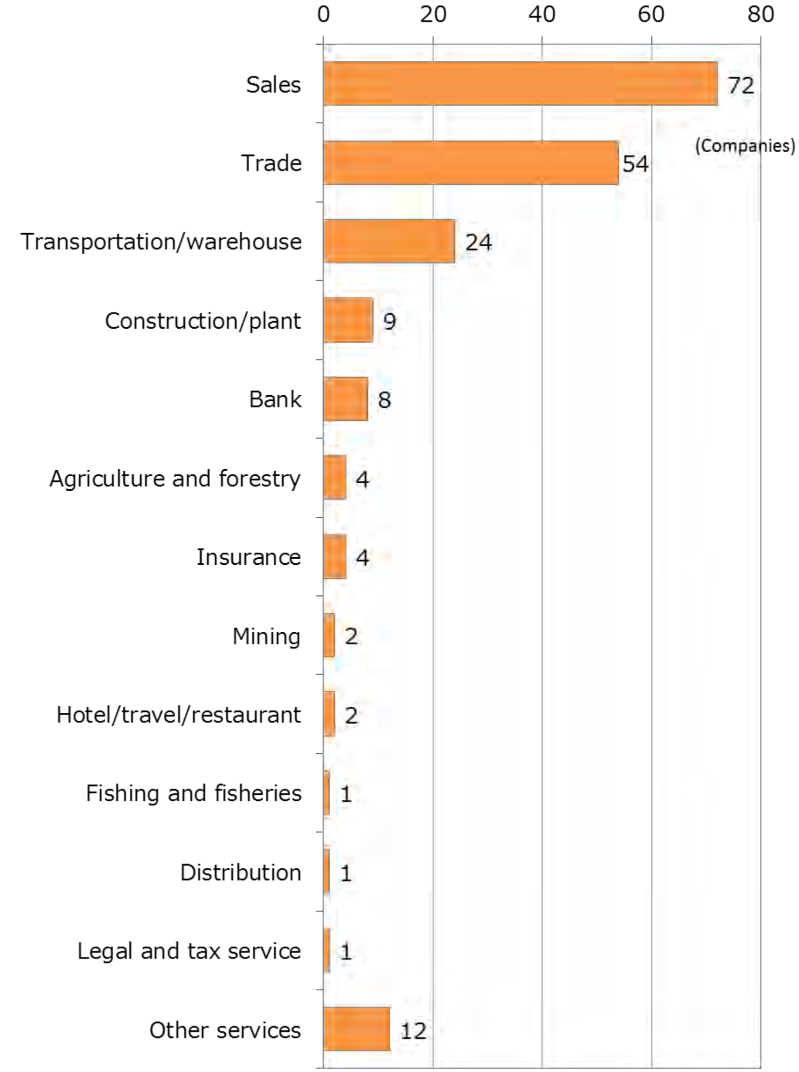
II – 2. Survey Overview: Breakdown of the types of industries responding companies were from

Breakdown of the types of industries responding companies were from (all of Latin America)

Manufacturing industry (164 companies)

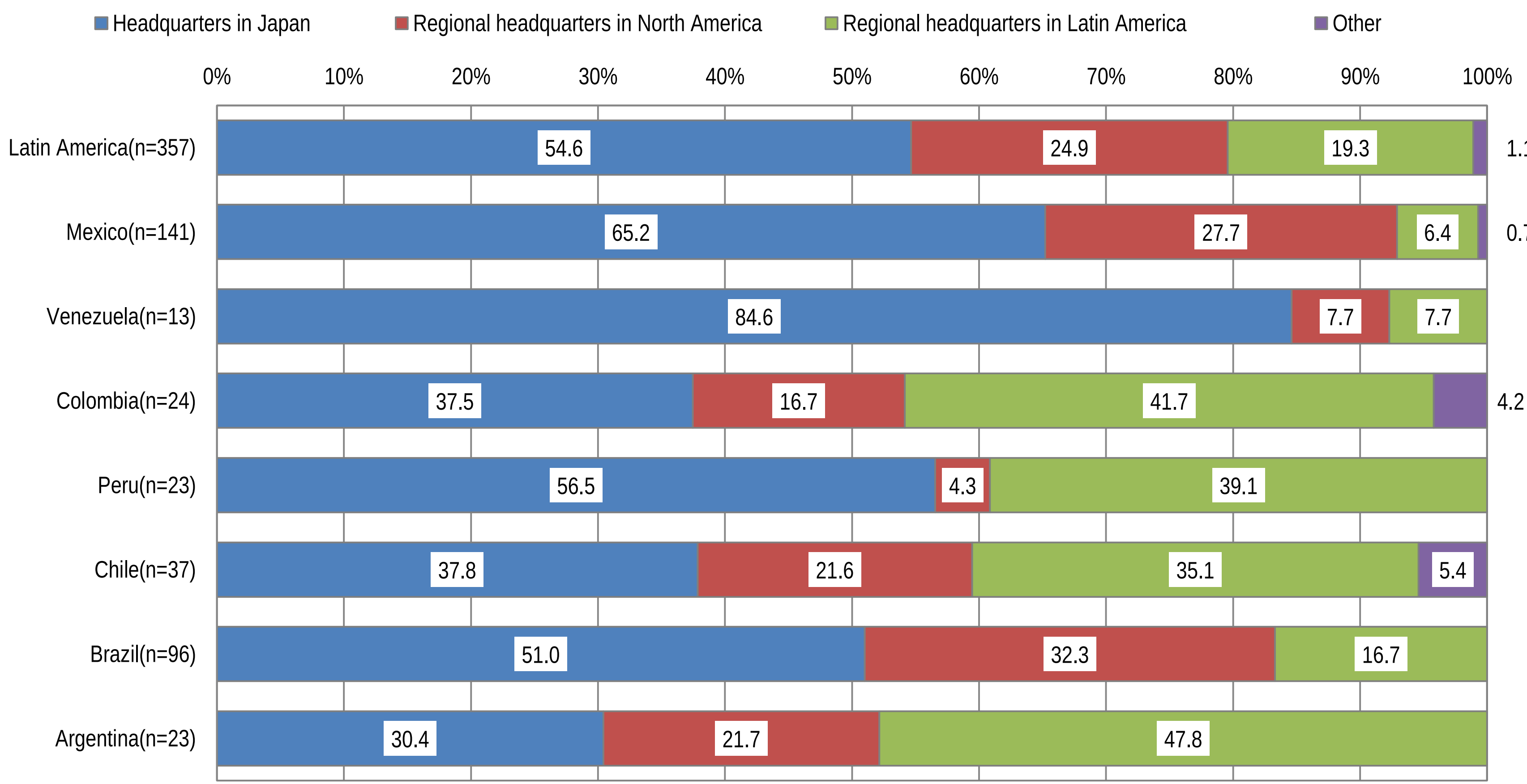


Non-manufacturing industry (194 companies)



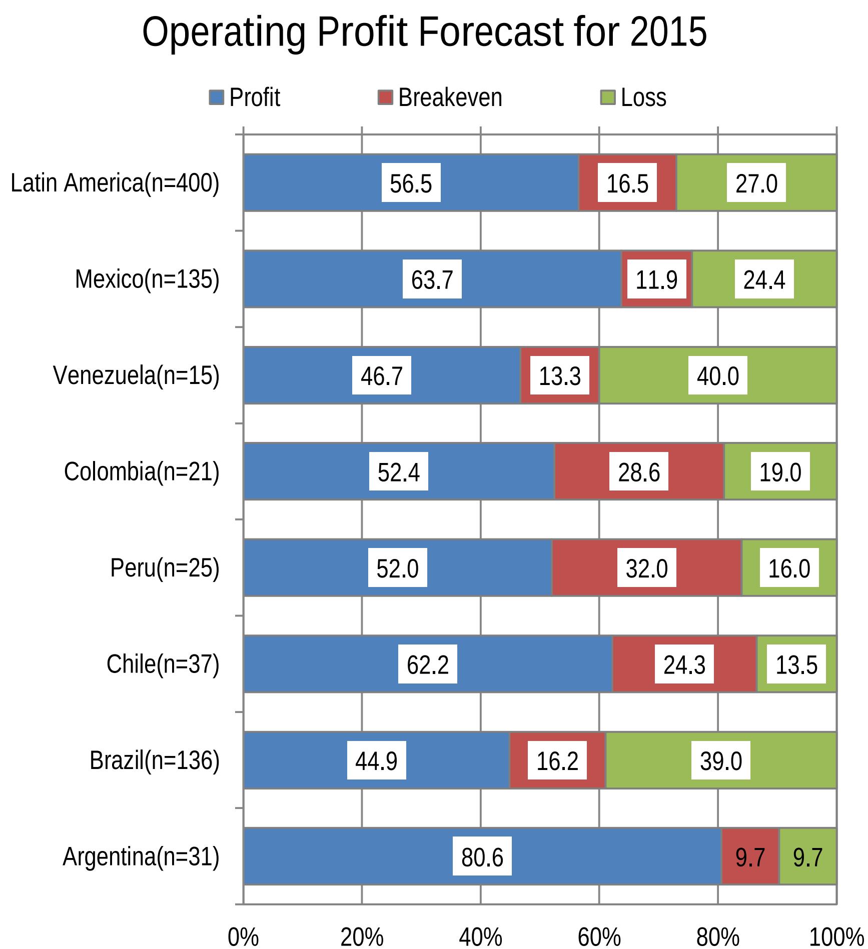
- Within Latin America as a whole, the majority of regional headquarters expanding business in Latin America are **"Headquarters in Japan."**
- By **country, a high percentage of companies answered "Regional headquarters in North America"** for Mexico.
- Many companies in the south from Colombia answered that they place Brazil, which they geographically share the borders **with, as their "Regional headquarters in Latin America".**

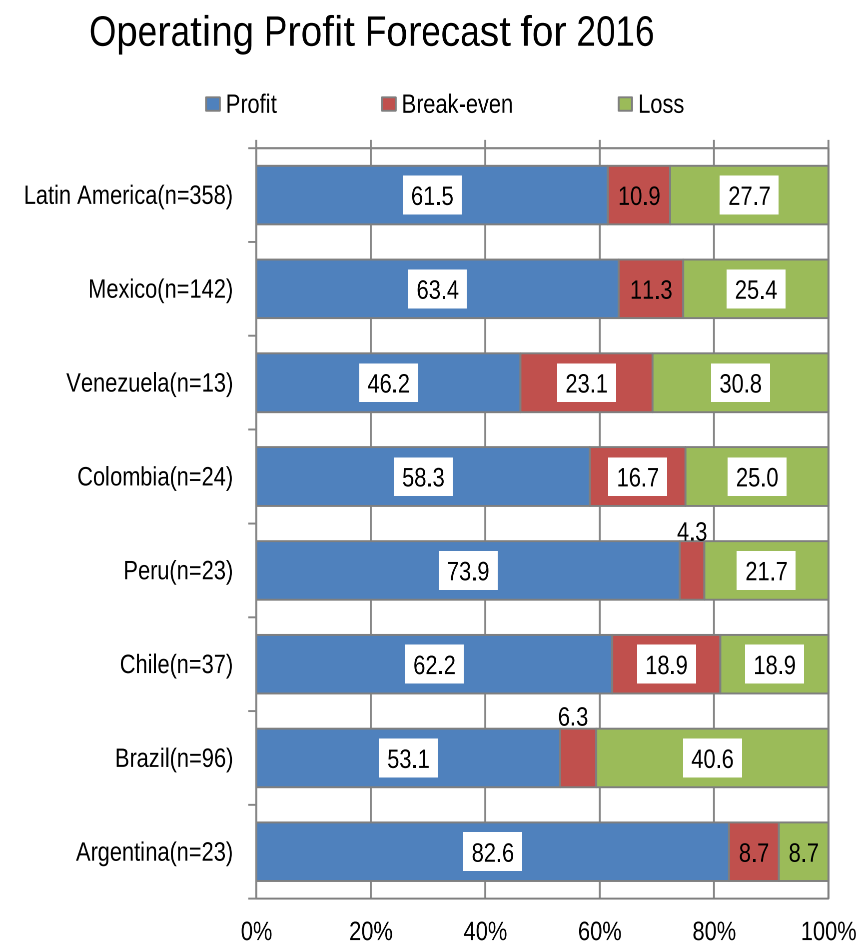
Proportion of Latin American business consolidation regional headquarter locations



III – 1 – (1) Operating profit forecast for 2016

- **In comparison with the former survey, the ratio of "breakeven" decreased, except for Venezuela, and the ratio of "profit"** increased.
- **By country, the ratio of "profit" increased significantly in Peru, Colombia, and Brazil. However, the ratio of "loss" also** increased in these countries. The corporate performance made the difference between winning and losing.

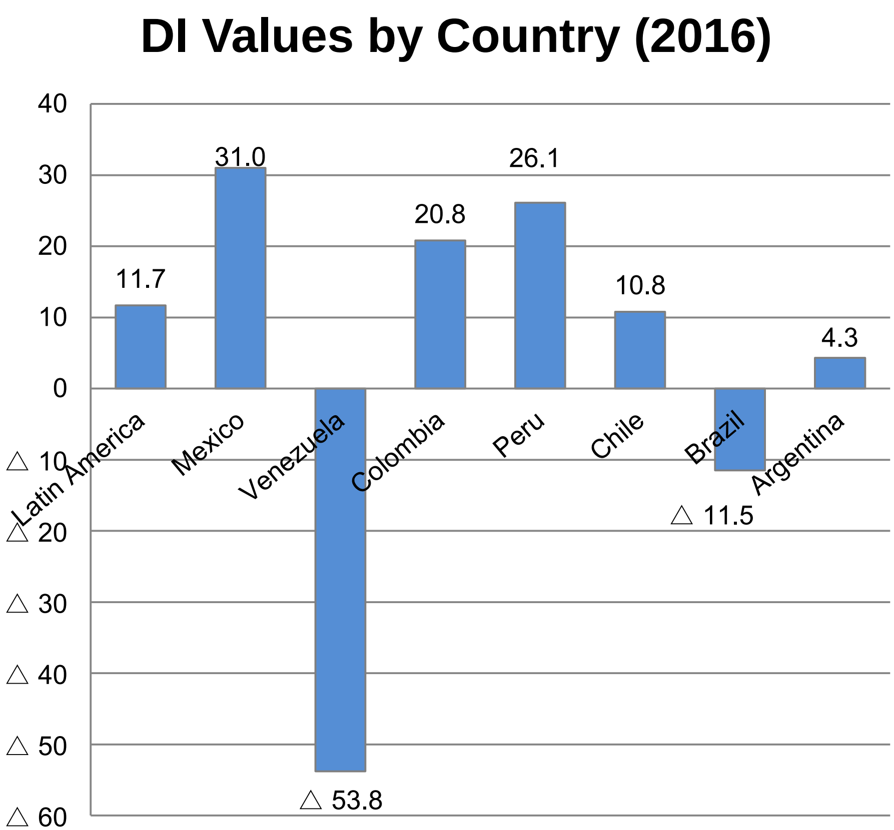


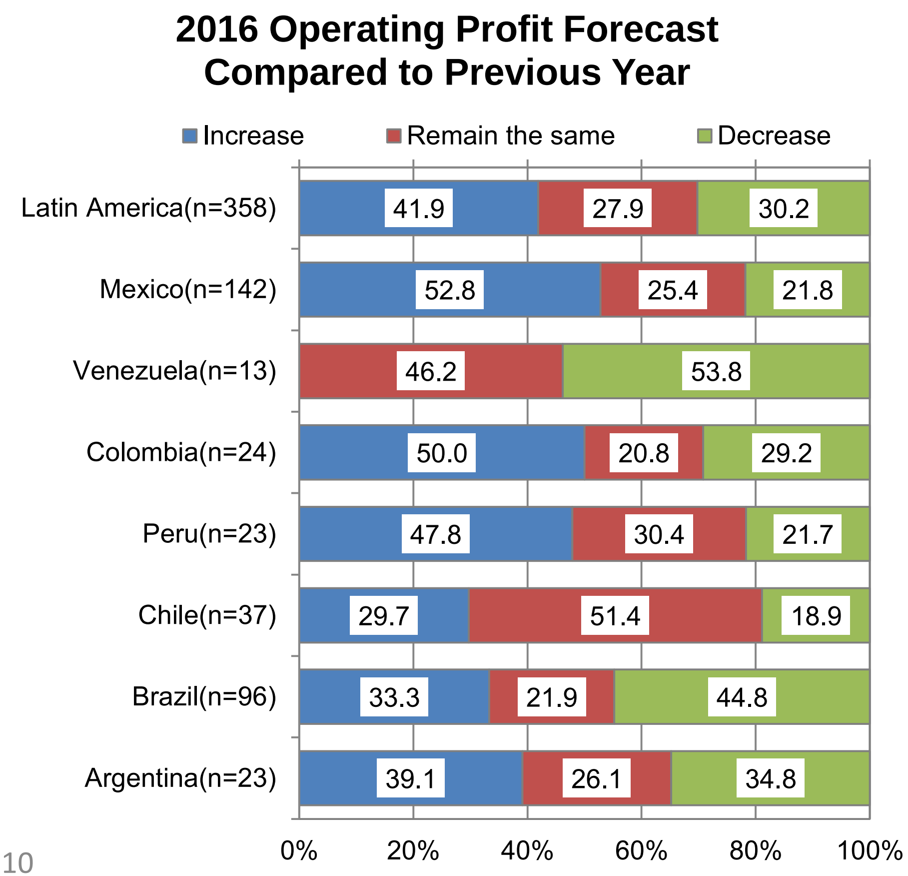


III – 1 – (2) Operating profit forecast for 2016 (compared to previous year)

- In view of the 2016 DI value (business sentiment) by country, Mexico was prosperous thanks to increased automobile production by Japanese automakers. Beyond that, the business sentiment was brisk in Peru due to solid domestic demand based on an expanding middle class, and in Colombia because the decline in the local currency value stopped.
- The business sentiment was sluggish in Brazil and Argentina, where politics and the economy did not reach a solid recovery.
- The business sentiment was very poor in Venezuela, where domestic economic and political conditions have gone from bad to worse.

DI Value: The numerical value of the operating profit forecast for 2016 **where the reply rate for "Decrease" was subtracted from the reply rate for "Increase" in comparison to the previous year.**





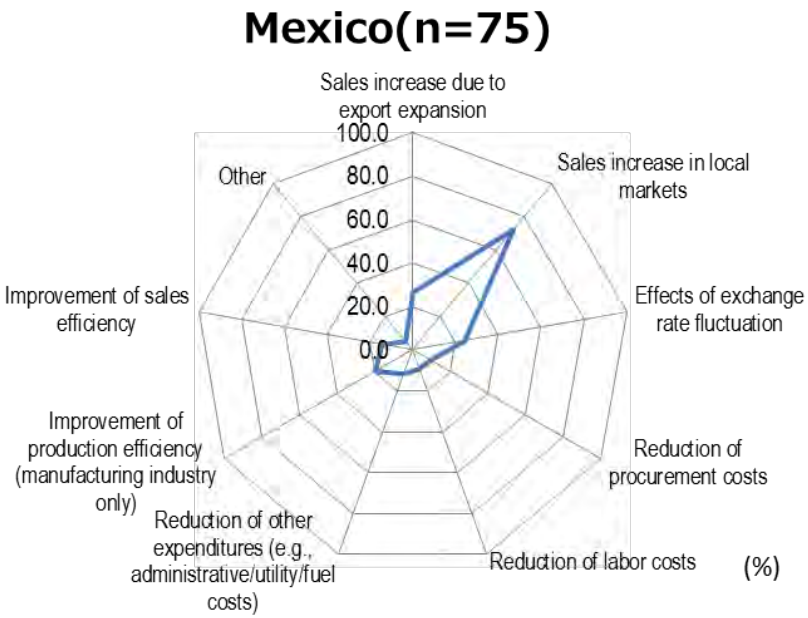
III – 1 – (3) Reasons for increased operating profits forecast for 2016

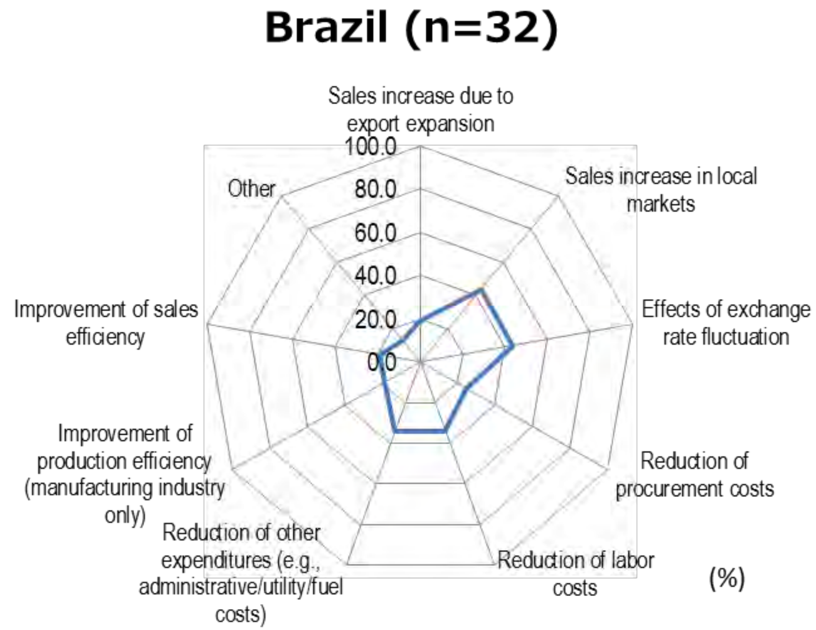
- Within Latin America as a whole, the ratio of enterprises that presented **"sales increase in local markets"** was highest. After that, the ratio of answer of **"exchange rate fluctuations"** was high.
- By country, the ratio of answer of **"sales increase in local markets"** was 90% in Peru, where the domestic demand was strong and the high economic growth rate was maintained. In Chile, there was a statement that the cost rise could be passed on to the selling price.
- In **Brazil, the ratio of answer of "labor cost reduction" was the highest within the region and "reduction of other expenditures" was the second highest within the region. The "patience management"** of continued restructuring is successively enforced.
- In Argentina, the production activities were facilitated due to easier import of raw materials because of deregulation, and this led to export expansion.

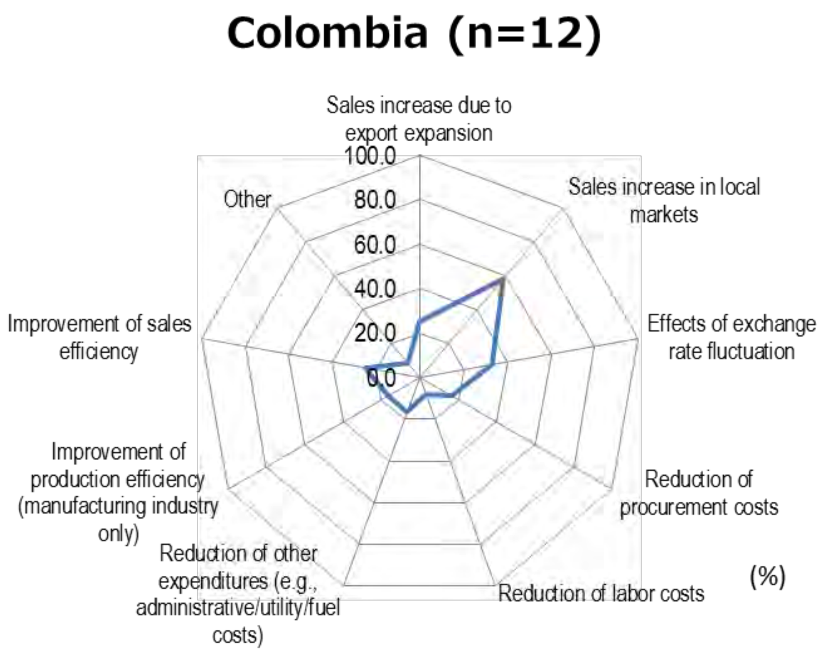
Reasons for increased operating profits forecast for 2016 (Multiple Answers)

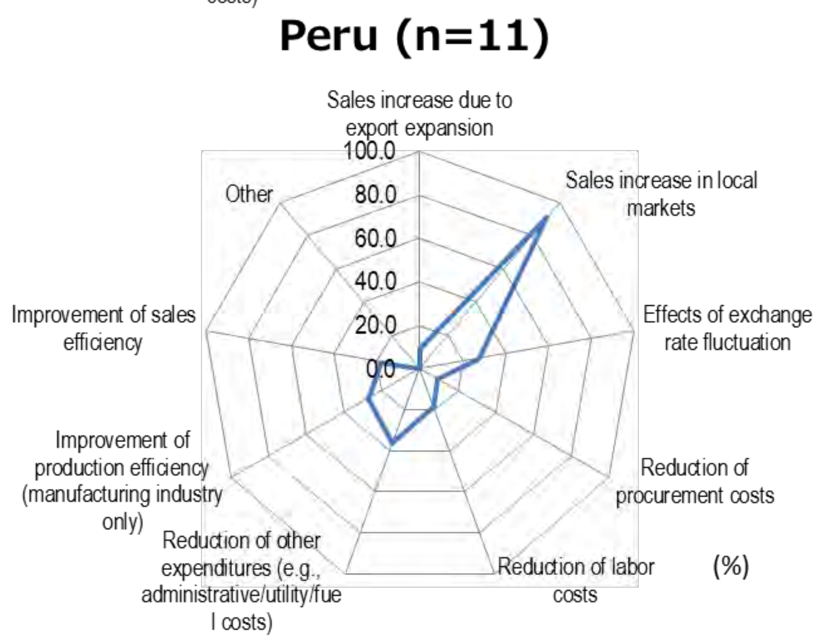
(Unit : %)

	Valid responses	Sales increase due to export expansion	Sales increase in local markets	Effects of exchange rate fluctuation	Reduction of procurement costs	Reduction of labor costs	Reduction of other expenditures (e.g., administrative/utility/fuel costs)	Improvement of production efficiency (manufacturing industry only)	Improvement of sales efficiency	Other
Latin America	150	23.3	64.7	29.3	13.3	14.0	18.7	18.7	16.0	9.3
Mexico	75	26.7	72.0	24.0	9.3	9.3	12.0	20.0	14.7	5.3
Venezuela	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	12	25.0	58.3	33.3	16.7	8.3	16.7	16.7	25.0	8.3
Peru	11	9.1	90.9	27.3	9.1	18.2	36.4	27.3	18.2	0.0
Chile	11	18.2	54.5	27.3	18.2	0.0	9.1	9.1	9.1	27.3
Brazil	32	18.8	43.8	43.8	25.0	34.4	34.4	18.8	18.8	12.5
Argentina	9	33.3	66.7	22.2	0.0	0.0	11.1	11.1	11.1	22.2


Mexico(n=75)
Sales increase due to export expansion
Sales increase in local markets
Effects of exchange rate fluctuation
Reduction of procurement costs
Reduction of labor costs
Reduction of other expenditures (e.g., administrative/utility/fuel costs)
Improvement of production efficiency (manufacturing industry only)
Improvement of sales efficiency
Other
100.0
80.0
60.0
40.0
20.0
0.0
(%)

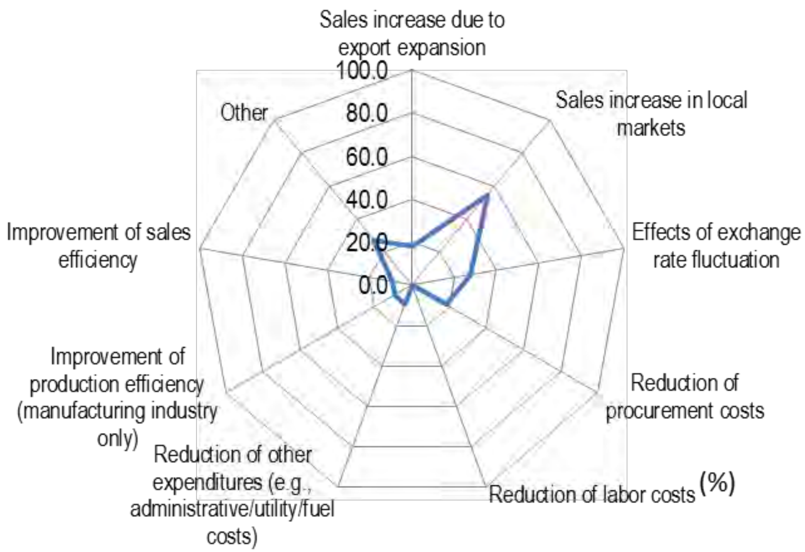

Brazil (n=32)
Sales increase due to export expansion
Sales increase in local markets
Effects of exchange rate fluctuation
Reduction of procurement costs
Reduction of labor costs
Reduction of other expenditures (e.g., administrative/utility/fuel costs)
Improvement of production efficiency (manufacturing industry only)
Improvement of sales efficiency
Other
100.0
80.0
60.0
40.0
20.0
0.0
(%)


Colombia (n=12)
Sales increase due to export expansion
Sales increase in local markets
Effects of exchange rate fluctuation
Reduction of procurement costs
Reduction of labor costs
Reduction of other expenditures (e.g., administrative/utility/fuel costs)
Improvement of production efficiency (manufacturing industry only)
Improvement of sales efficiency
Other
100.0
80.0
60.0
40.0
20.0
0.0
(%)

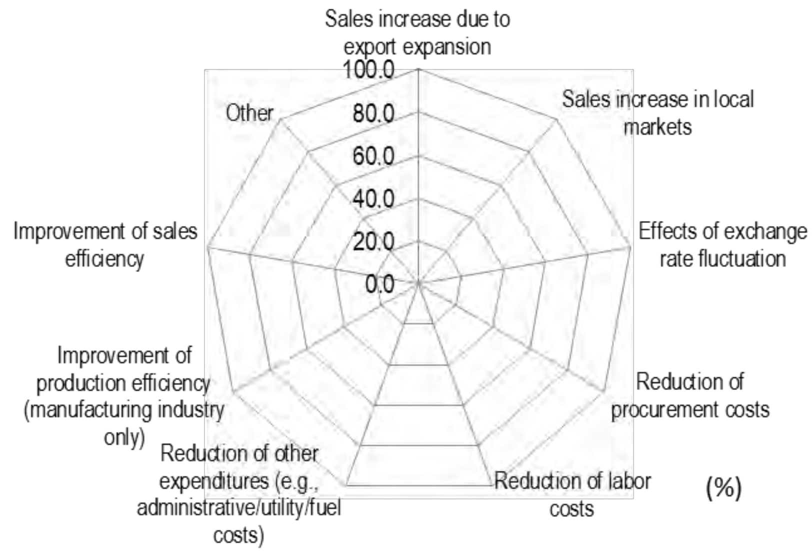

Peru (n=11)
Sales increase due to export expansion
Sales increase in local markets
Effects of exchange rate fluctuation
Reduction of procurement costs
Reduction of labor costs
Reduction of other expenditures (e.g., administrative/utility/fuel costs)
Improvement of production efficiency (manufacturing industry only)
Improvement of sales efficiency
Other
100.0
80.0
60.0
40.0
20.0
0.0
(%)

III – 1 – (3) Reasons for increased operating profits forecast for 2016

Chile (n=11)

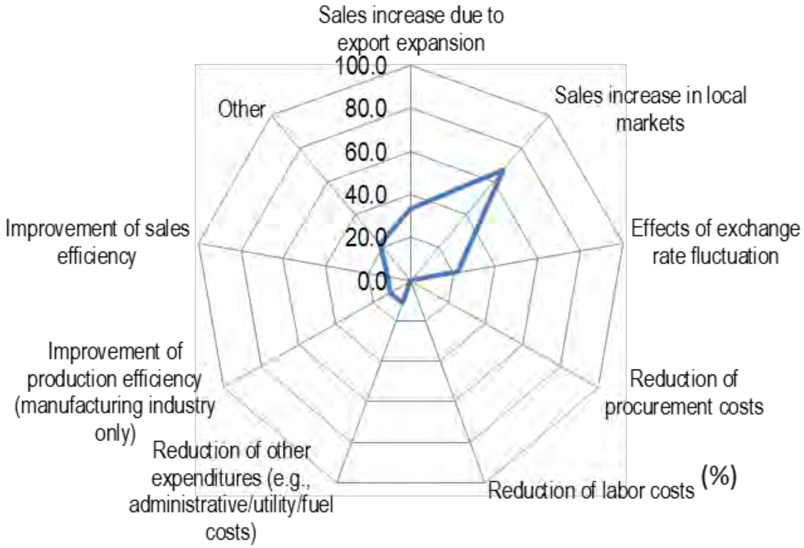


Venezuela (n=0)



No companies predict their operating profits to increase in 2016.

Argentina (n=9)



III – 1 – (4) Reasons for decreased operating profits forecast for 2016

- Within Latin America as a whole, major factors include **"sales decrease in local markets"** (55.6%), **"exchange rate fluctuations"** (44.4%), and **"increase of labor costs" (38.9%).**
- The ratio of the answer of **"exchange rate fluctuations"** is high in Chile (71.4%) and Mexico (51.6%). In Chile, the continued strong peso trend damaged the exports of agriculture, forestry, and fisheries products as well as foods. In Mexico, after the second half of 2016, the sagging peso trend continued because of the prediction of the victory of candidate Trump in the U.S. presidential election, and import costs increased for the enterprises conducting import and domestic sales.
- Brazil and Argentina are still experiencing a downturn in the domestic marketplace, and the ratio of the answer of **"sales decrease in local markets"** was high (72.1% and 62.5% respectively).

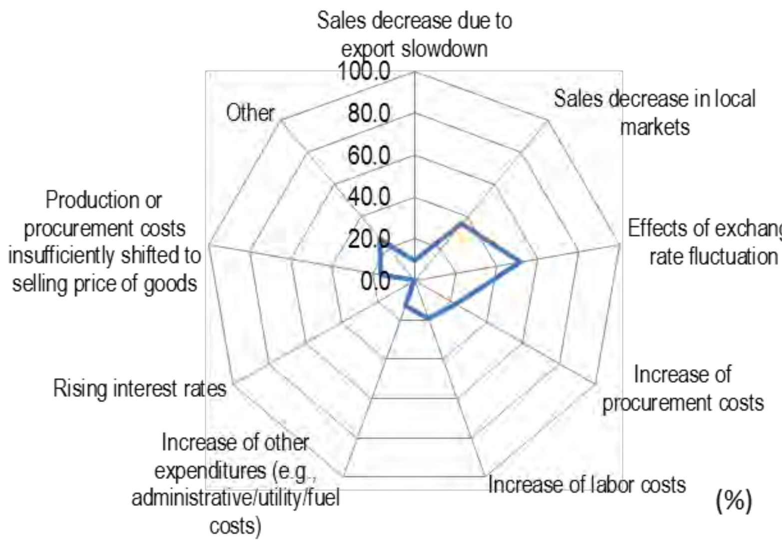
Reasons for decreased operating profits forecast for 2016 (Multiple Answers)

(Unit : %)

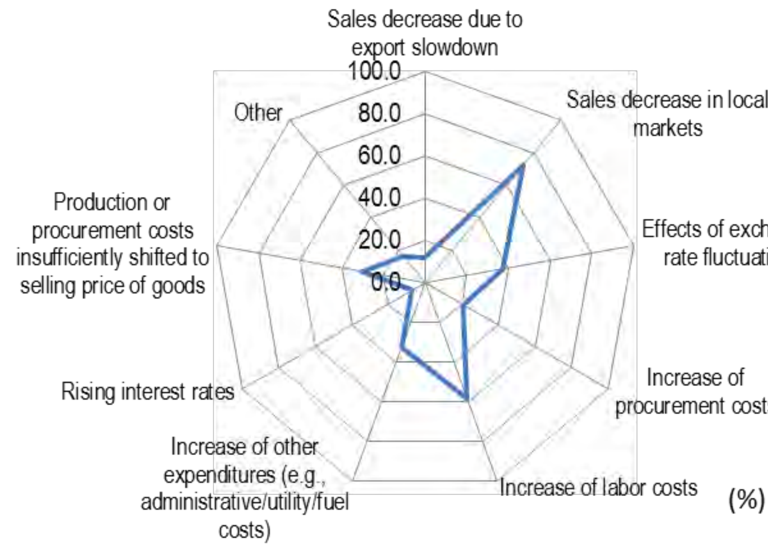
	Valid responses	Sales decrease due to export slowdown	Sales decrease in local markets	Effects of exchange rate fluctuation	Increase of procurement costs	Increase of labor costs	Increase of other expenditures (e.g., administrative/utility/fuel costs)	Rising interest rates	Production or procurement costs insufficiently shifted to selling price of goods	Other
Latin America	108	13.0	55.6	44.4	20.4	38.9	22.2	4.6	25.0	21.3
Mexico	31	9.7	35.5	51.6	22.6	19.4	12.9	0.0	16.1	25.8
Venezuela	7	42.9	71.4	28.6	14.3	57.1	28.6	14.3	0.0	14.3
Colombia	7	14.3	57.1	57.1	14.3	14.3	14.3	14.3	14.3	42.9
Peru	5	0.0	40.0	40.0	0.0	20.0	0.0	0.0	20.0	20.0
Chile	7	14.3	28.6	71.4	28.6	28.6	14.3	0.0	57.1	28.6
Brazil	43	11.6	72.1	37.2	20.9	58.1	32.6	7.0	30.2	16.3
Argentina	8	12.5	62.5	37.5	25.0	37.5	25.0	0.0	37.5	12.5

III – 1 – (4) Reasons for decreased operating profits forecast for 2016

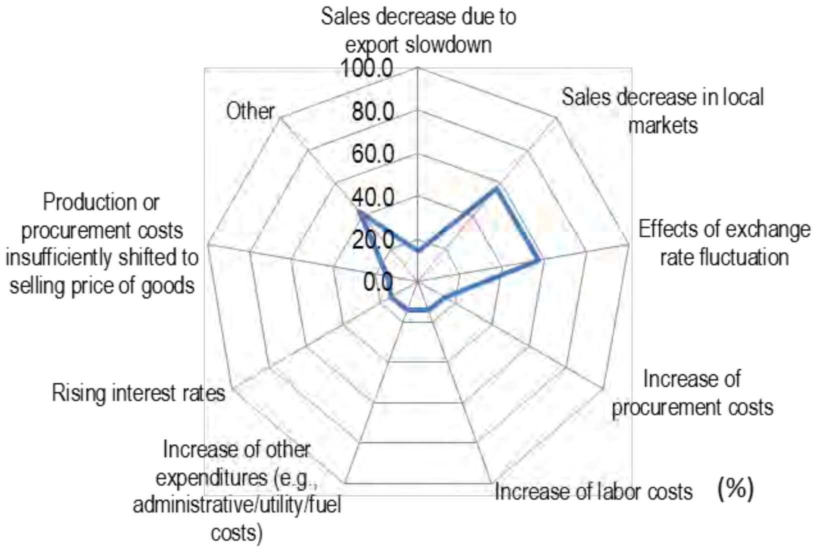
Mexico (n=31)



Brazil (n=43)

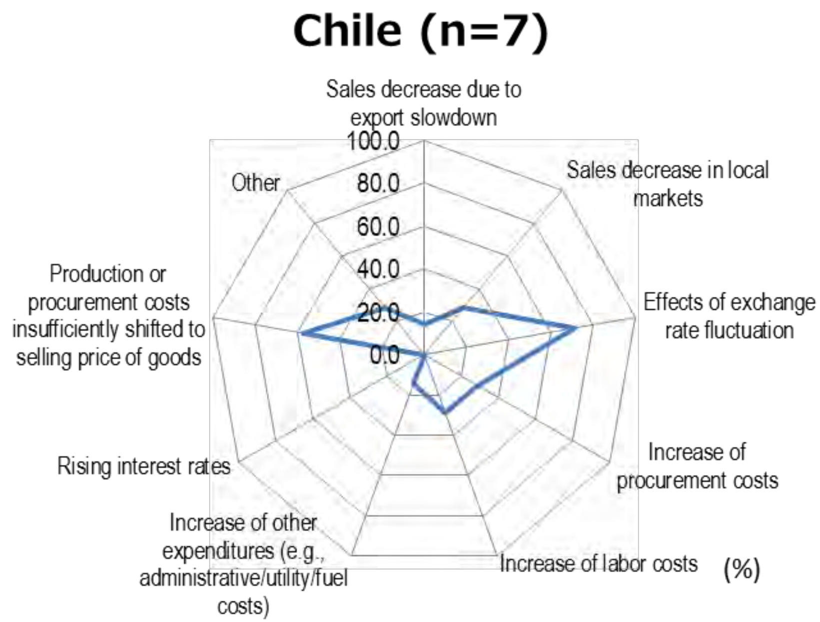


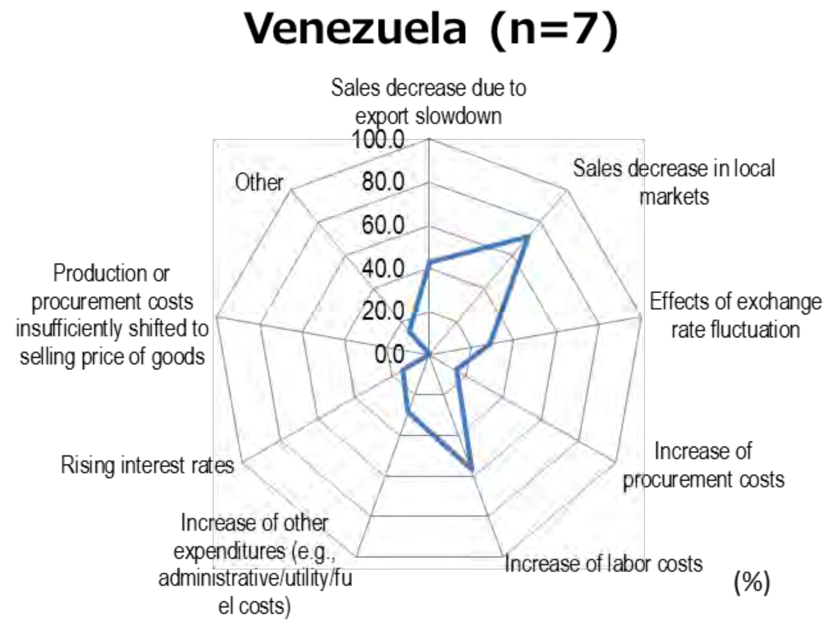
Colombia (n=7)

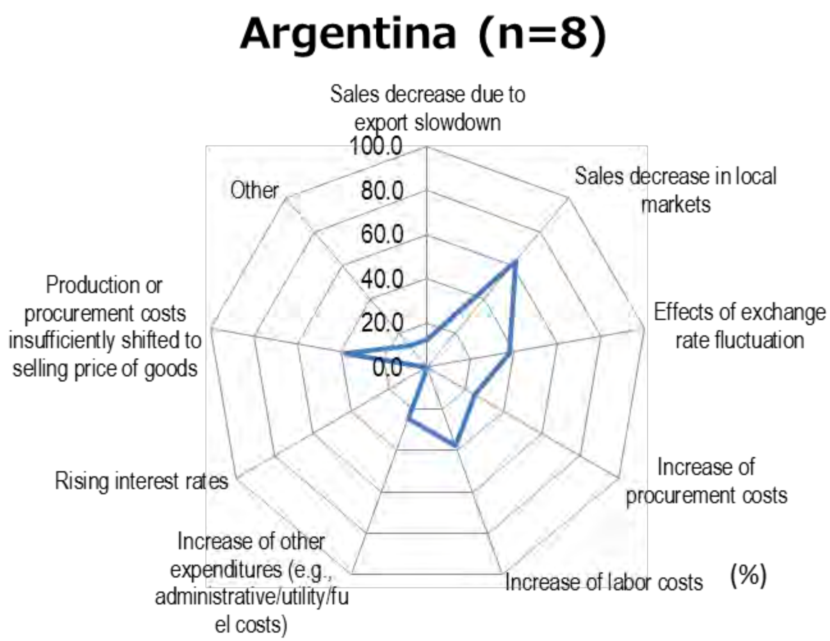


Peru (n=5)

III – 1 – (4) Reasons for decreased operating profits forecast for 2016



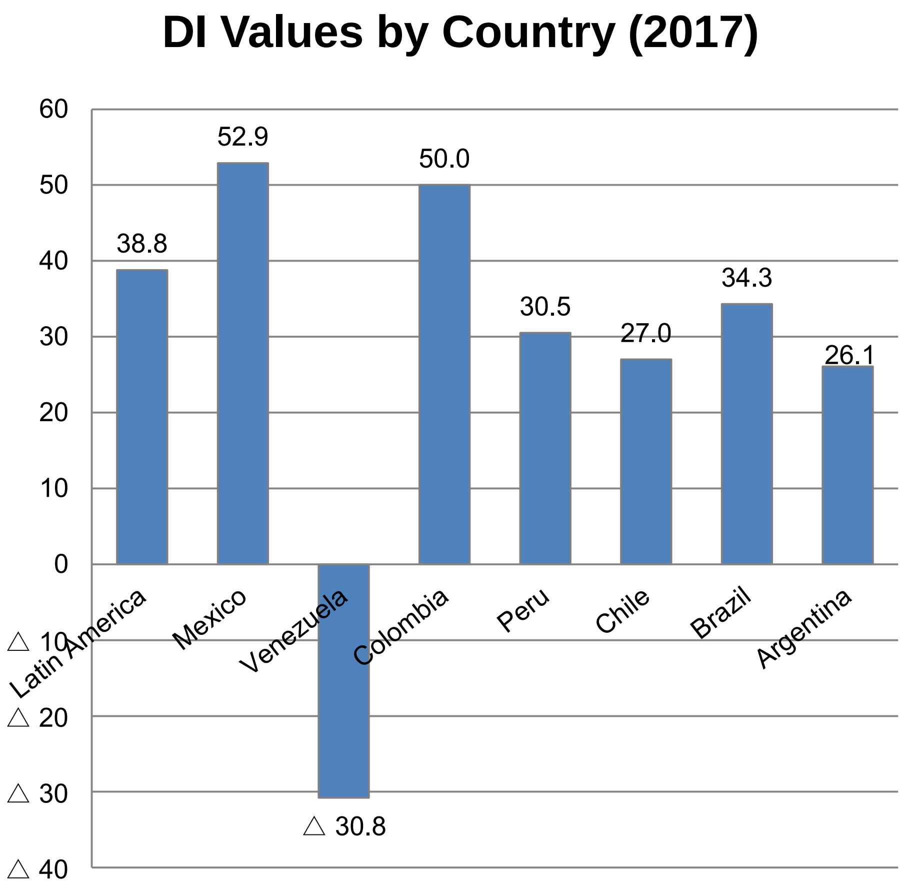


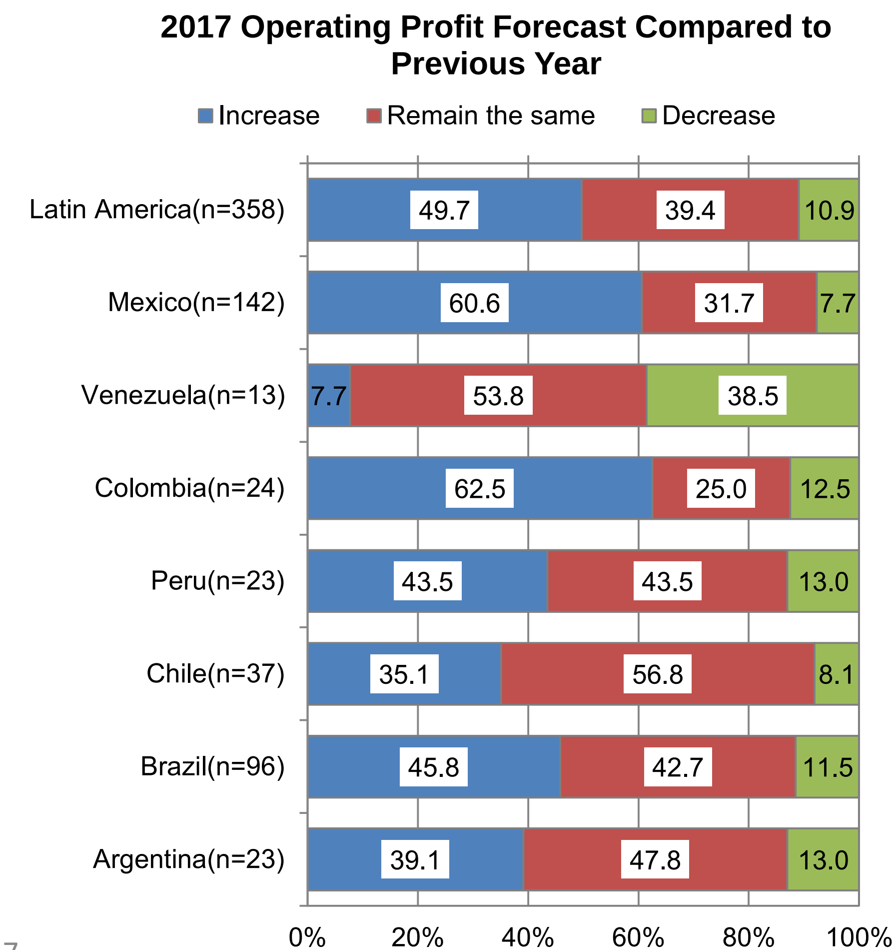


III – 2 – (1) Operating profits forecast for 2017 (compared to previous year)

- 2017 DI value (business sentiment) is good, except for Venezuela, and reflects the perspective that Brazil and Argentina hit a cyclical bottom in 2016 and are heading for a recovery in 2017.
- The DI values of Mexico and Colombia stand out in magnitude. A recovery of the domestic market in Colombia is expected.

DI Value: The numerical value of the operating profit forecast for 2017 **where the reply rate for "Decrease" was subtracted from the reply rate for "Increase" in comparison to the previous year.**





III – 2 – (2) Reasons for increased operating profits for 2017

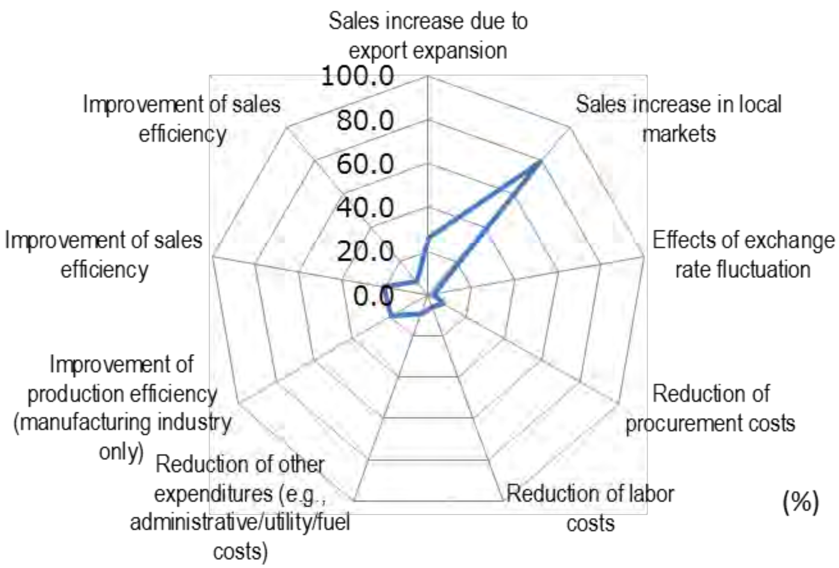
- **Within Latin America as a whole, the ratio of the answer of "sales increase in local markets" reached almost 80%.**
- In Peru, on the back of strong domestic demand, the ratio of **the answer of "sales increase in local markets"** reached 100%.

Reasons for increased operating profits for 2017 (Multiple Answers)

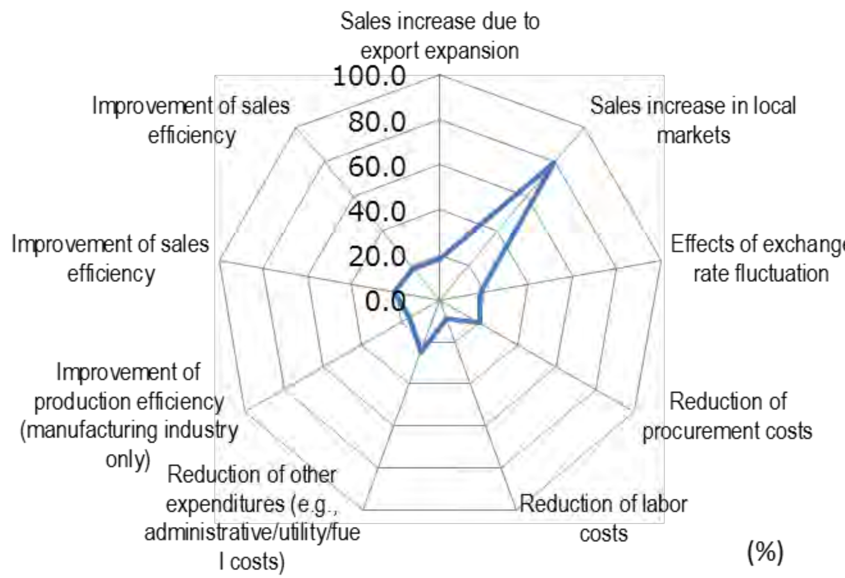
(Unit : %)

	Valid responses	Sales increase due to export expansion	Sales increase in local markets	Effects of exchange rate fluctuation	Reduction of procurement costs	Reduction of labor costs	Reduction of other expenditures (e.g., administrative/utility/fuel costs)	Improvement of production efficiency (manufacturing industry only)	Improvement of sales efficiency	Improvement of sales efficiency
Latin America	178	25.3	77.5	9.0	11.8	7.9	14.6	16.3	19.7	10.7
Mexico	86	25.6	79.1	2.3	8.1	5.8	9.3	19.8	20.9	8.1
Venezuela	1	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	15	40.0	73.3	13.3	13.3	6.7	6.7	0.0	6.7	13.3
Peru	10	30.0	100.0	0.0	0.0	0.0	30.0	20.0	20.0	0.0
Chile	13	7.7	61.5	23.1	23.1	23.1	15.4	15.4	30.8	7.7
Brazil	44	18.2	79.5	18.2	20.5	9.1	25.0	15.9	20.5	18.2
Argentina	9	44.4	66.7	11.1	0.0	11.1	11.1	11.1	11.1	11.1

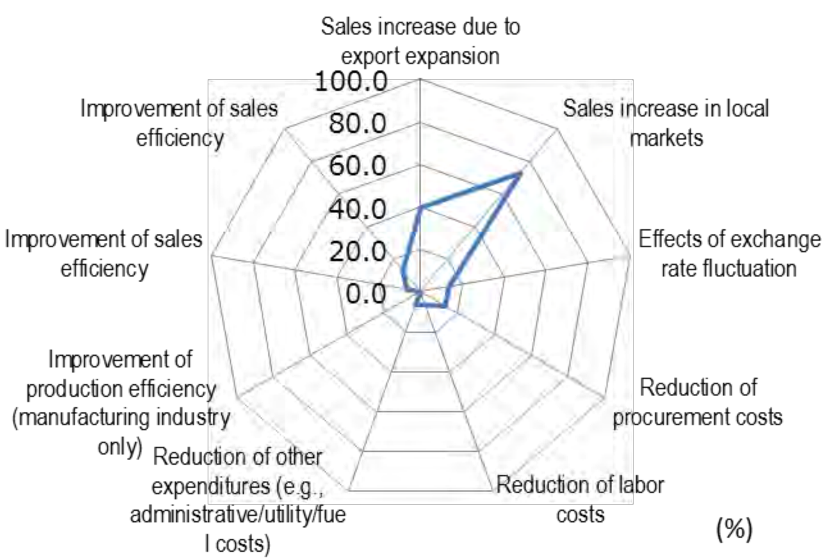
Mexico (n=86)



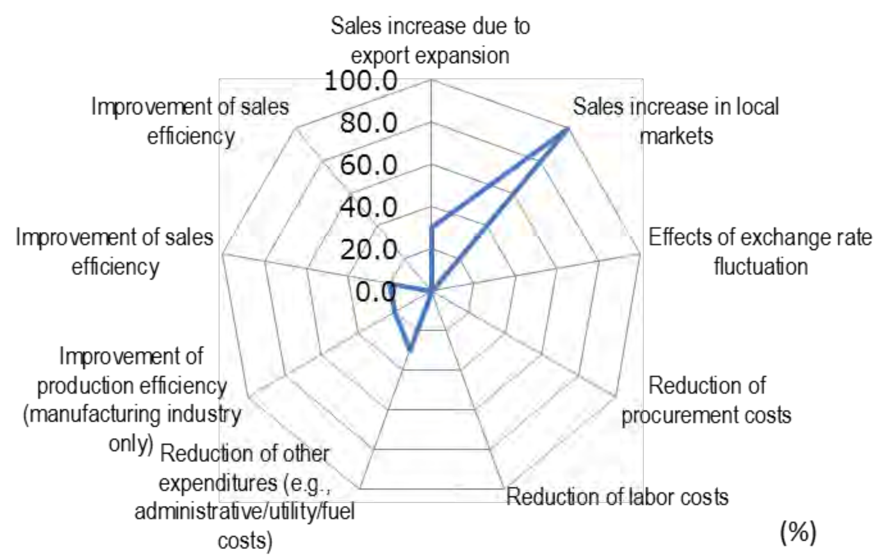
Brazil (n=44)



Colombia (n=15)

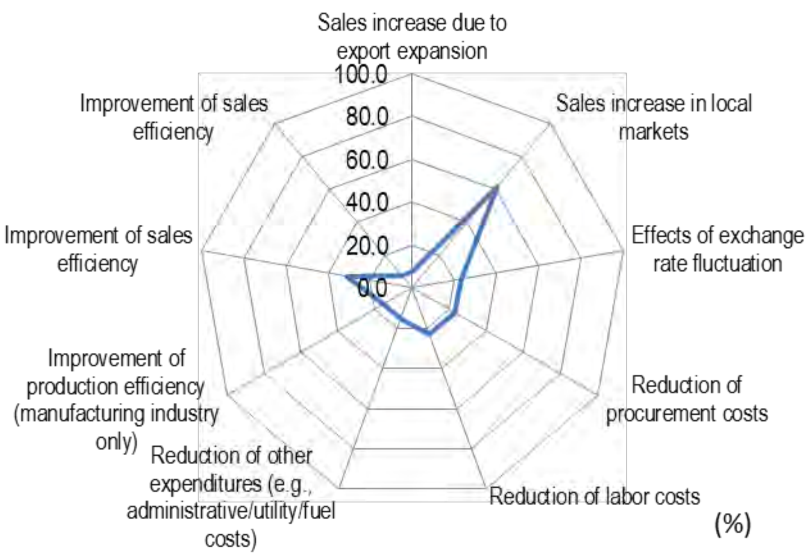


Peru (n=10)

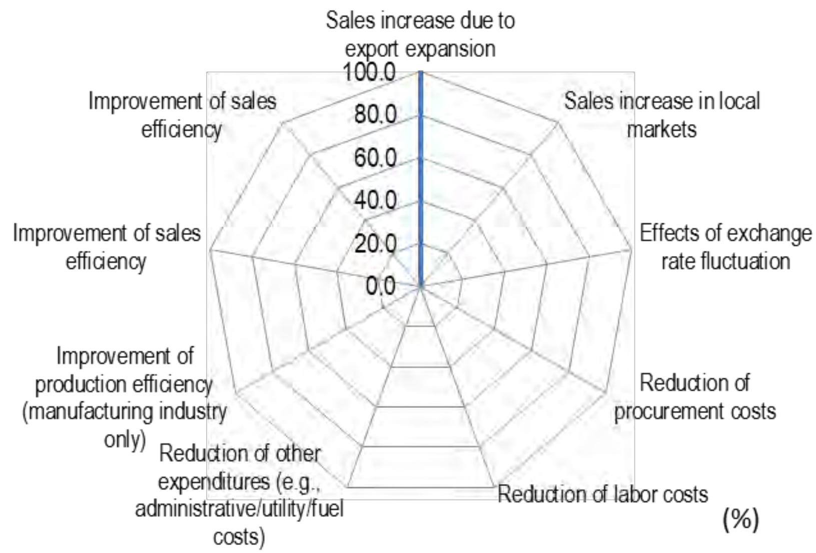


III – 2 – (2) Reasons for increased operating profits for 2017

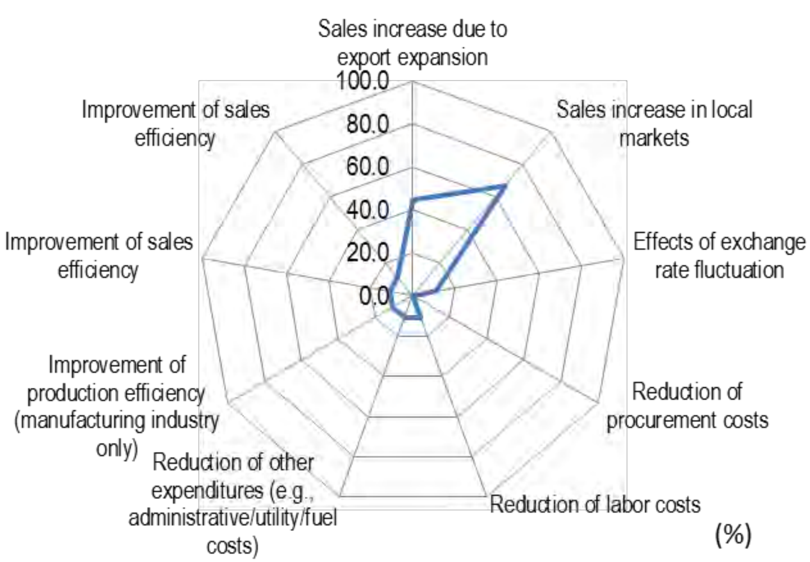
Chile (n=13)



Venezuela (n=1)



Argentina (n=9)



- **Within Latin America as a whole, the ratio of the answer of "sales decrease in local markets" was the highest (53.8%).**
- **In Mexico, centering on auto parts related enterprises, the ratio of the answers of "sales decrease in local markets" and "increase of labor costs" were high (both 36.4%).** In 2017, from the anxiety of a continuing weak peso due to the future **uncertainty of external factors, the ratio of enterprises stating the reason as "exchange rate fluctuations" was high** (27.3%) centering on enterprises conducting imports and sales.

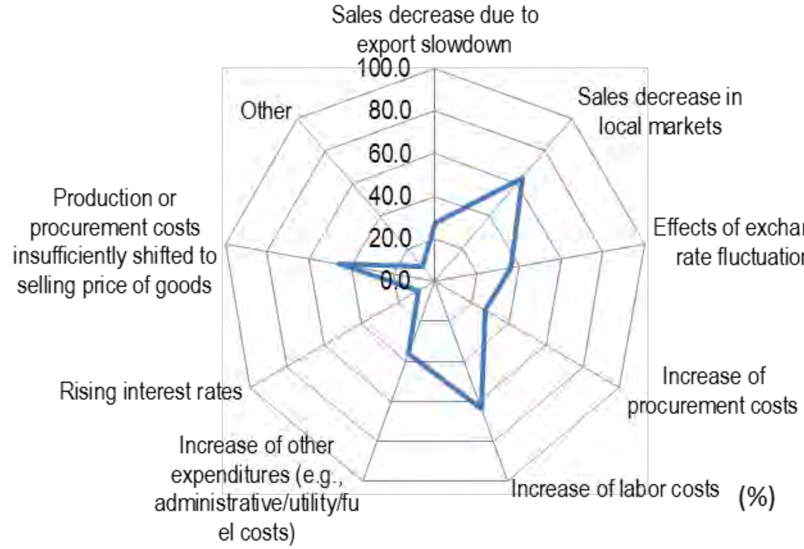
Reasons for decreased operating profits forecast for 2017 (Multiple Answers)

(Unit : %)

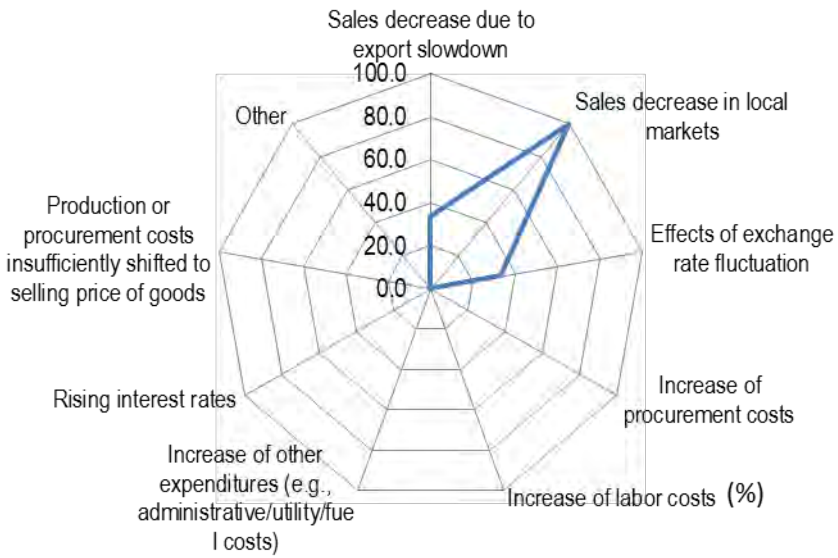
	Valid responses	Sales decrease due to export slowdown	Sales decrease in local markets	Effects of exchange rate fluctuation	Increase of procurement costs	Increase of labor costs	Increase of other expenditures (e.g., administrative/utility/fuel costs)	Rising interest rates	Production or procurement costs insufficiently shifted to selling price of goods	Other
Latin America	39	23.1	53.8	35.9	28.2	48.7	28.2	5.1	30.8	20.5
Mexico	11	18.2	36.4	27.3	27.3	36.4	27.3	0.0	36.4	9.1
Venezuela	5	40.0	80.0	80.0	60.0	80.0	60.0	20.0	40.0	40.0
Colombia	3	33.3	100.0	33.3	0.0	0.0	0.0	0.0	0.0	0.0
Peru	3	0.0	33.3	33.3	33.3	33.3	0.0	0.0	33.3	33.3
Chile	3	0.0	0.0	0.0	33.3	33.3	0.0	0.0	0.0	66.7
Brazil	11	27.3	63.6	36.4	27.3	63.6	36.4	9.1	45.5	9.1
Argentina	3	33.3	66.7	33.3	0.0	66.7	33.3	0.0	0.0	33.3

Mexico (n=11)

Brazil (n=11)

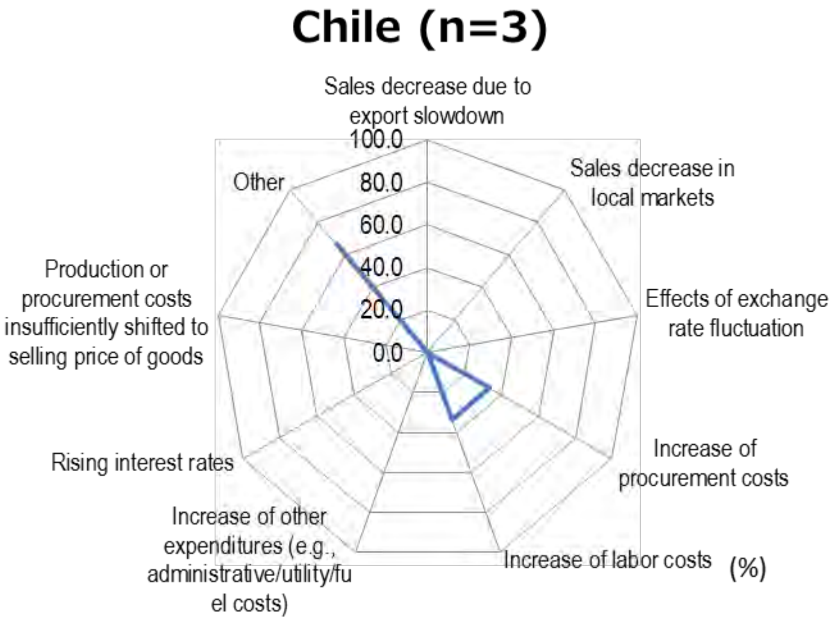


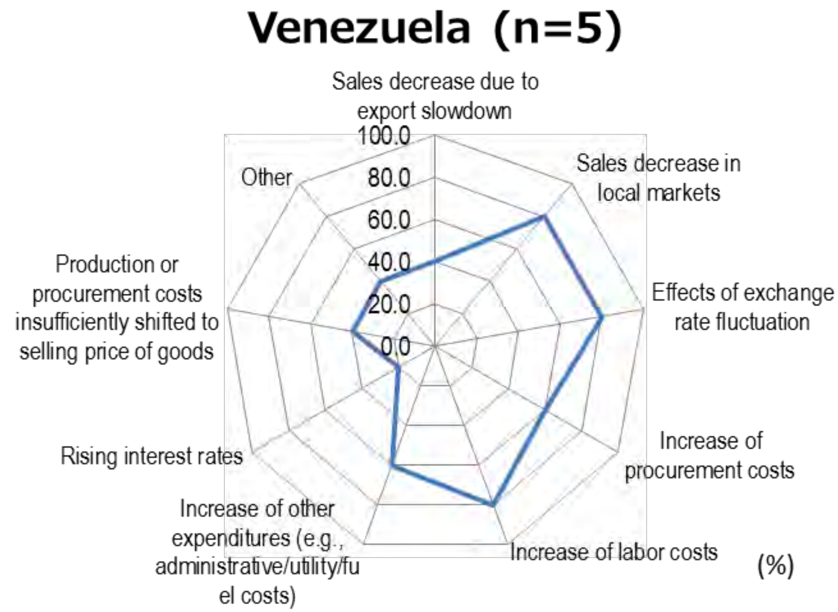
Colombia (n=3)

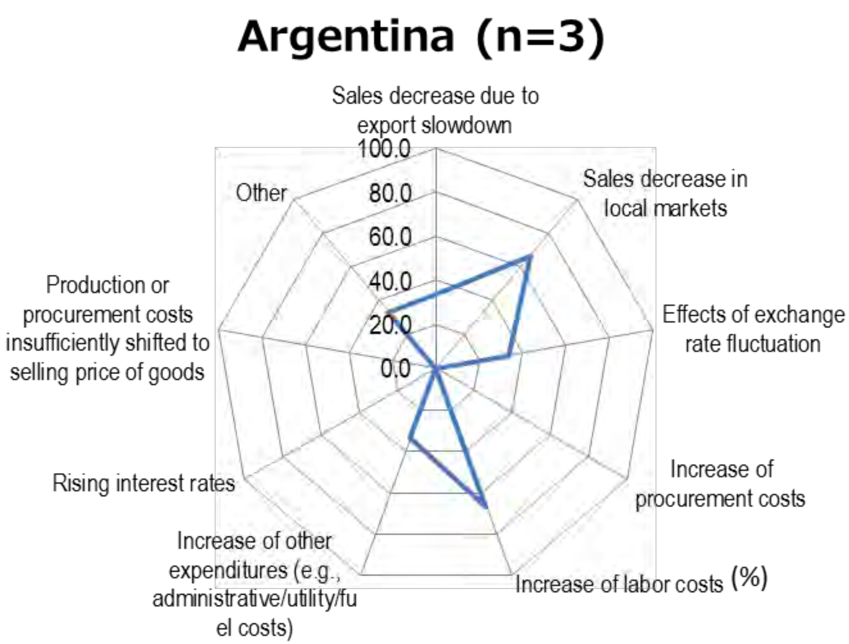


Peru (n=3)

III – 2 – (3) Reasons for decreased operating profits forecast for 2017



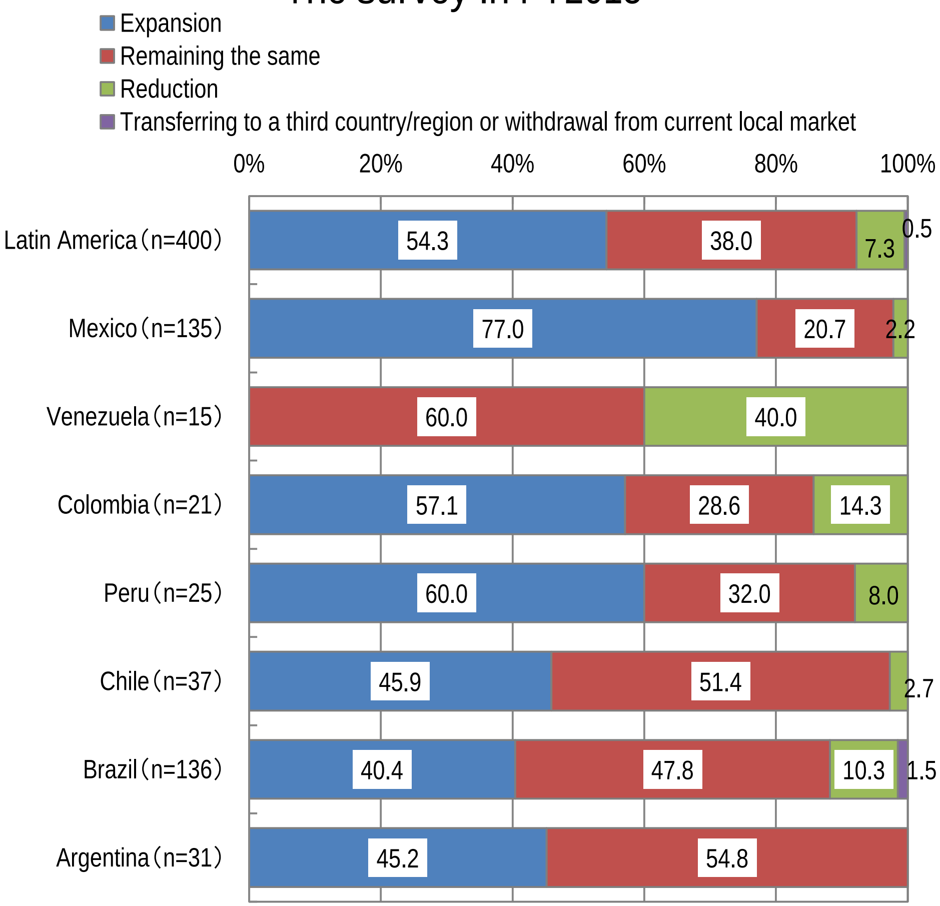




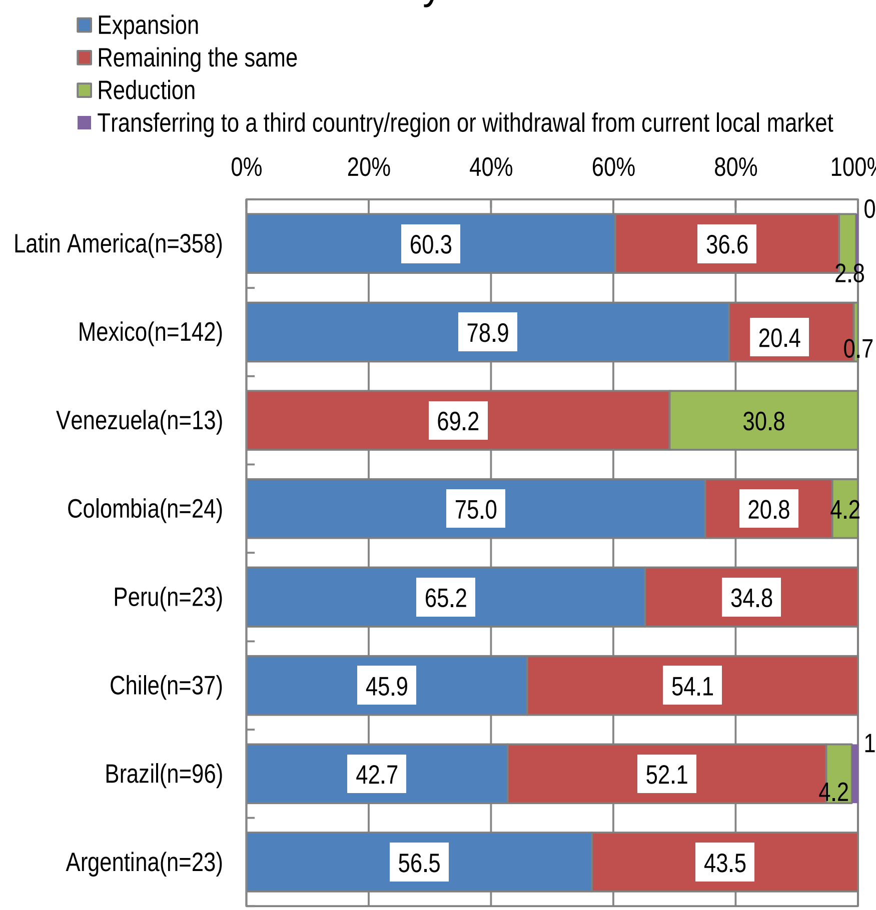
III – 3 – (1) Approach to future business challenges in the next one or two years

- **Within Latin America as a whole, the ratio of the answer of "expansion" increased 6 points (54.3% to 60.3%) from the previous survey and "reduction" decreased 4.5 points (7.3% to 2.8%). Motivation for business expansion seems to be** increasing slightly.
- **In Colombia and Argentina, the ratio of the answer of "expansion" greatly increased form the previous survey (57.1% to** 75.0% and 45.2% to 56.5% respectively). Many enterprises expect growth and potential in markets in both countries.

The survey in FY2015



The survey in FY2016



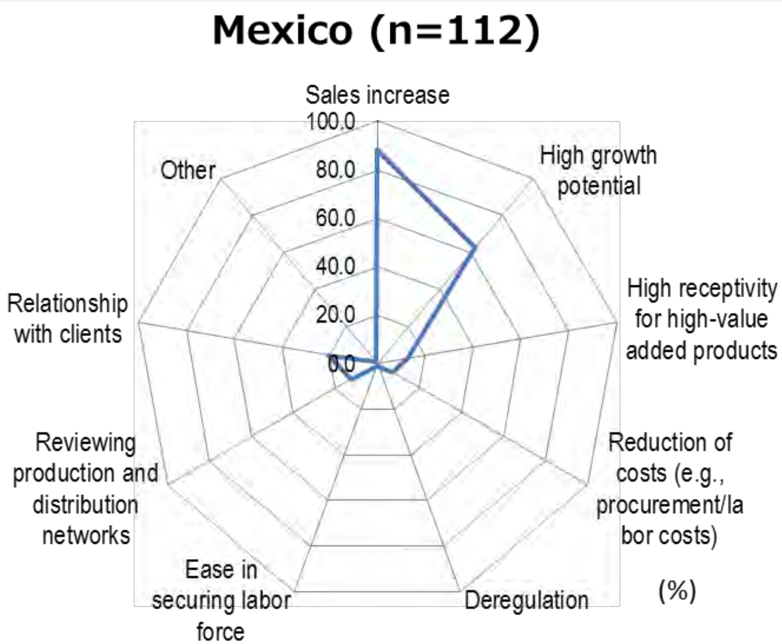
III – 3 – (2) Approach to future business challenges in the next one or two years: Reasons for “Expansion”

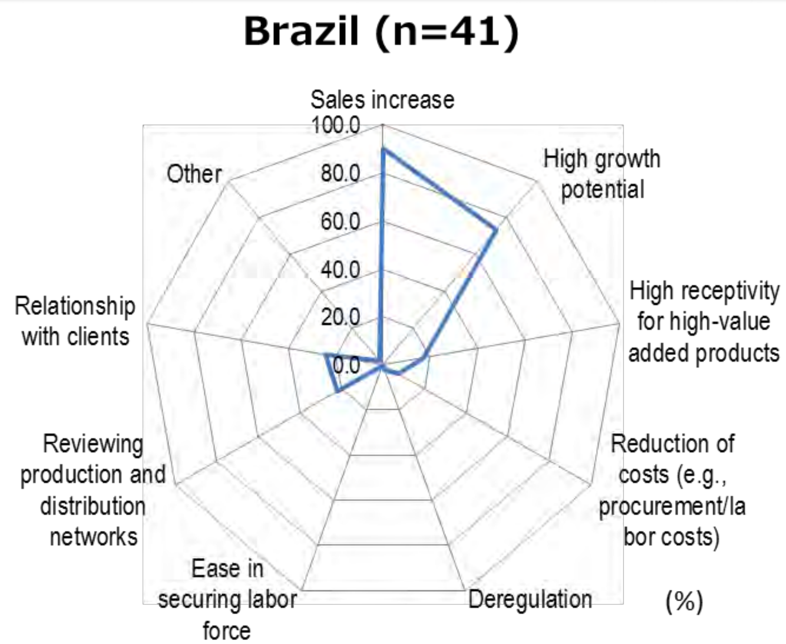
- **Within Latin America as a whole, the “sales increase” and “high growth potential” were stated as the main reasons.**
- **By country, the ratio of the answer of “acceptability of high-value added products” significantly increased from the previous survey (6.7% to 26.7%) in Peru. Enterprises are trying to respond to consumers’ change in taste.**
- In Argentina, pro-business economic policies are being promoted by Macri administration, and the ratio of the answer of **“deregulation” was decisively high (53.8%)** within the region. Also, based on the implementation of economic policies, **the ratio of the answer of “reviewing the production and distribution networks”** drastically increased (0.0% to 23.1%) from the previous survey.

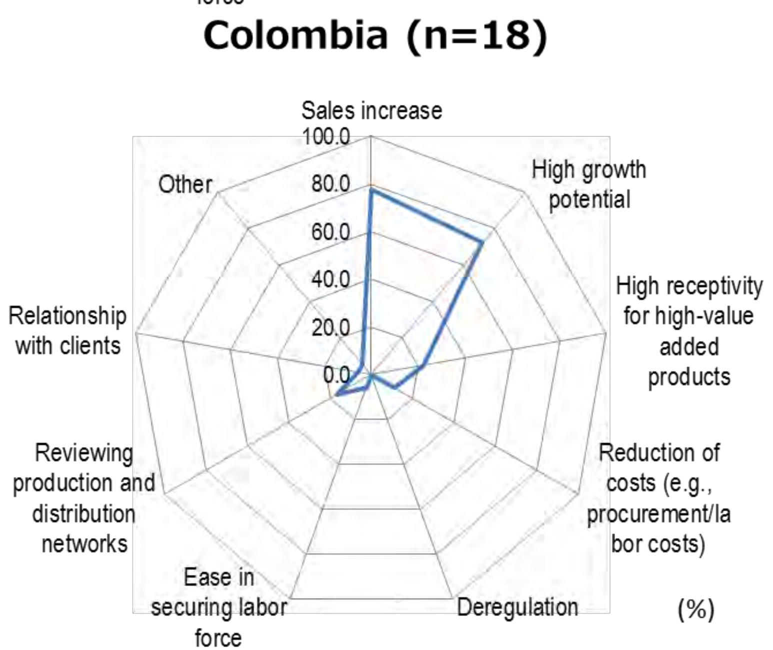
Reasons for “Expansion” (Multiple Answers)

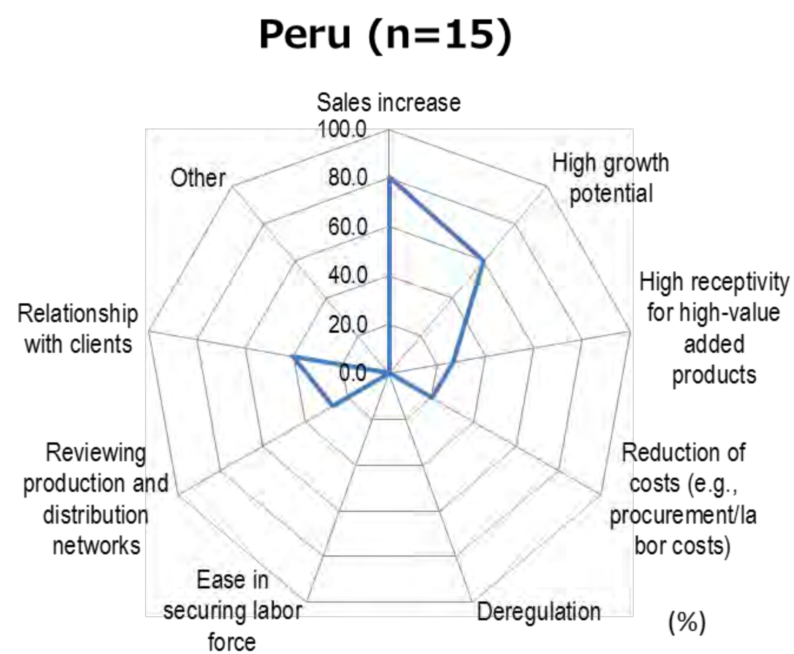
(Unit : %)

	Valid responses	Sales increase	High growth potential	High receptivity for high-value added products	Reduction of costs (e.g., procurement/labor costs)	Deregulation	Ease in securing labor force	Reviewing production and distribution networks	Relationship with clients	Other
Latin America	216	87.0	63.0	16.2	8.3	4.6	0.9	16.7	21.8	3.7
Mexico	112	88.4	62.5	12.5	7.1	1.8	0.9	12.5	20.5	0.9
Venezuela	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	18	77.8	72.2	22.2	11.1	0.0	5.6	16.7	5.6	5.6
Peru	15	80.0	60.0	26.7	20.0	0.0	0.0	26.7	40.0	0.0
Chile	17	88.2	41.2	29.4	11.8	0.0	0.0	17.6	35.3	17.6
Brazil	41	90.2	73.2	17.1	7.3	2.4	0.0	22.0	24.4	2.4
Argentina	13	84.6	53.8	7.7	0.0	53.8	0.0	23.1	7.7	15.4

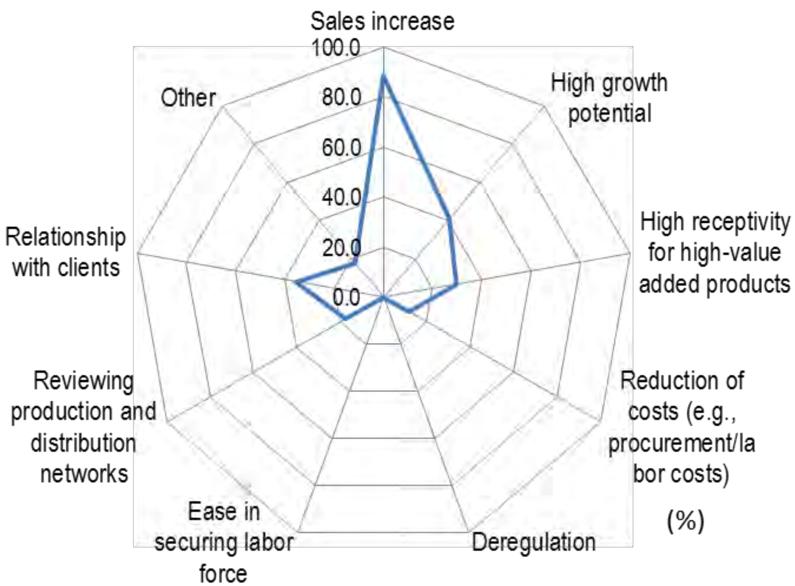

Mexico (n=112)
Sales increase
100.0
80.0
60.0
40.0
20.0
0.0
High growth potential
High receptivity for high-value added products
Reduction of costs (e.g., procurement/labor costs)
Deregulation
Ease in securing labor force
Reviewing production and distribution networks
Relationship with clients
Other
(%)


Brazil (n=41)
Sales increase
100.0
80.0
60.0
40.0
20.0
0.0
High growth potential
High receptivity for high-value added products
Reduction of costs (e.g., procurement/labor costs)
Deregulation
Ease in securing labor force
Reviewing production and distribution networks
Relationship with clients
Other
(%)

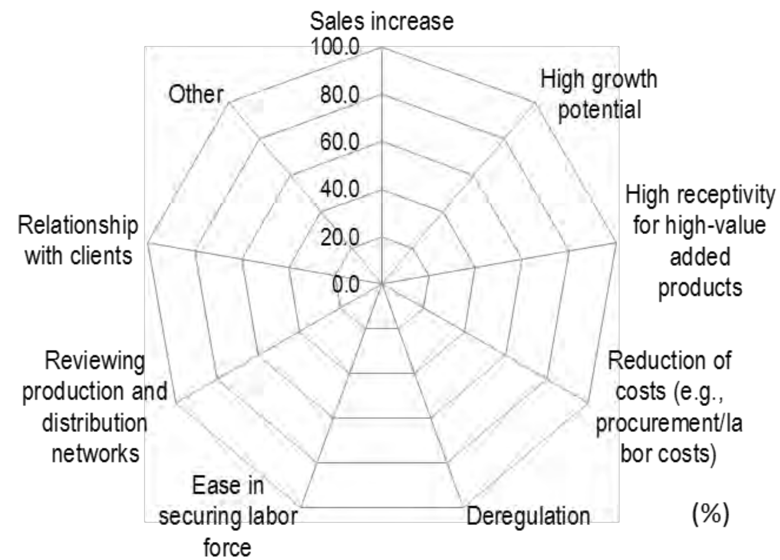

Colombia (n=18)
Sales increase
100.0
80.0
60.0
40.0
20.0
0.0
High growth potential
High receptivity for high-value added products
Reduction of costs (e.g., procurement/labor costs)
Deregulation
Ease in securing labor force
Reviewing production and distribution networks
Relationship with clients
Other
(%)


Peru (n=15)
Sales increase
100.0
80.0
60.0
40.0
20.0
0.0
High growth potential
High receptivity for high-value added products
Reduction of costs (e.g., procurement/labor costs)
Deregulation
Ease in securing labor force
Reviewing production and distribution networks
Relationship with clients
Other
(%)

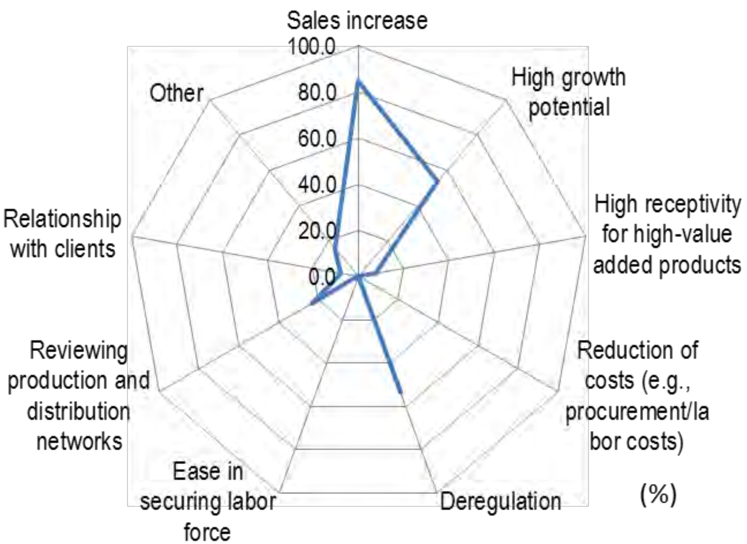
Chile (n=17)



Venezuela (n=0)



Argentina (n=13)



No companies plan business expansion.

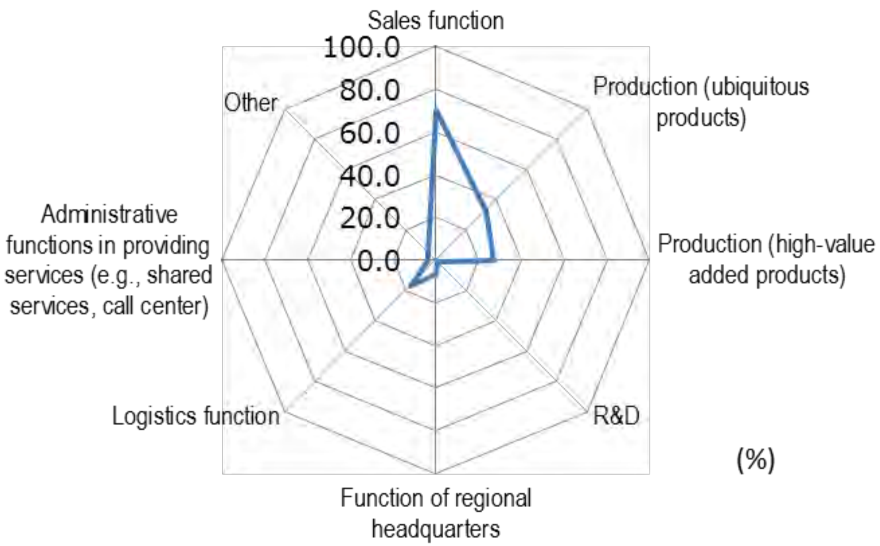
- **Within Latin America as a whole, the ratio of the answer of "sales function" was high (76.4%). Also, compared to the previous survey, the ratio of the answer of "production (high-value added products)" increased (18.0% to 22.7%).**
- **By country, the ratio of enterprises stating "sales function" reached 100% in Peru. Since many enterprises stated "sales increase in local markets" as a reason for operating profit improvement, there is a movement to enhance the sales** function.
- **In Argentina, the ratio of the answers "sales function" (92.3%), and "production (high-value added products)" (38.5%)** was high. It seems that the business evolution environment is being put into place.
- In Colombia, where Japanese enterprises of imports and sales are increasing, and in Peru, where domestic demand is **strong, the ratio of enterprises stating intent to expand "logistics function" in response to a diversified sales channel and** sales increase was notably high.

Functions companies wanted to expand in detail (Multiple Answers)

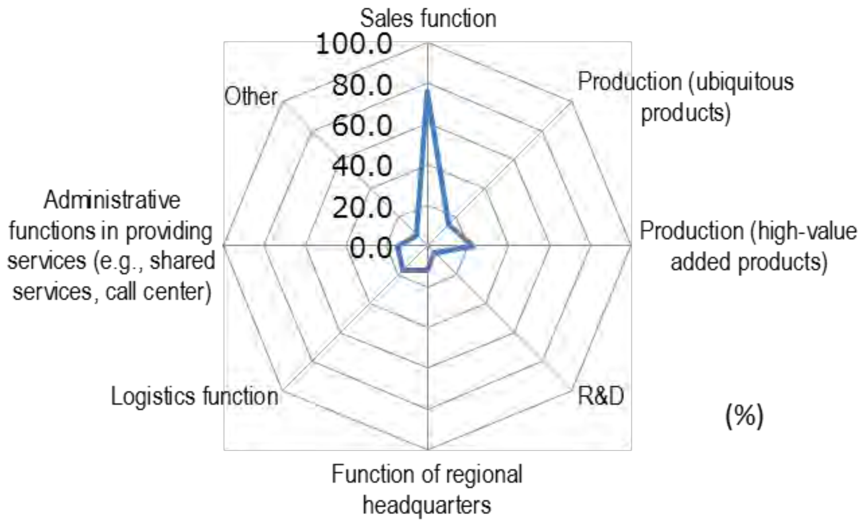
(Unit : %)

	Valid responses	Sales function	Production (ubiquitous products)	Production (high-value added products)	R&D	Function of regional headquarters	Logistics function	Administrative functions in providing services (e.g., shared services, call center)	Other
Latin America	216	76.4	23.1	22.7	1.9	7.9	17.6	9.7	5.6
Mexico	112	70.5	33.0	26.8	0.9	6.3	17.0	3.6	5.4
Venezuela	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	18	83.3	11.1	0.0	0.0	16.7	27.8	22.2	11.1
Peru	15	100.0	6.7	26.7	6.7	6.7	26.7	26.7	6.7
Chile	17	76.5	11.8	5.9	0.0	5.9	5.9	11.8	0.0
Brazil	41	75.6	14.6	22.0	4.9	12.2	17.1	14.6	7.3
Argentina	13	92.3	15.4	38.5	0.0	0.0	15.4	7.7	0.0

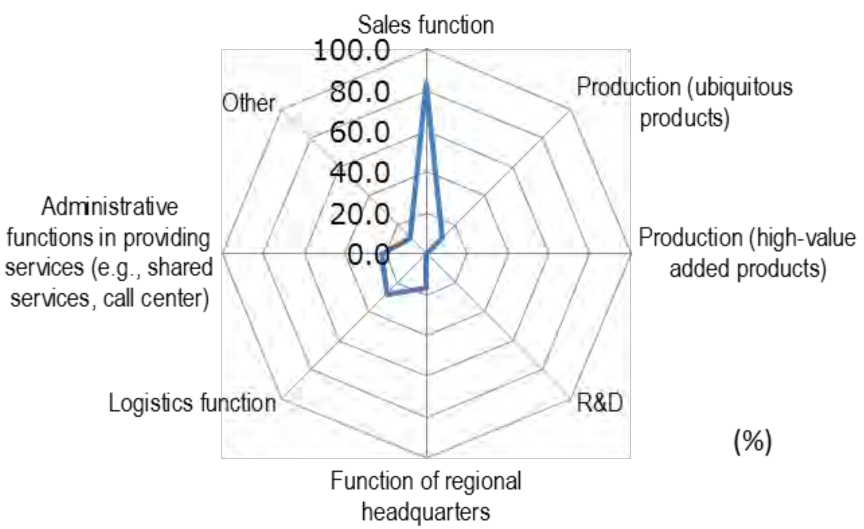
Mexico (n=112)



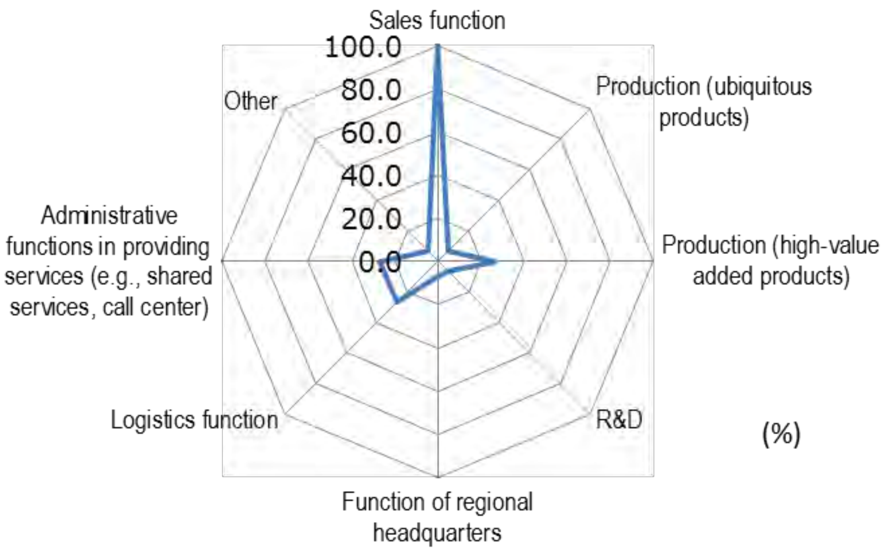
Brazil (n=41)



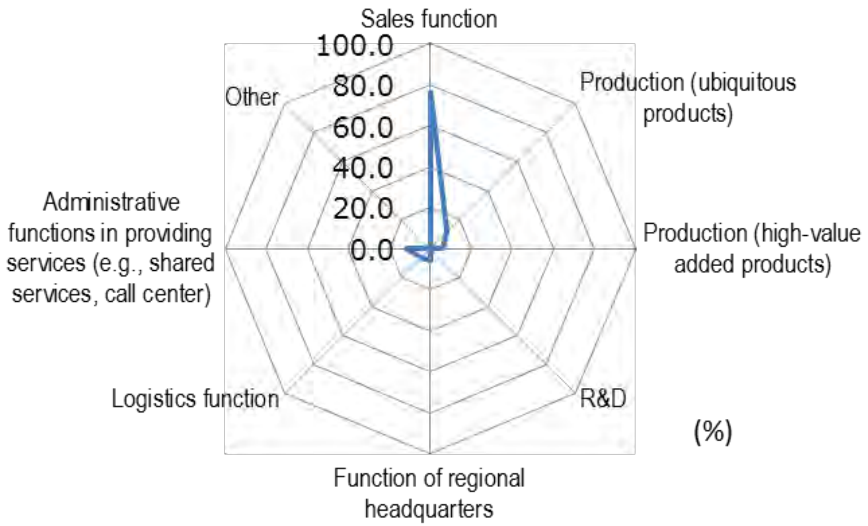
Colombia (n=18)



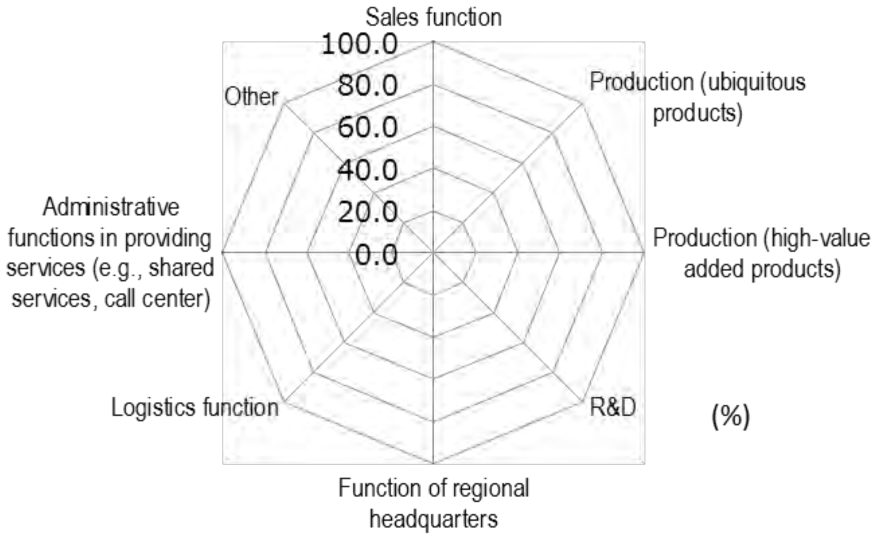
Peru (n=15)



Chile (n=17)

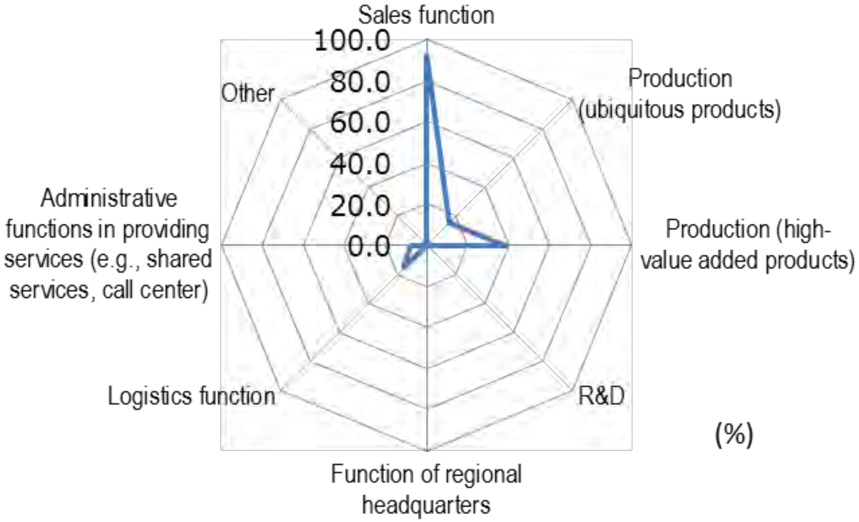


Venezuela (n=0)

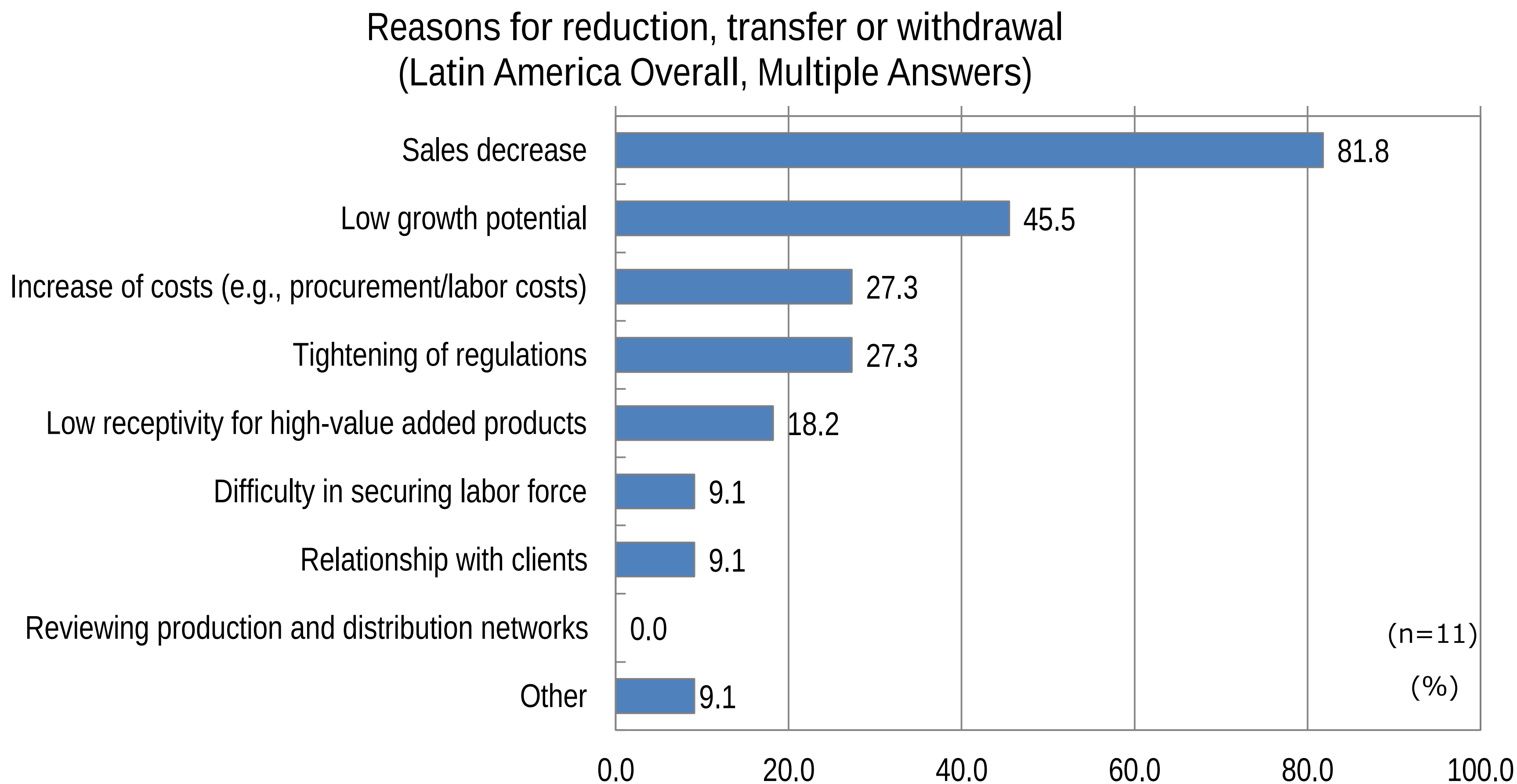


No companies plan business expansion

Argentina (n=13)



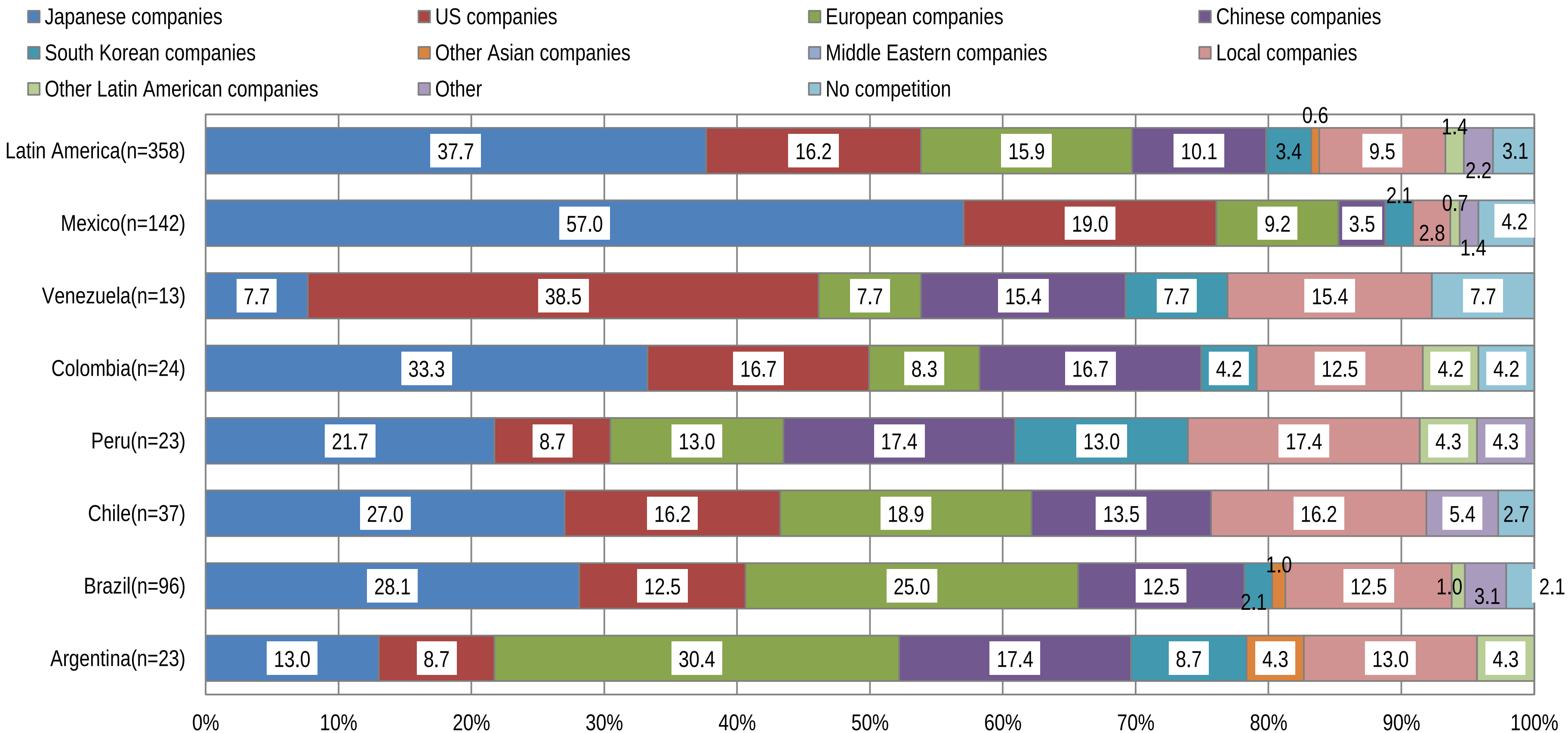
■ **Although the ratio of the answer of "sales decrease" reached 80%, the number of enterprises that answered "reduction" and "transfer or withdrawal" was only 11 within Latin America as a whole.**



■ With the improvement of the business environment, an attempt to increase the number of local employees and Japanese expatriate staff is noticeable in Argentina.

- By country, in Mexico, where many Japanese enterprises are advancing into the auto industry, the ratio of Japanese enterprises is highest as the most competitive enterprise (57.0%).
- In Colombia, the answer of a Japanese enterprise being the competitor increased greatly from the previous survey (19.0% to 33.3%).
- In Venezuela, the ratio of American enterprises is high (38.5%). This is because some American enterprises continue production in this country, where it is difficult to import parts and raw materials due to strict foreign currency control.

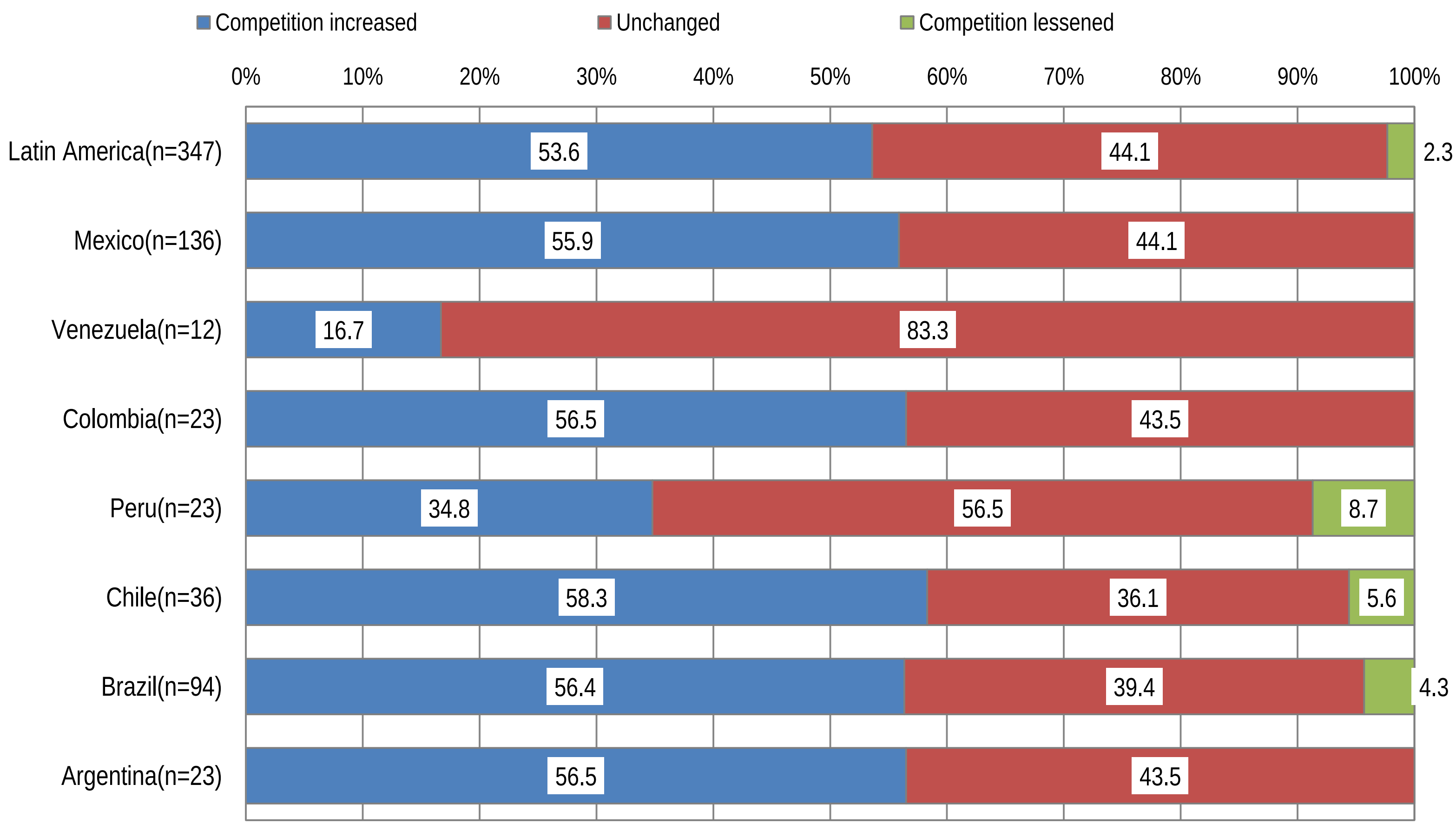
Most competitive companies in the same business category



III – 4 – (2) Challenges to explore market: Changes in competition

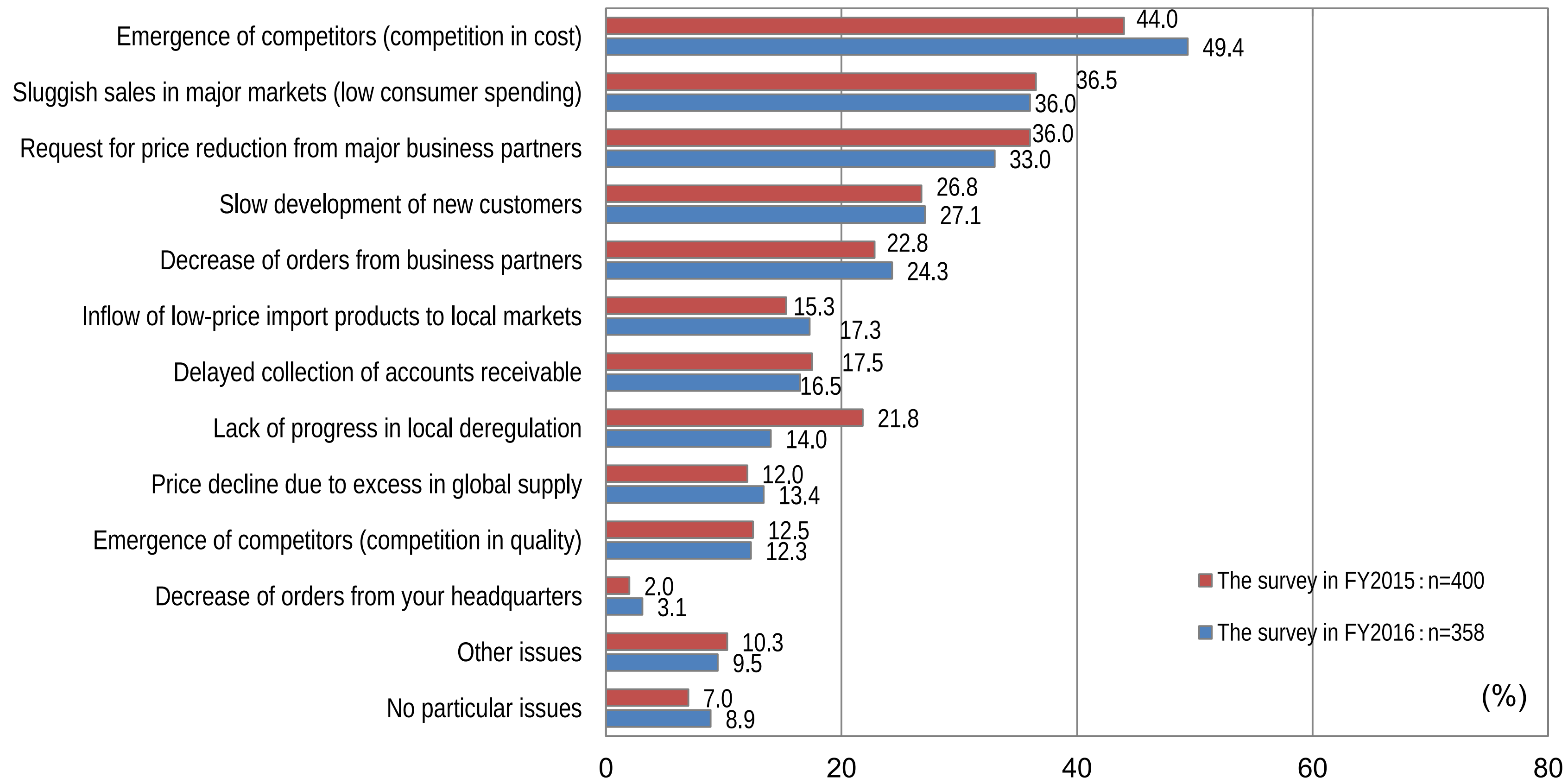
- **As for the change in competition conditions for the past year, the ratio of enterprises that answered "fiercer competition"** surpassed the previous survey (46.5% to 53.6%) within Latin America as a whole. The above answer rapidly increased in Argentina, which comes under the spotlight thanks to the progress of economic reforms (19.4% to 56.5%).
- Although there were some answers of a lessening of competition, centering on mining related enterprises in Chile and **Peru, the competition surrounding Japanese enterprises' advance into Latin America is further intensifying as a whole.**

Changes in competition within the past year



- **In comparison with the previous survey, the ratio of the answer of "lack of progress in local deregulation"** significantly decreased (21.8% to 14.0%).

Issues in the field of sales and marketing (Latin America Overall, Multiple Answers)



III – 5 – (1) Issues with business management: Issues in the field of sales and marketing

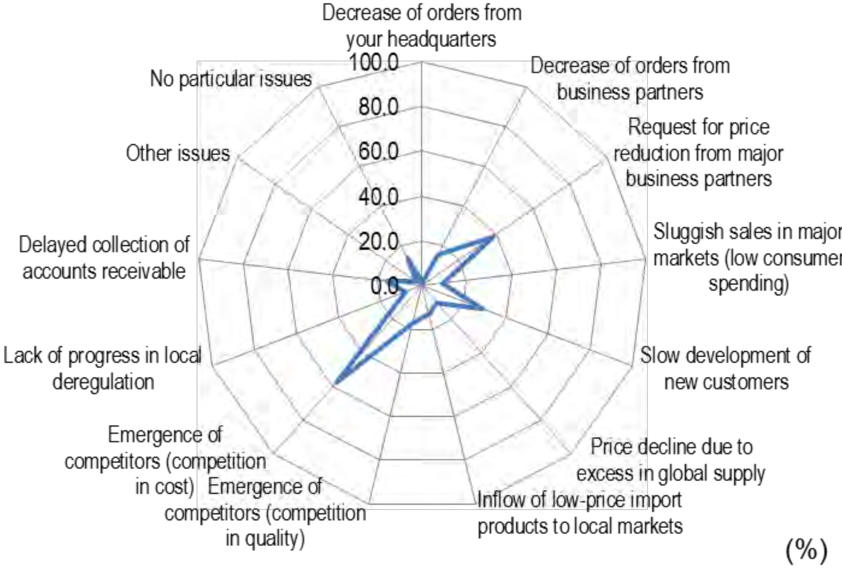
- **In Argentina, the ratio of the answer of "lack of progress in local deregulation" greatly decreased from the previous** survey (67.7% to 17.4%). It seems to be a result reflecting the progress of economic reforms by the Macri administration.
- **In Brazil, the ratio of the answer of "sluggish sales in major markets (low consumer spending)" is the highest (67.7%)** within the region. It seems to be reflecting the slow recovery in the consumption market.

Issues in the field of sales and marketing (Multiple Answers)

(Unit : %)

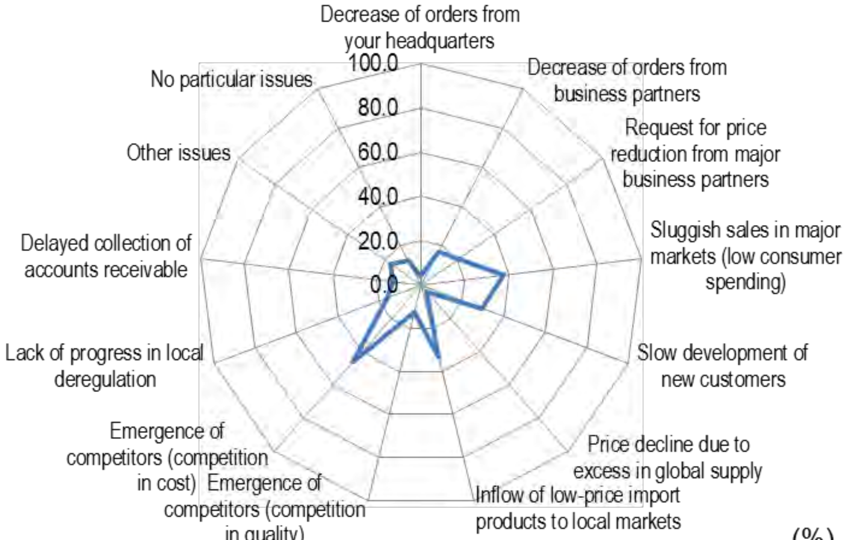
	Valid responses	Decrease of orders from your headquarters	Decrease of orders from business partners	Request for price reduction from major business partners	Sluggish sales in major markets (low consumer spending)	Slow development of new customers	Price decline due to excess in global supply	Inflow of low-price import products to local markets	Emergence of competitors (competition in quality)	Emergence of competitors (competition in cost)	Lack of progress in local deregulation	Delayed collection of accounts receivable	Other issues	No particular issues
Latin America	358	3.1	24.3	33.0	36.0	27.1	13.4	17.3	12.3	49.4	14.0	16.5	9.5	8.9
Mexico	142	1.4	15.5	38.7	9.2	28.9	9.9	12.7	16.9	57.7	7.7	15.5	3.5	14.1
Venezuela	13	7.7	30.8	0.0	46.2	15.4	0.0	7.7	0.0	7.7	38.5	30.8	46.2	7.7
Colombia	24	4.2	16.7	20.8	37.5	29.2	4.2	33.3	12.5	45.8	16.7	12.5	16.7	12.5
Peru	23	4.3	13.0	21.7	34.8	17.4	17.4	30.4	21.7	52.2	13.0	4.3	13.0	0.0
Chile	37	8.1	13.5	24.3	43.2	13.5	27.0	10.8	10.8	45.9	5.4	5.4	8.1	10.8
Brazil	96	2.1	45.8	40.6	67.7	30.2	17.7	18.8	6.3	43.8	21.9	25.0	9.4	4.2
Argentina	23	4.3	21.7	21.7	52.2	39.1	8.7	26.1	8.7	52.2	17.4	13.0	17.4	0.0

Mexico(n=142)

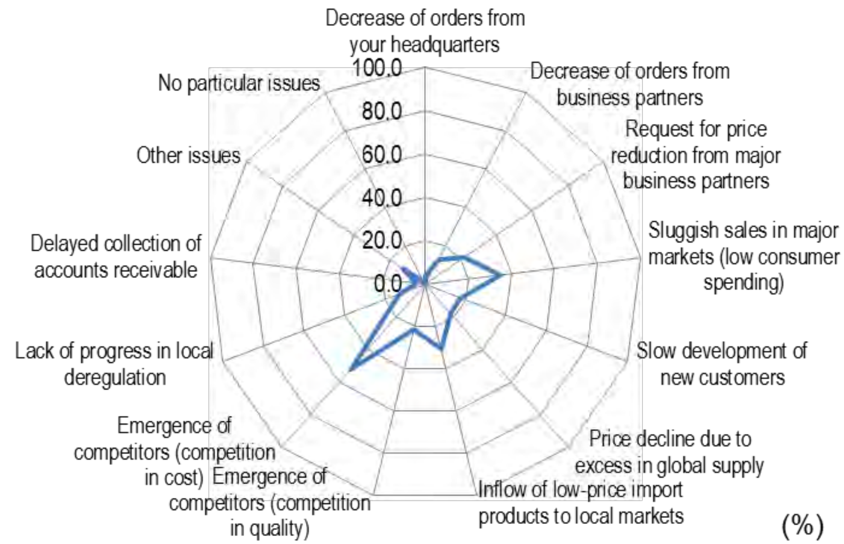


Brazil(n=96)

Colombia(n=24)



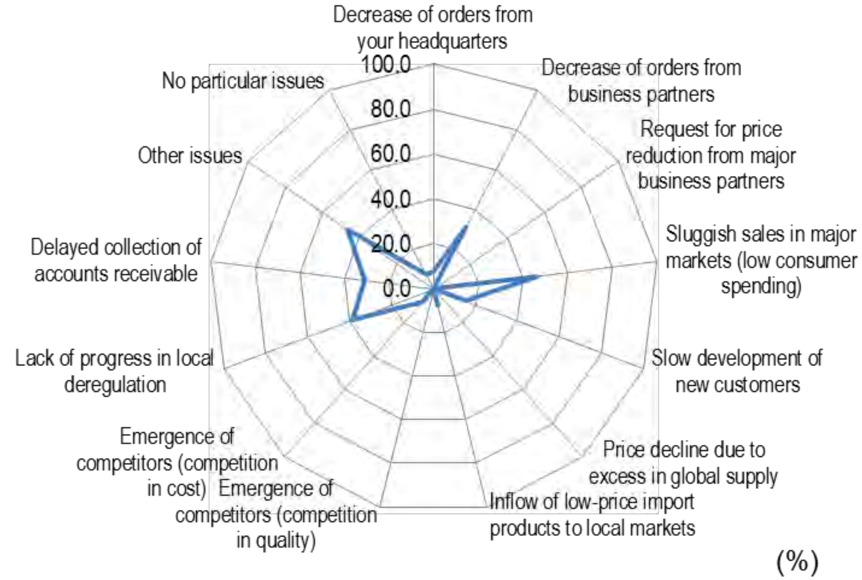
Peru(n=23)



III – 5 – (1) Issues with business management: Issues in the field of sales and marketing

Chile (n=37)

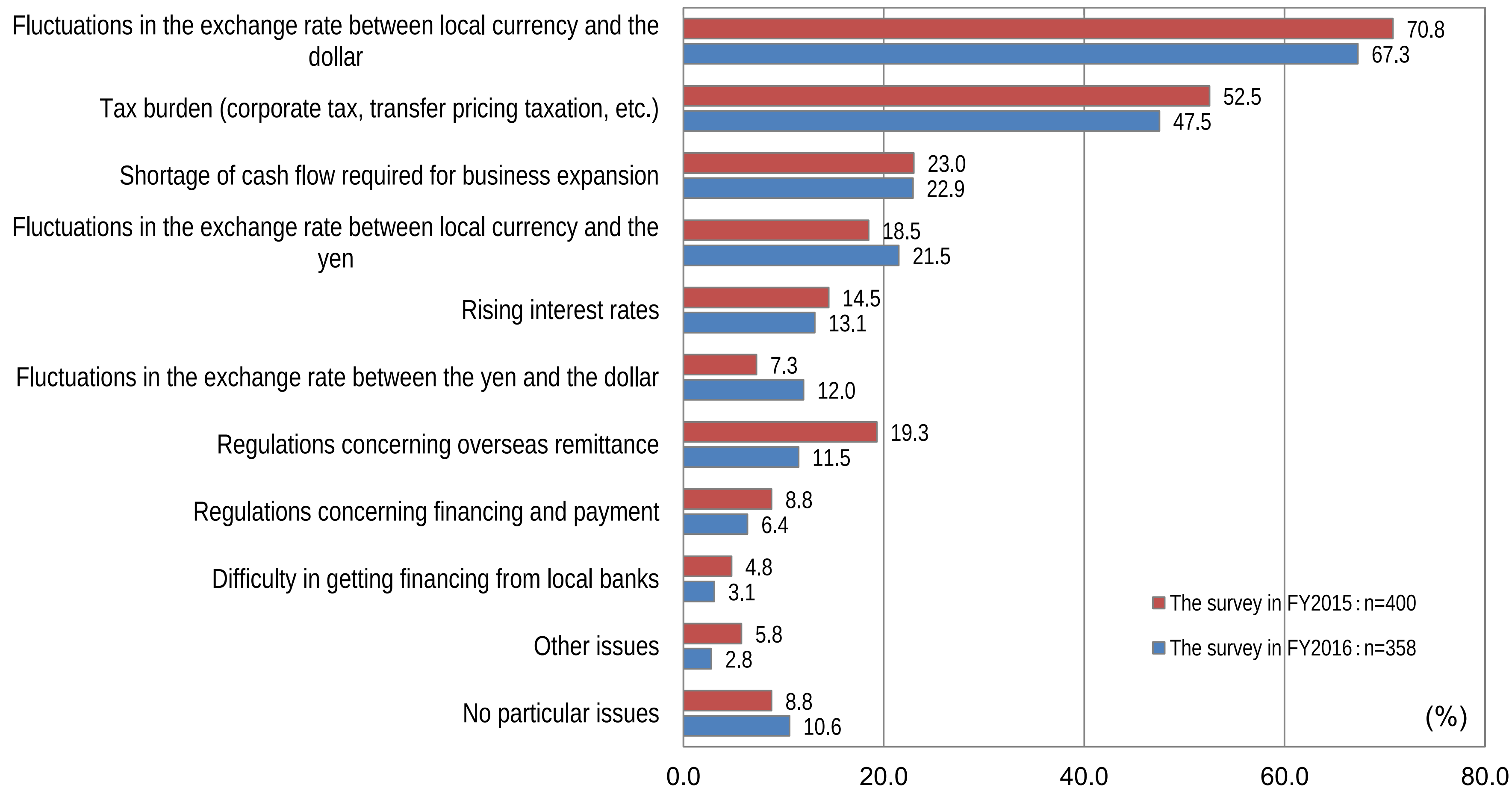
Venezuela(n=13)



Argentina(n=23)

- **As for the financial, monetary, and exchange problems now being faced, the ratio of the answer of “the fluctuation in the exchange rate between local currency and the dollar” was the highest.**

Issues in the field of finance, monetary and foreign exchange(Latin America Overall, Multiple Answers)



- **By country, the ratio of the answer of "regulations concerning overseas remittance" greatly decreased from the previous** survey (96.8 to 17.4%) in Argentina.
- **In Chile, the ratio of the answer of "tax burden such as corporate tax and transfer pricing tax" decreased from the** previous survey (43.2% to 24.3%) **and became the lowest level in the region. It seems that Japanese enterprises' sense of** anticipation toward the Japan-Chile Tax Treaty (Note) lies behind this answer.

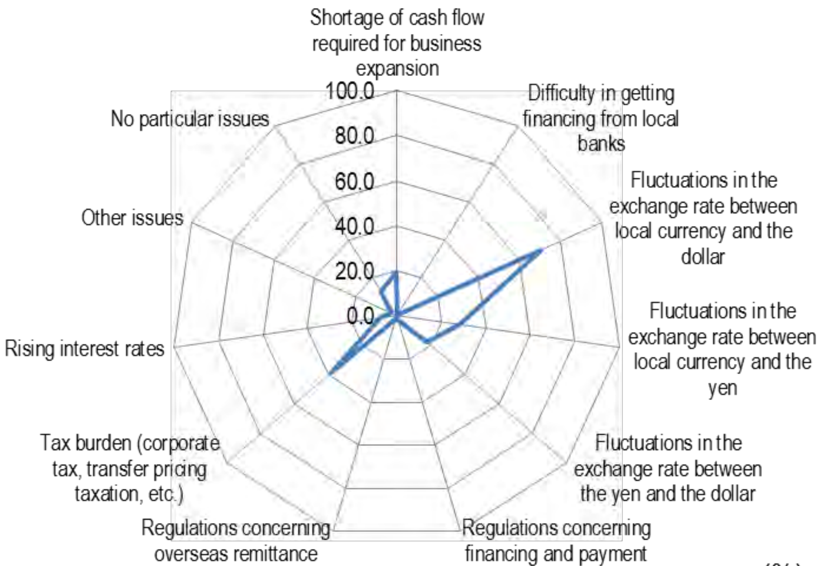
(Note): The treaty was signed on January 21, 2016 and became effective on December 28, 2016.

Issues in the field of finance, monetary and foreign exchange (Multiple Answers)

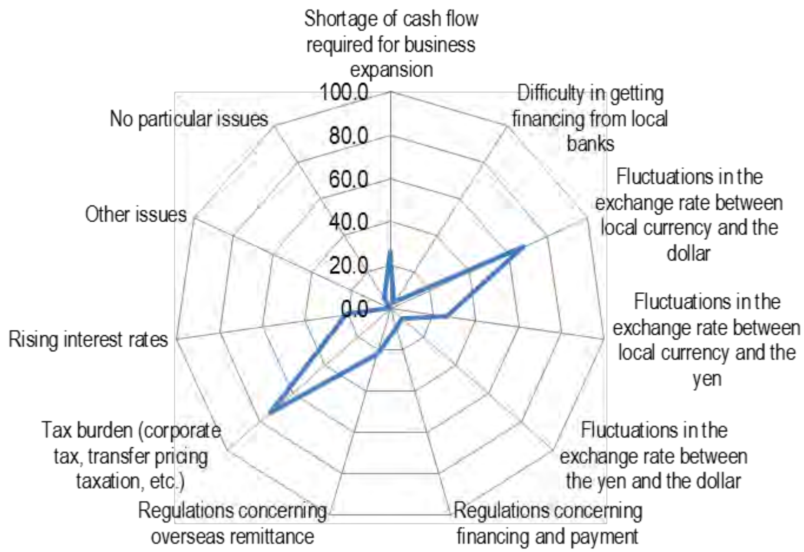
(Unit : %)

	Valid responses	Shortage of cash flow required for business expansion	Difficulty in getting financing from local banks	Fluctuations in the exchange rate between local currency and the dollar	Fluctuations in the exchange rate between local currency and the yen	Fluctuations in the exchange rate between the yen and the dollar	Regulations concerning financing and payment	Regulations concerning overseas remittance	Tax burden (corporate tax, transfer pricing taxation, etc.)	Rising interest rates	Other issues	No particular issues
Latin America	358	22.9	3.1	67.3	21.5	12.0	6.4	11.5	47.5	13.1	2.8	10.6
Mexico	142	19.0	0.7	70.4	28.2	17.6	2.1	1.4	38.7	7.7	2.8	12.7
Venezuela	13	15.4	0.0	92.3	7.7	0.0	46.2	69.2	30.8	7.7	23.1	0.0
Colombia	24	20.8	4.2	87.5	16.7	16.7	4.2	8.3	45.8	12.5	4.2	4.2
Peru	23	26.1	0.0	52.2	8.7	8.7	0.0	0.0	52.2	4.3	4.3	13.0
Chile	37	10.8	5.4	48.6	10.8	8.1	2.7	8.1	24.3	8.1	0.0	24.3
Brazil	96	26.0	3.1	67.7	26.0	7.3	9.4	21.9	74.0	20.8	0.0	5.2
Argentina	23	56.5	17.4	56.5	4.3	8.7	13.0	17.4	34.8	34.8	4.3	8.7

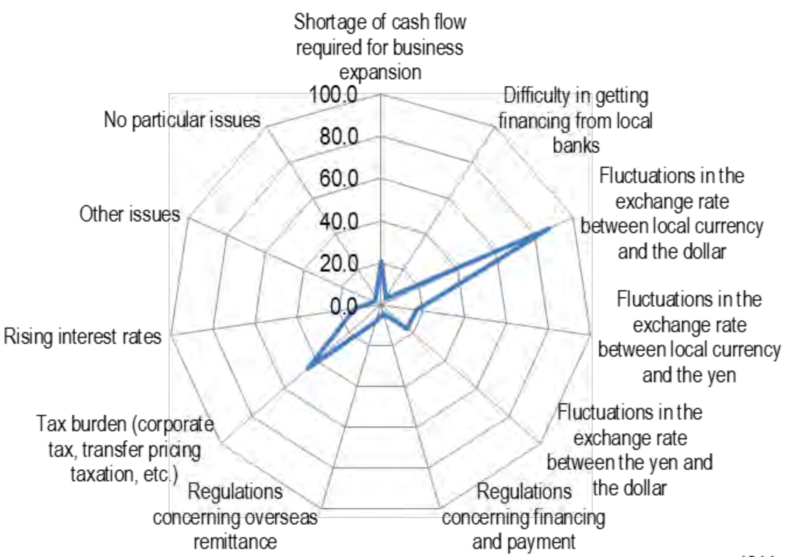
Mexico (n=142)



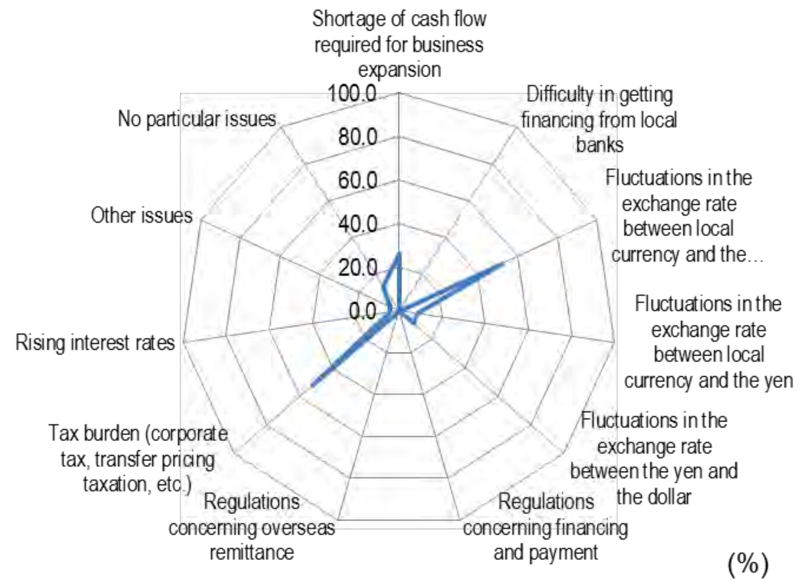
Brazil (n=96)



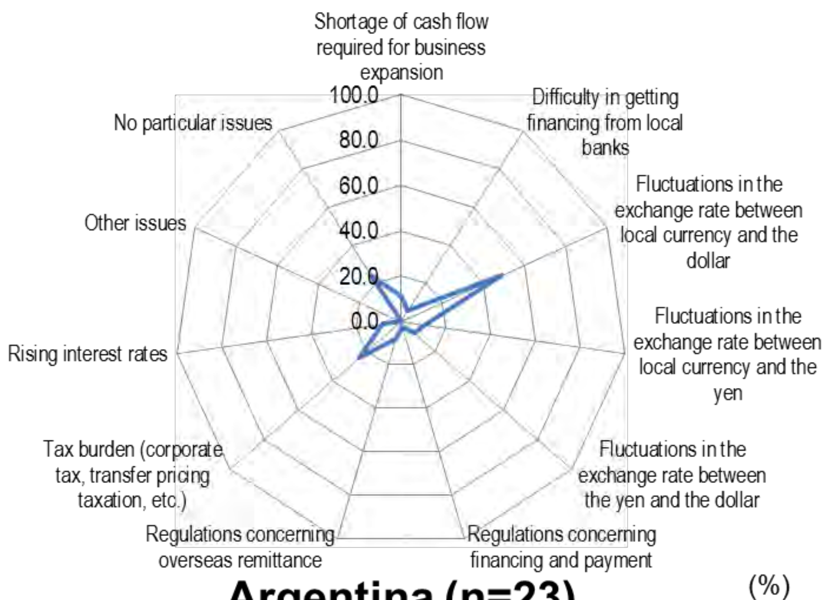
Colombia (n=24)



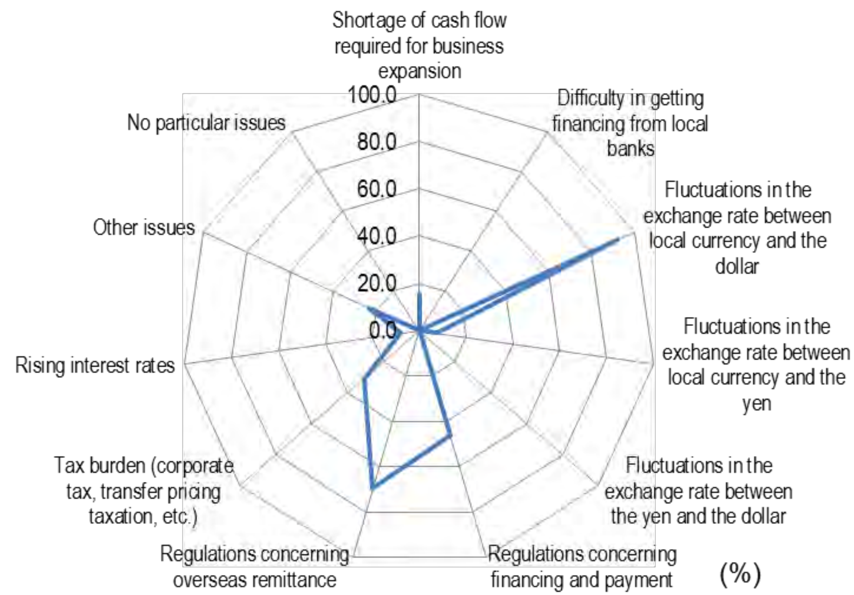
Peru (n=23)



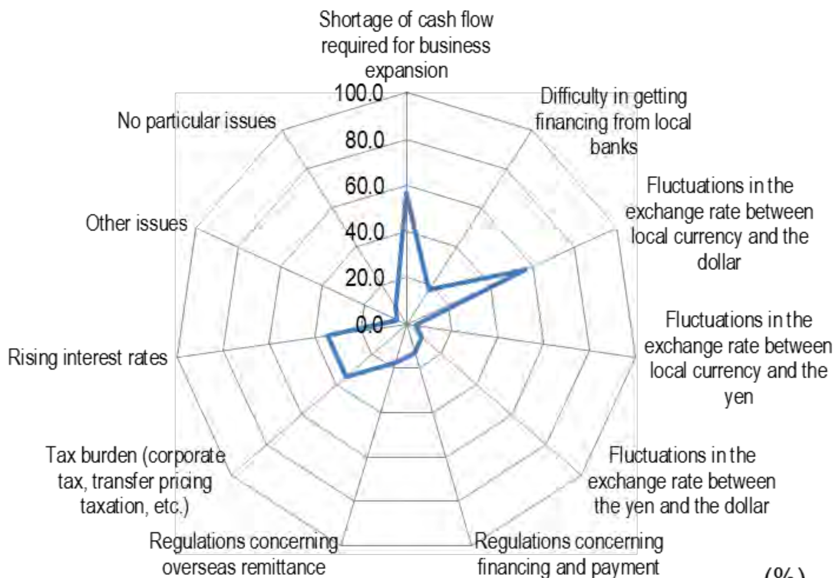
Chile (n=37)



Venezuela (n=13)

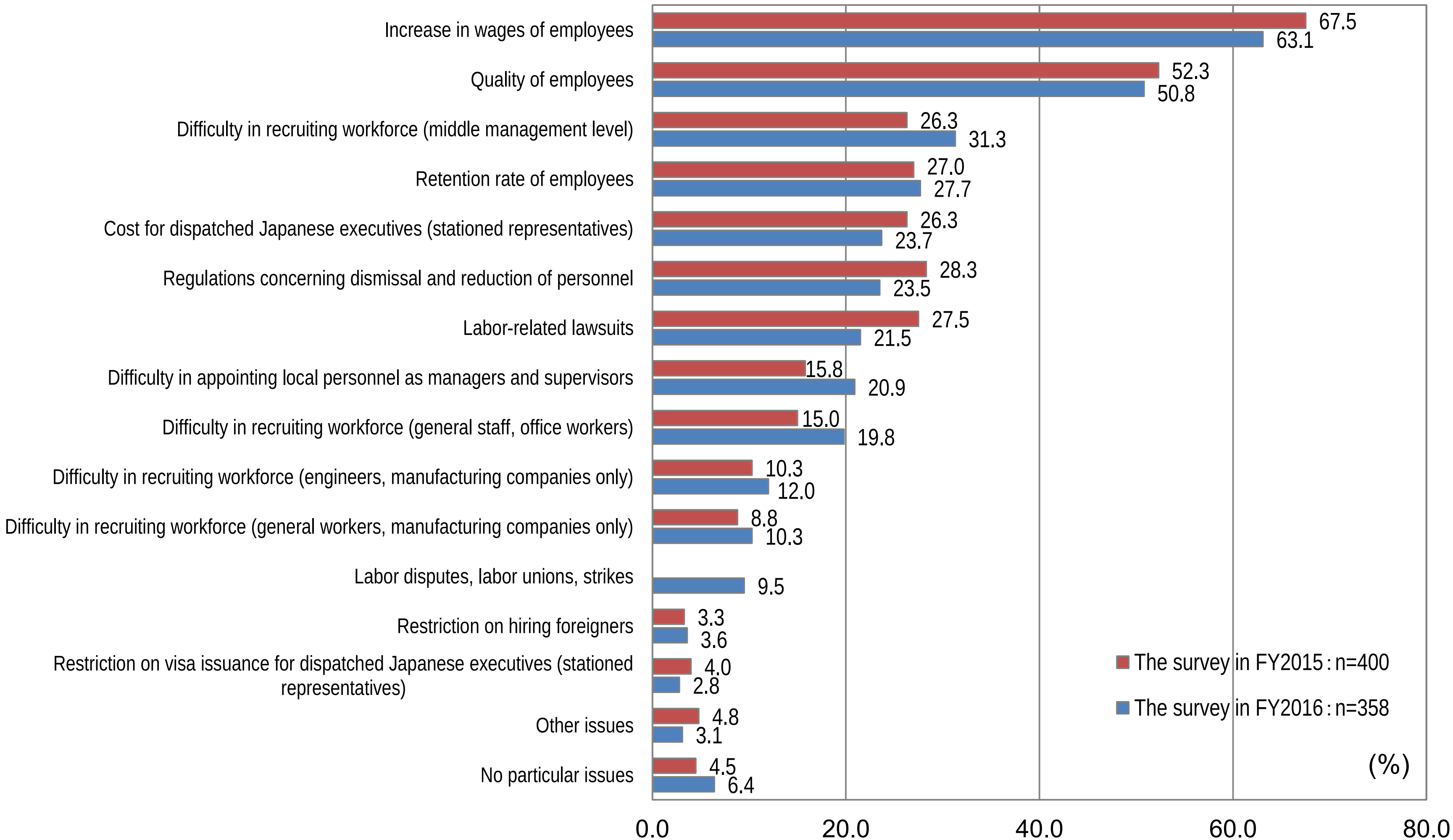


Argentina (n=23)



■ **Within Latin America as a whole, the ratio of the answers "increase in wages of employees"** (63.1%) **and "quality of employees" (50.8%) are prominently high.**

Issues in the field of employment and labor(Latin America Overall, Multiple Answers)



(Note): As for the items with no response in 2015, we newly established them in 2016.

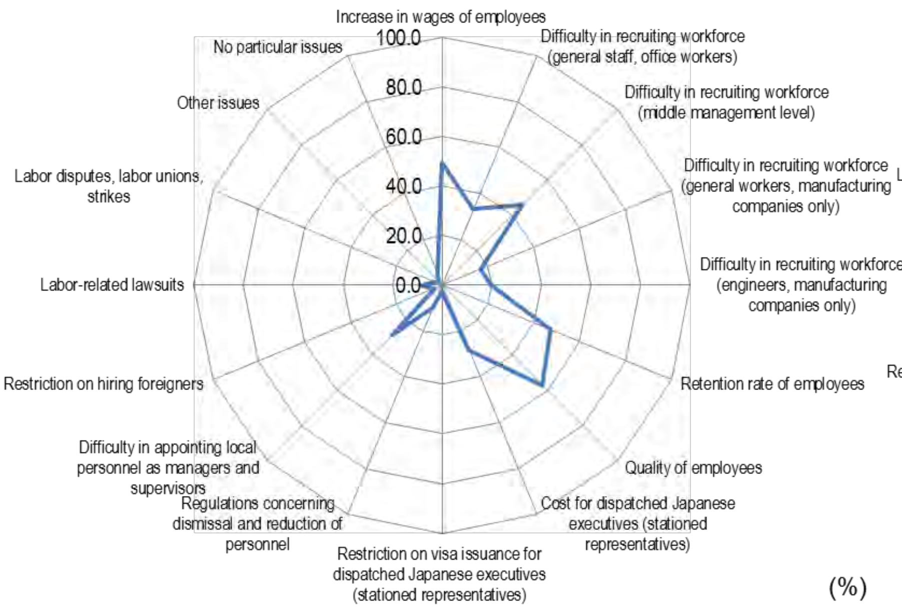
- By country, in Mexico, where the competition for human resources among increased Japanese enterprises is **intensifying, the ratio of “difficulty in recruiting workforce (middle management level)” (45.8%), “quality of employees” (57.0%), and “retention rate of employees” (47.2%)** are highest in the region.
- **In Brazil, where there are many labor suits, the ratio of the answer of “labor-related lawsuits” (53.1%) is prominently high.**
- **In Brazil and Argentina, compared to the other countries in the region, the ratio of the answer of “increase in wages of employees” was very high (87.5% and 82.6% respectively).**

Issues in the field of employment and labor (Multiple Answers)

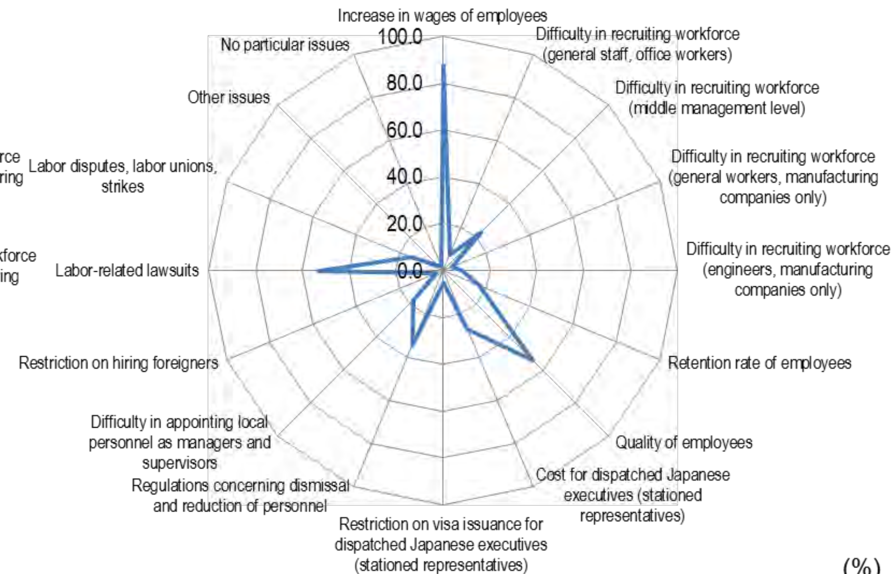
(Unit : %)

	Valid responses	Increase in wages of employees	Difficulty in recruiting workforce (general staff, office workers)	Difficulty in recruiting workforce (middle management level)	Difficulty in recruiting workforce (general workers, manufacturing companies only)	Difficulty in recruiting workforce (engineers, manufacturing companies only)	Retention rate of employees	Quality of employees	Cost for dispatched Japanese executives (stationed representatives)	Restriction on visa issuance for dispatched Japanese executives (stationed representatives)	Regulations concerning dismissal and reduction of personnel	Difficulty in appointing local personnel as managers and supervisors	Restriction on hiring foreigners	Labor-related lawsuits	Labor disputes, labor unions, strikes	Other issues	No particular issues
Latin America	358	63.1	19.8	31.3	10.3	12.0	27.7	50.8	23.7	2.8	23.5	20.9	3.6	21.5	9.5	3.1	6.4
Mexico	142	49.3	33.1	45.8	16.9	19.7	47.2	57.0	28.2	2.8	9.9	28.2	3.5	8.5	3.5	2.1	4.9
Venezuela	13	76.9	23.1	23.1	7.7	7.7	7.7	46.2	23.1	0.0	69.2	23.1	7.7	23.1	7.7	0.0	0.0
Colombia	24	41.7	8.3	16.7	4.2	0.0	16.7	25.0	20.8	0.0	25.0	16.7	4.2	8.3	4.2	0.0	25.0
Peru	23	47.8	21.7	17.4	4.3	13.0	30.4	47.8	4.3	0.0	52.2	17.4	8.7	13.0	13.0	13.0	4.3
Chile	37	59.5	13.5	27.0	8.1	2.7	5.4	43.2	18.9	2.7	5.4	16.2	2.7	5.4	13.5	2.7	16.2
Brazil	96	87.5	7.3	22.9	4.2	8.3	16.7	54.2	27.1	5.2	34.4	17.7	3.1	53.1	14.6	3.1	2.1
Argentina	23	82.6	8.7	17.4	13.0	8.7	8.7	43.5	13.0	0.0	34.8	4.3	0.0	17.4	21.7	4.3	4.3

Mexico (n=142)

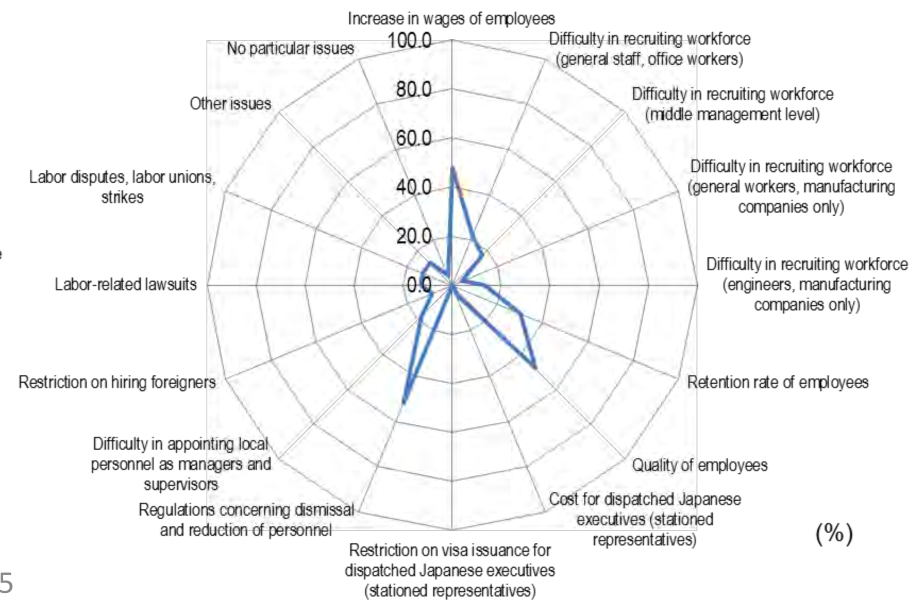


Brazil (n=96)

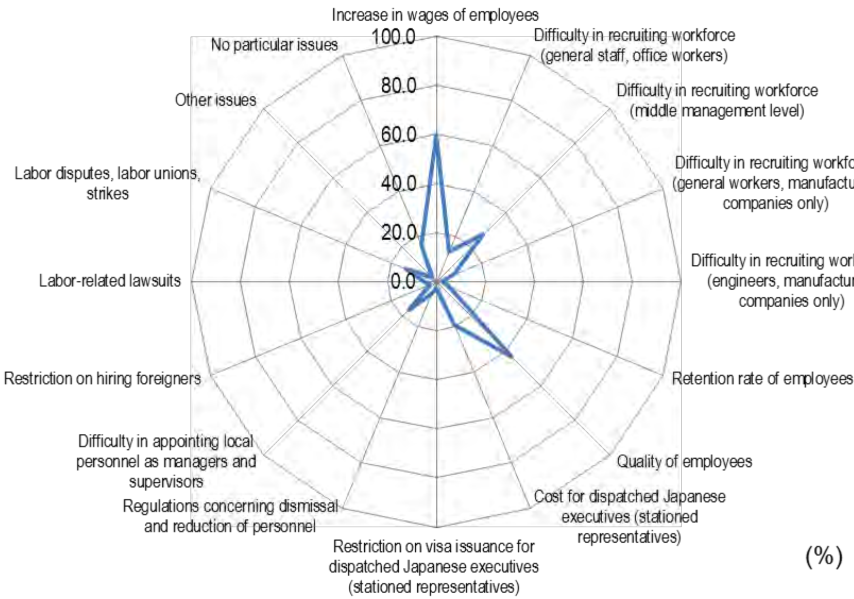


Colombia (n=24)

Peru (n=23)

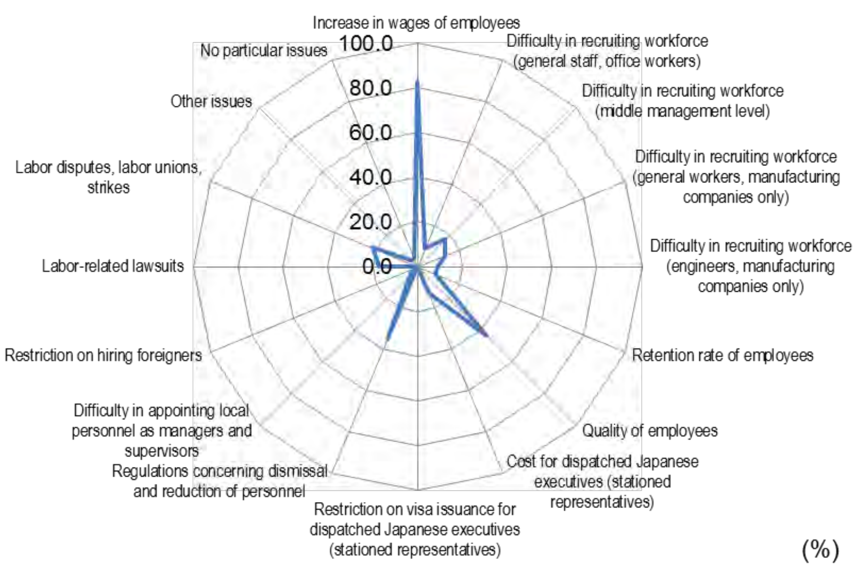


Chile (n=37)



Venezuela (n=13)

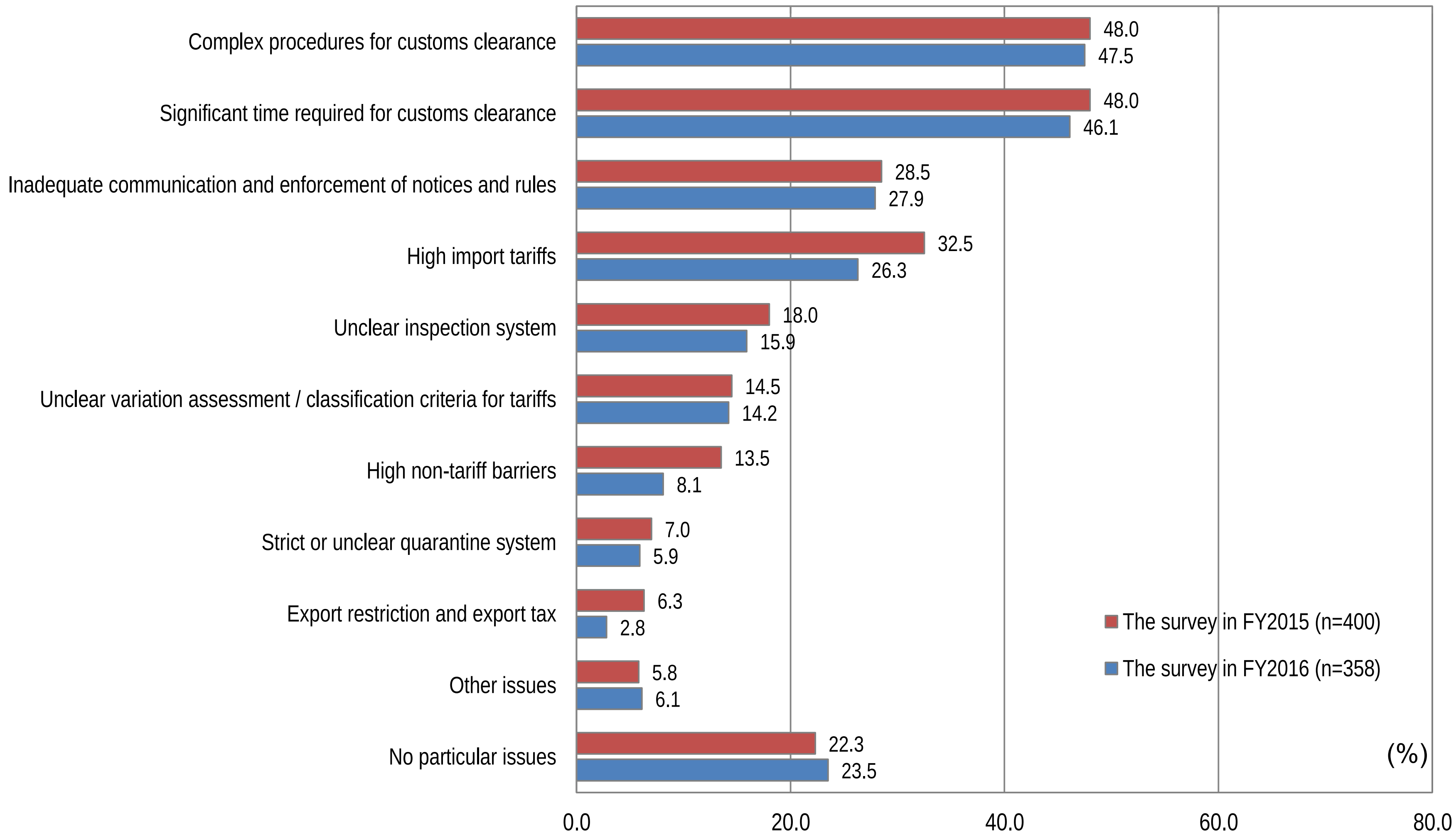
Argentina (n=23)



III – 5 – (4) Issues with business management: Issues in the field of trade systems

■ **As for the issues of the trade system, the ratio of enterprises stating "complex procedures for customs clearance" (47.5%) and "significant time required for customs clearance"** (46.1%) was high.

Issues in the field of trade systems(Latin America Overall, Multiple Answers)



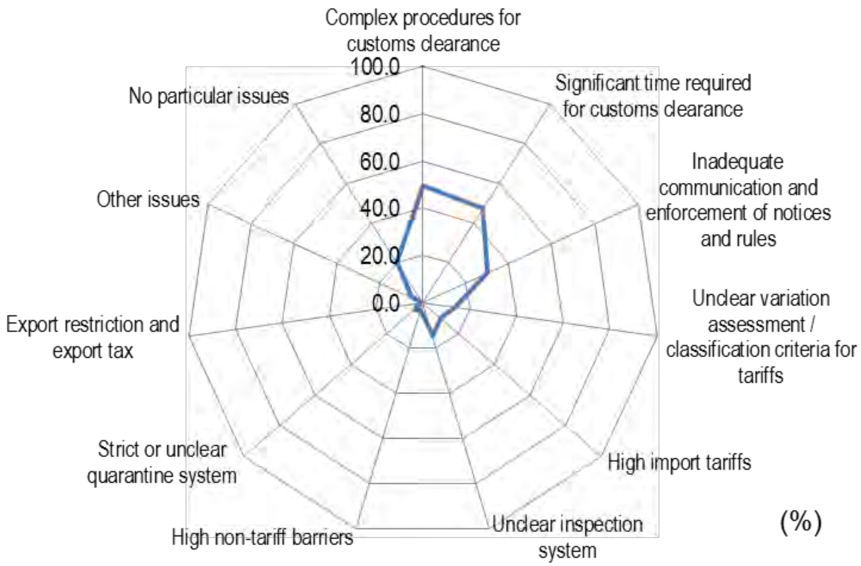
- By country, in the MERCOSUR countries (Brazil, Argentina, and Venezuela), many enterprises stated some sort of trade system issues in comparison with the Pacific Alliance countries (Mexico, Colombia, Peru, and Chile).
- **In Brazil and Argentina, the ratio of enterprises stating "high non-tariff barriers" as an issue greatly decreased from the** previous survey (27.2% to 16.7% and 35.5% to 17.4% respectively). Also, in Argentina, the ratio of the answer of **"existence of export restriction and export tax" significantly decreased too from the previous survey (41.9% to 17.4%).** The economic policy shift by the change in administrations in both countries lies behind this.

Issues in the field of trade systems (Multiple Answers)

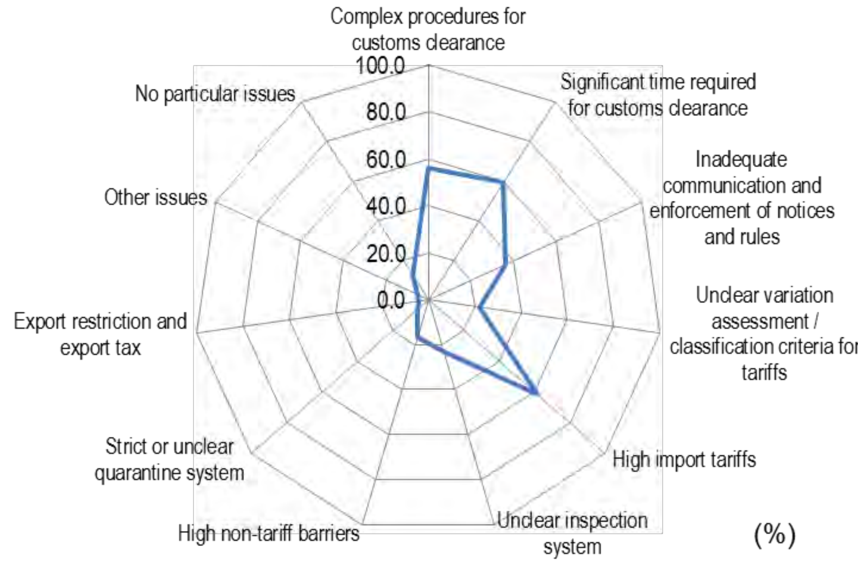
(Unit : %)

	Valid responses	Complex procedures for customs clearance	Significant time required for customs clearance	Inadequate communication and enforcement of notices and rules	Unclear variation assessment / classification criteria for tariffs	High import tariffs	Unclear inspection system	High non-tariff barriers	Strict or unclear quarantine system	Export restriction and export tax	Other issues	No particular issues
Latin America	358	47.5	46.1	27.9	14.2	26.3	15.9	8.1	5.9	2.8	6.1	23.5
Mexico	142	49.3	47.2	30.3	14.1	9.9	14.8	3.5	4.2	0.7	5.6	20.4
Venezuela	13	61.5	53.8	38.5	15.4	0.0	30.8	0.0	0.0	0.0	7.7	15.4
Colombia	24	25.0	25.0	12.5	4.2	29.2	4.2	4.2	4.2	4.2	4.2	33.3
Peru	23	39.1	47.8	8.7	4.3	4.3	21.7	13.0	13.0	0.0	4.3	47.8
Chile	37	10.8	13.5	10.8	5.4	2.7	0.0	0.0	10.8	0.0	10.8	56.8
Brazil	96	56.3	59.4	36.5	21.9	61.5	22.9	16.7	6.3	4.2	5.2	12.5
Argentina	23	82.6	52.2	34.8	17.4	52.2	17.4	17.4	4.3	17.4	8.7	4.3

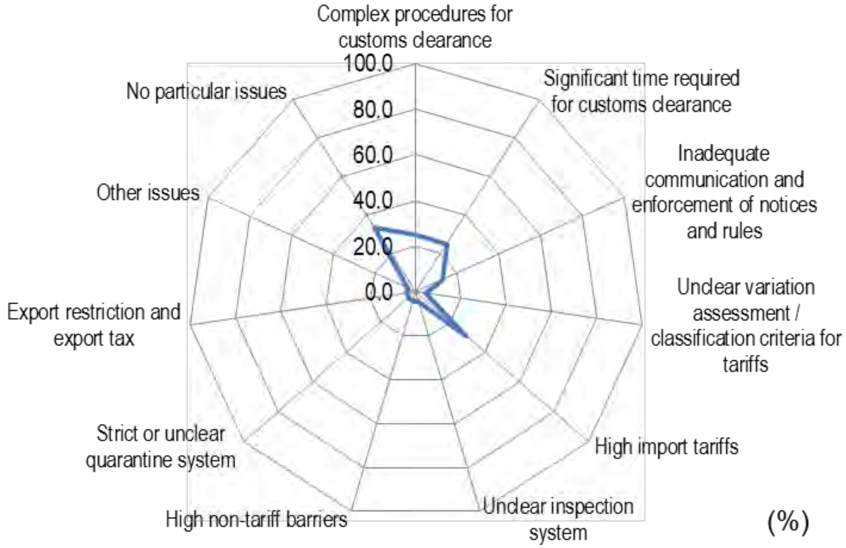
Mexico (n=142)



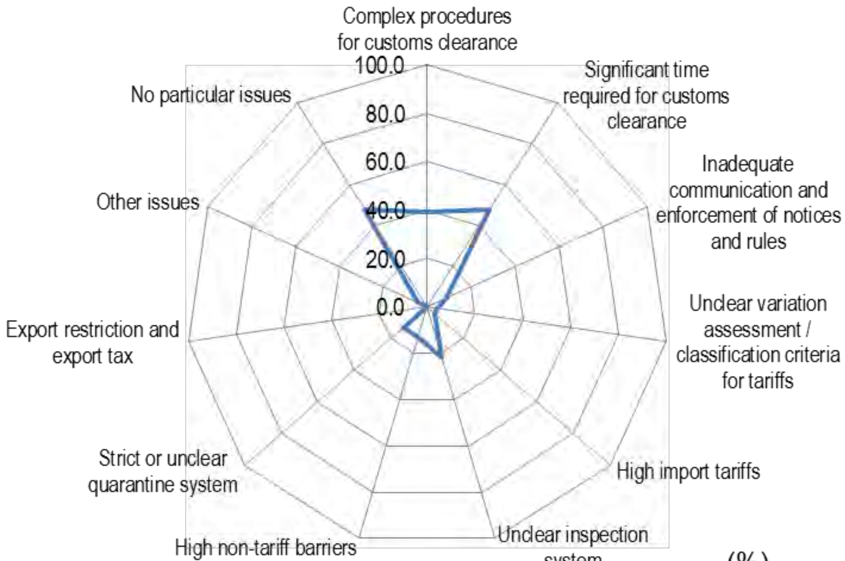
Brazil (n=96)



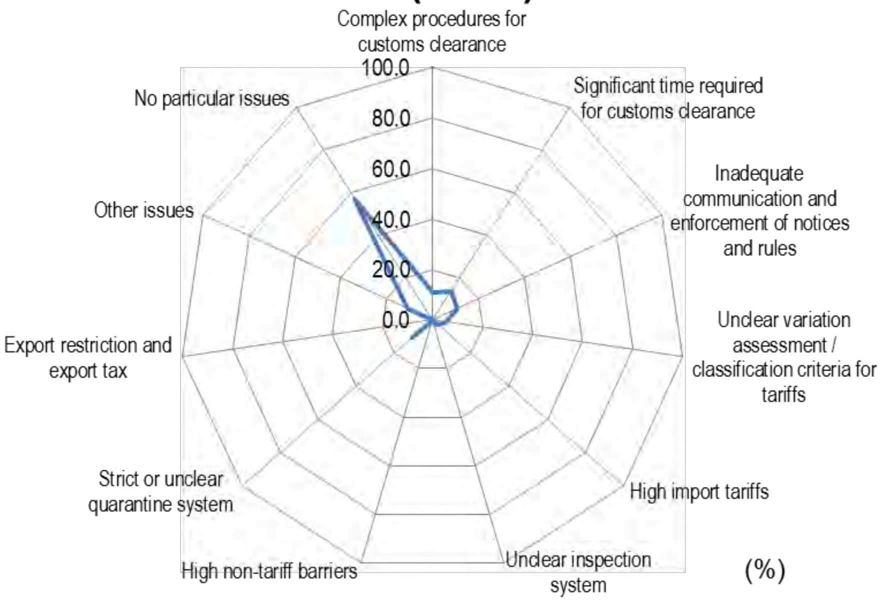
Colombia (n=24)



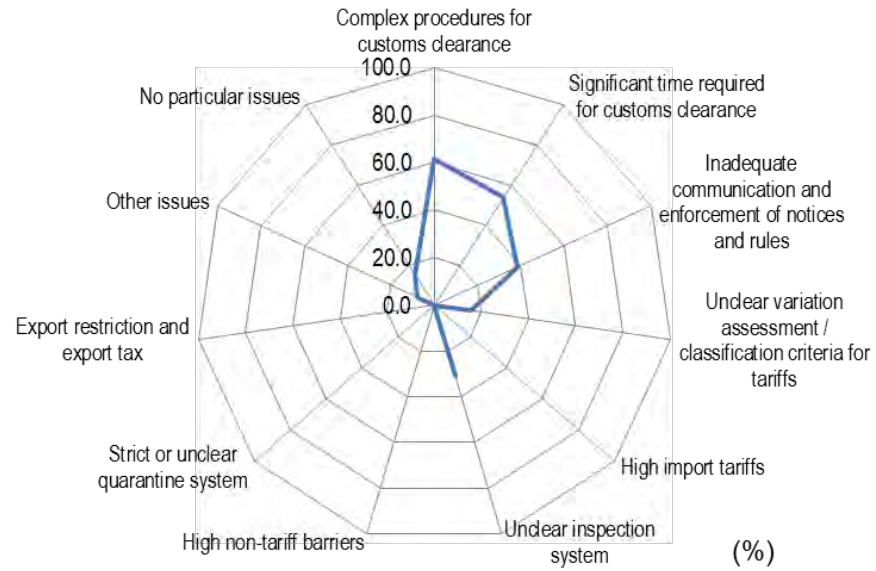
Peru (n=23)



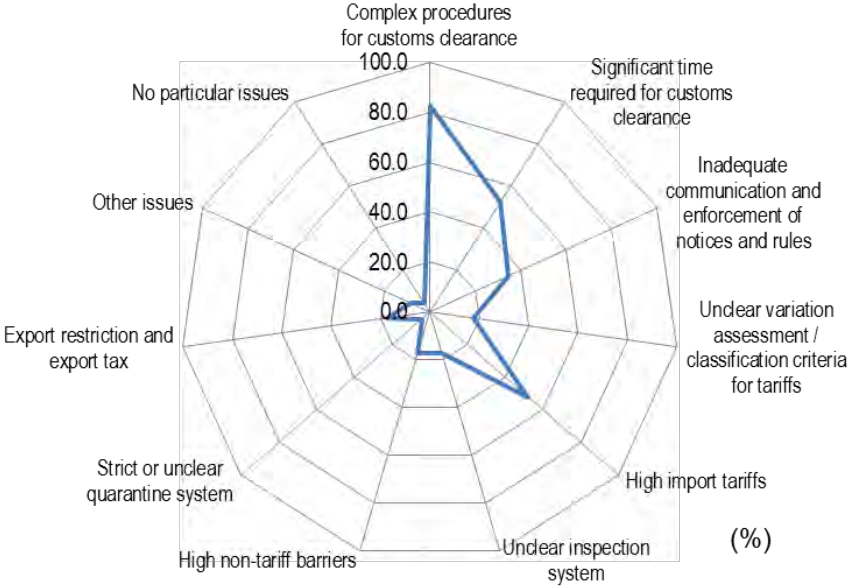
Chile (n=37)



Venezuela (n=13)



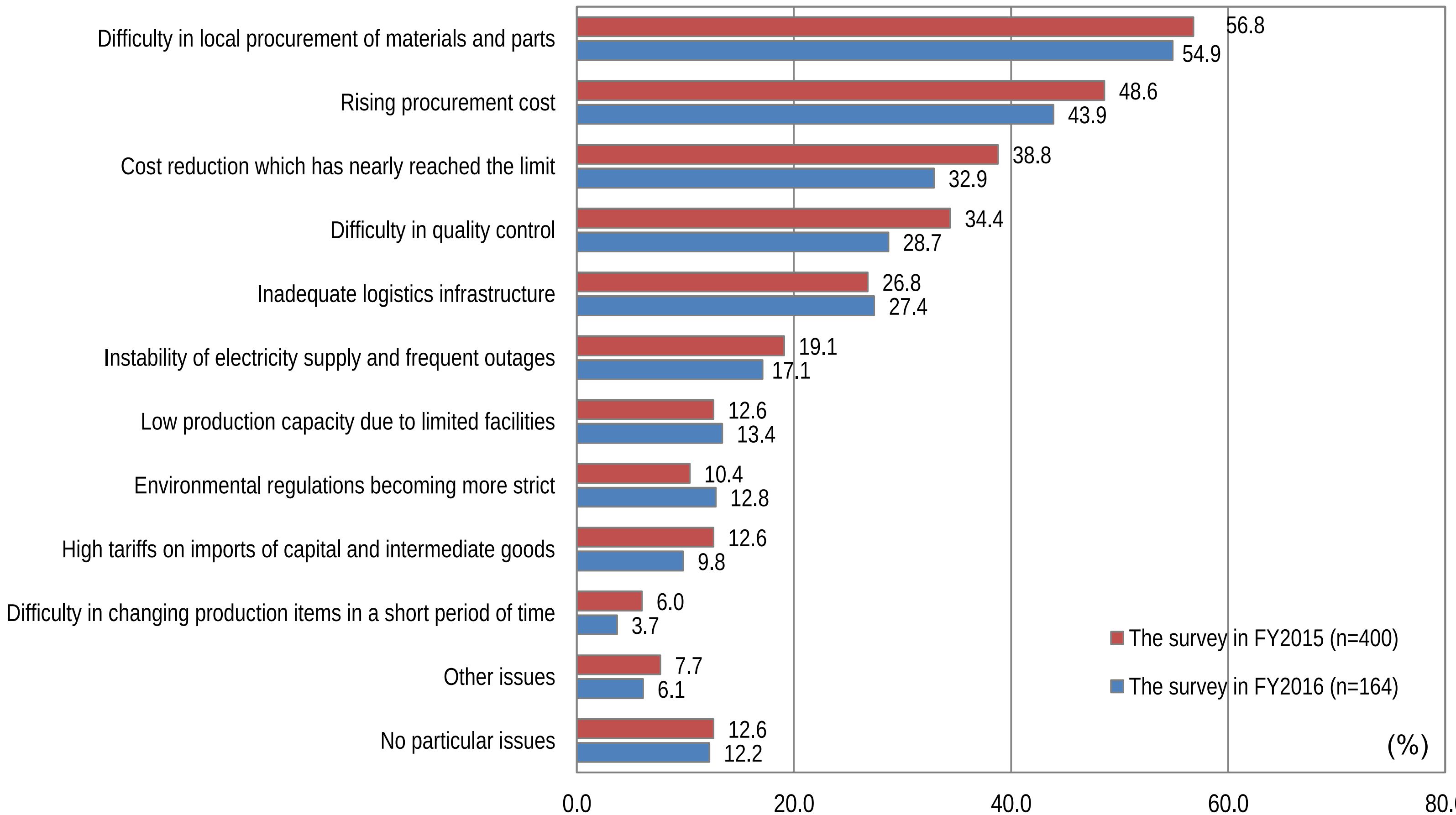
Argentina (n=23)



III – 5 – (5) Issues with business management: Issues in the field of production

■ **Within Latin America as a whole, the ratio of the answers "difficulty of local procurement of raw materials and parts" (54.9%) and "rising procurement costs" (43.9%)** was high.

Issues in the field of production (Latin America Overall, Multiple Answers)



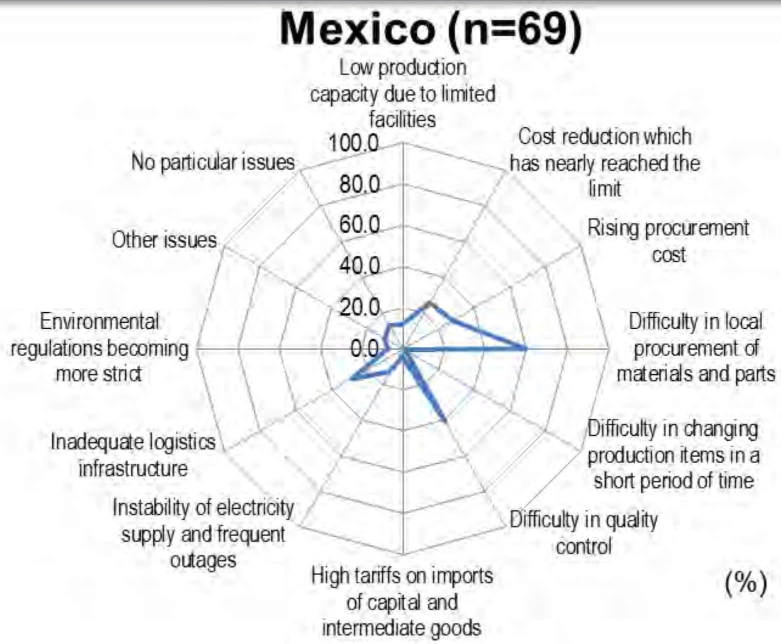
III – 5 – (5) Issues with business management: Issues in the field of production

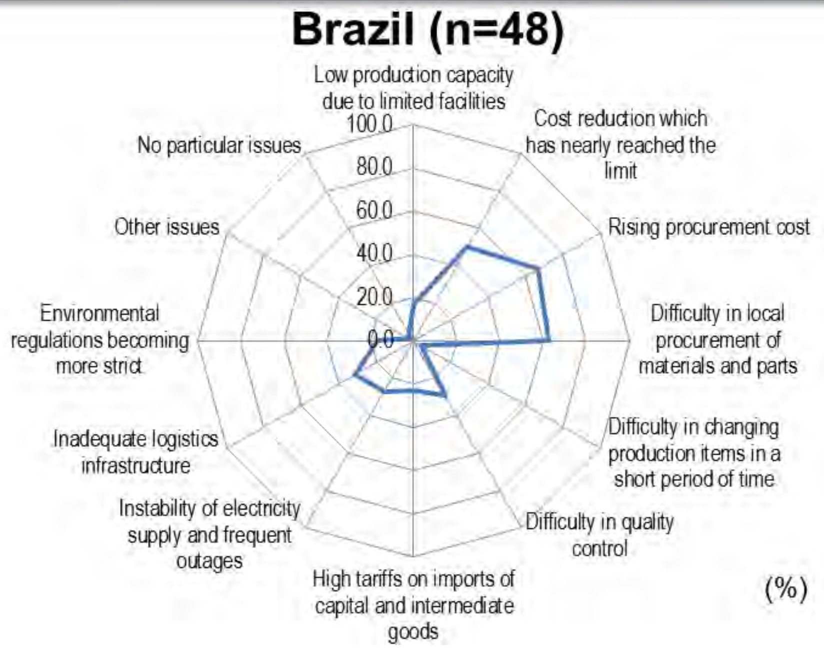
- By country, the ratio of enterprises **stating "difficulty of local procurement of raw materials and parts" as a problem was** high in Mexico, Brazil, and Argentina (59.4%, 62.5%, and 60.0% respectively), where many manufacturing enterprises are advancing into.
- **In Mexico, where there are many Japanese enterprises related to the auto industry, the ratio of "difficulty of quality control" decreased from the previous survey (51.4% to 40.6%). It seems that Japanese enterprises have become familiar** with the business environment in this country.
- **In Brazil and Argentina, the ratio of "approaching the limit of cost reductions" (50.0% and 40.0% respectively) and "rising procurement costs"** (66.7% and 50.0% respectively) are high. In Brazil, there have been many voices stating cost **problems deriving from the "Brazil cost" issue.**
- In Chile and Peru, where many Japanese enterprises have advanced into the field of food, agriculture, forestry, fisheries, **and mining, the ratio of enterprises stating "stricter environment regulations" was high (28.6% and 18.2% respectively).**

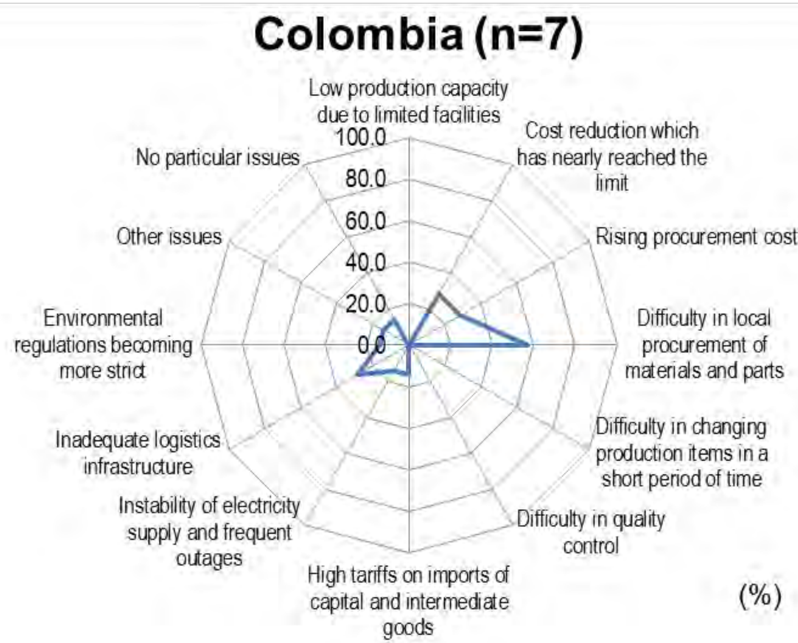
Issues in the field of production (Multiple Answers)

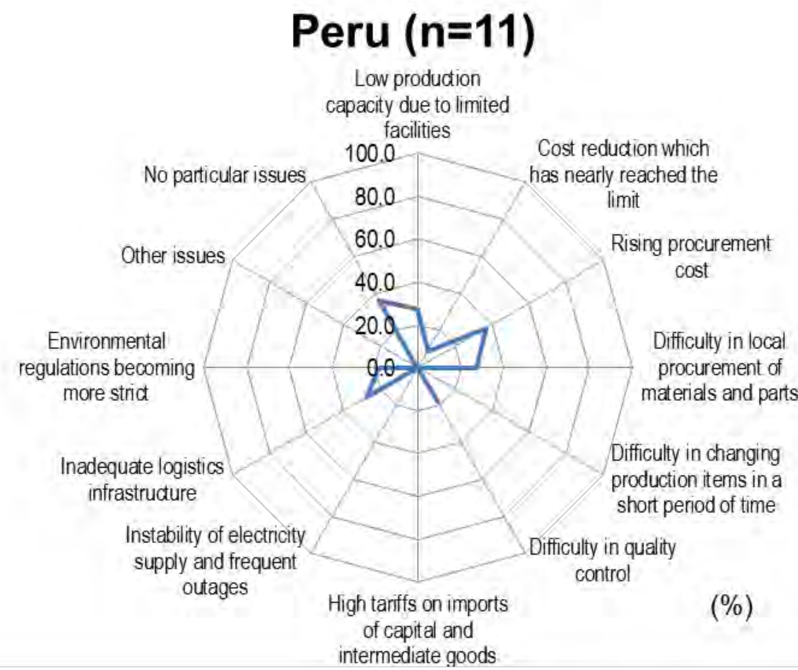
(Unit : %)

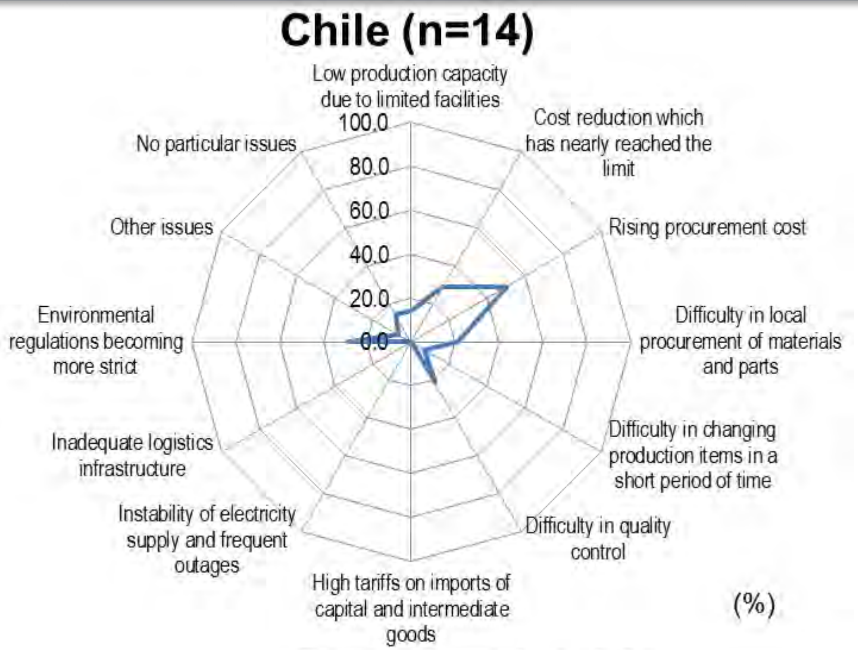
	Valid responses	Low production capacity due to limited facilities	Cost reduction which has nearly reached the limit	Rising procurement cost	Difficulty in local procurement of materials and parts	Difficulty in changing production items in a short period of time	Difficulty in quality control	High tariffs on imports of capital and intermediate goods	Instability of electricity supply and frequent outages	Inadequate logistics infrastructure	Environmental regulations becoming more strict	Other issues	No particular issues
Latin America	164	13.4	32.9	43.9	54.9	3.7	28.7	9.8	17.1	27.4	12.8	6.1	12.2
Mexico	69	11.6	26.1	27.5	59.4	1.4	40.6	4.3	13.0	29.0	7.2	10.1	13.0
Venezuela	5	0.0	20.0	60.0	60.0	20.0	0.0	0.0	20.0	20.0	0.0	0.0	0.0
Colombia	7	0.0	28.6	28.6	57.1	0.0	0.0	14.3	14.3	28.6	14.3	14.3	14.3
Peru	11	27.3	9.1	36.4	27.3	0.0	18.2	0.0	0.0	27.3	18.2	0.0	36.4
Chile	14	14.3	28.6	50.0	21.4	7.1	21.4	0.0	0.0	0.0	28.6	7.1	14.3
Brazil	48	16.7	50.0	66.7	62.5	4.2	29.2	22.9	27.1	31.3	16.7	2.1	4.2
Argentina	10	10.0	40.0	50.0	60.0	10.0	0.0	10.0	40.0	40.0	10.0	0.0	20.0

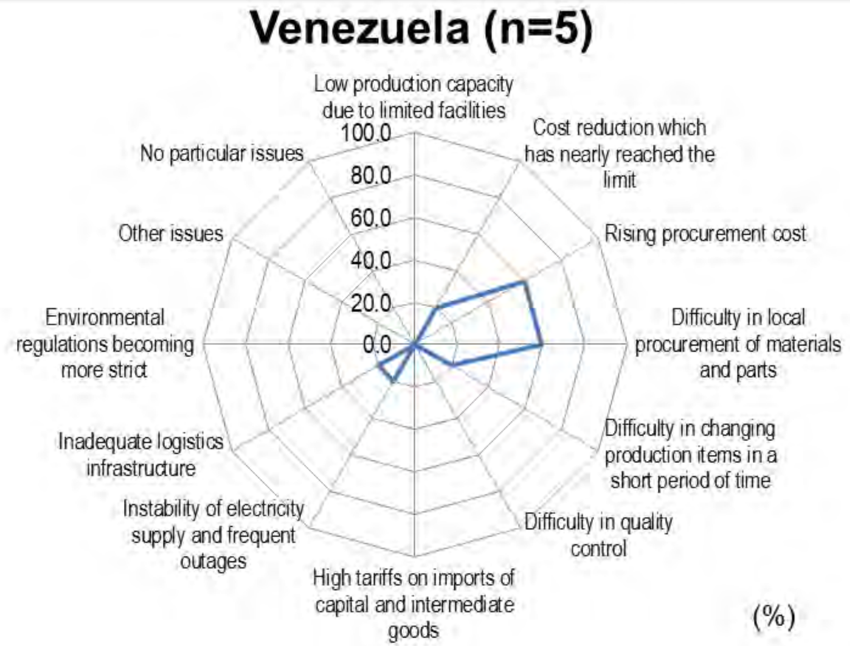

Mexico (n=69)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)

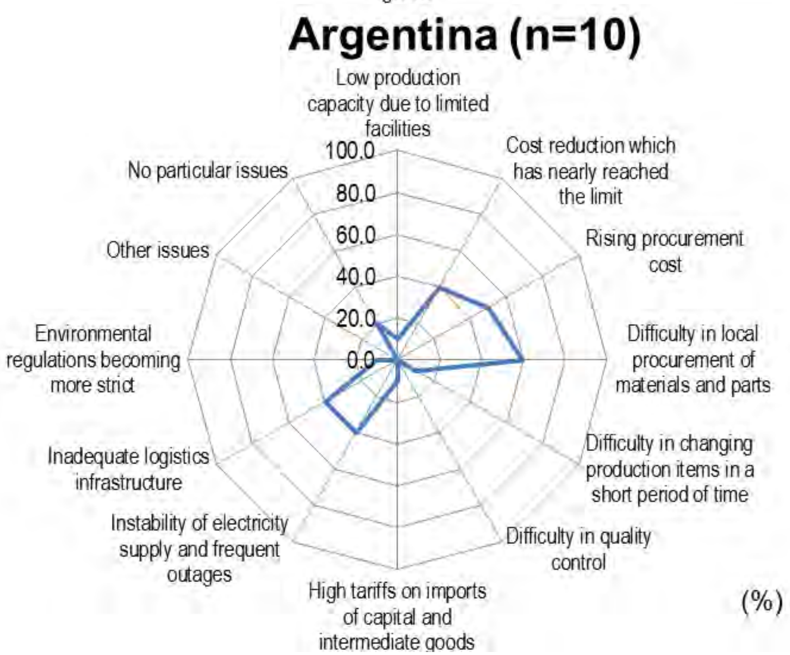

Brazil (n=48)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)


Colombia (n=7)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)


Peru (n=11)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)

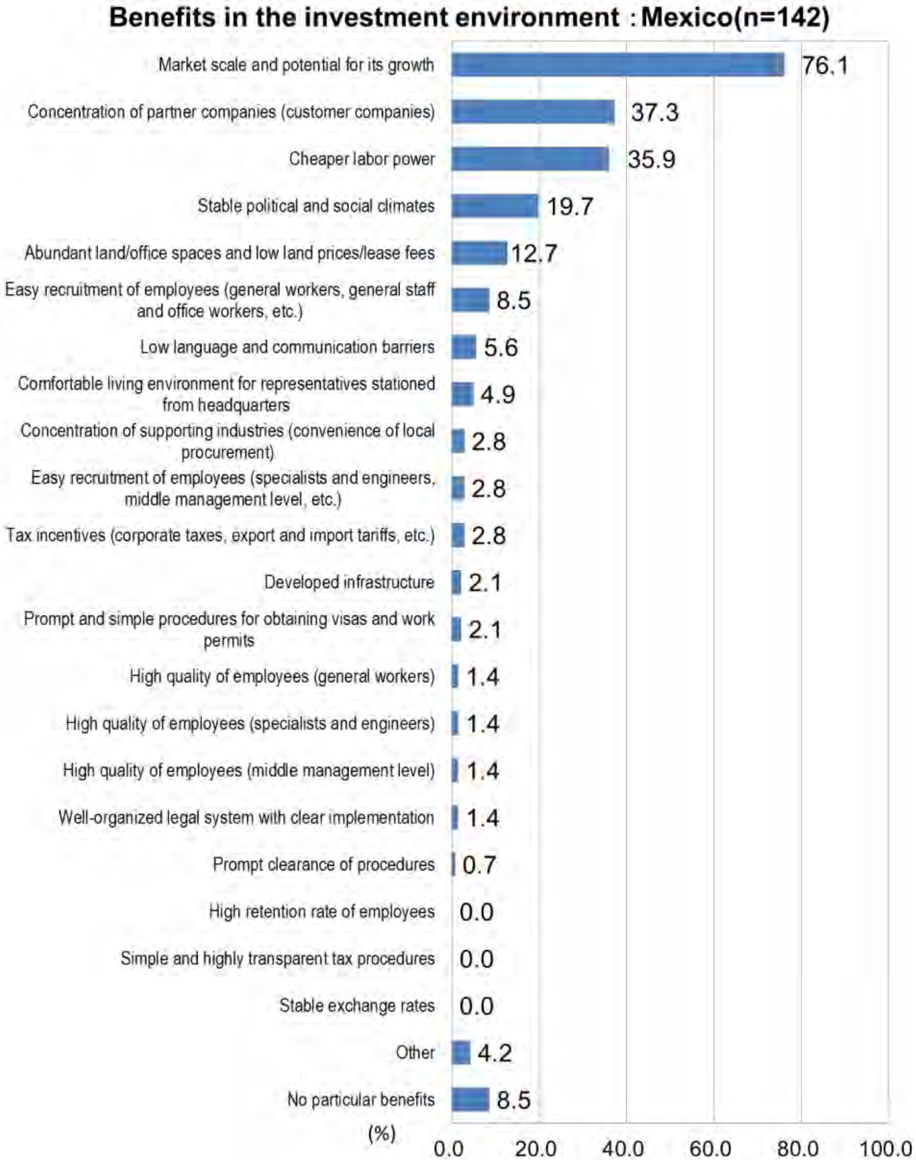

Chile (n=14)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)

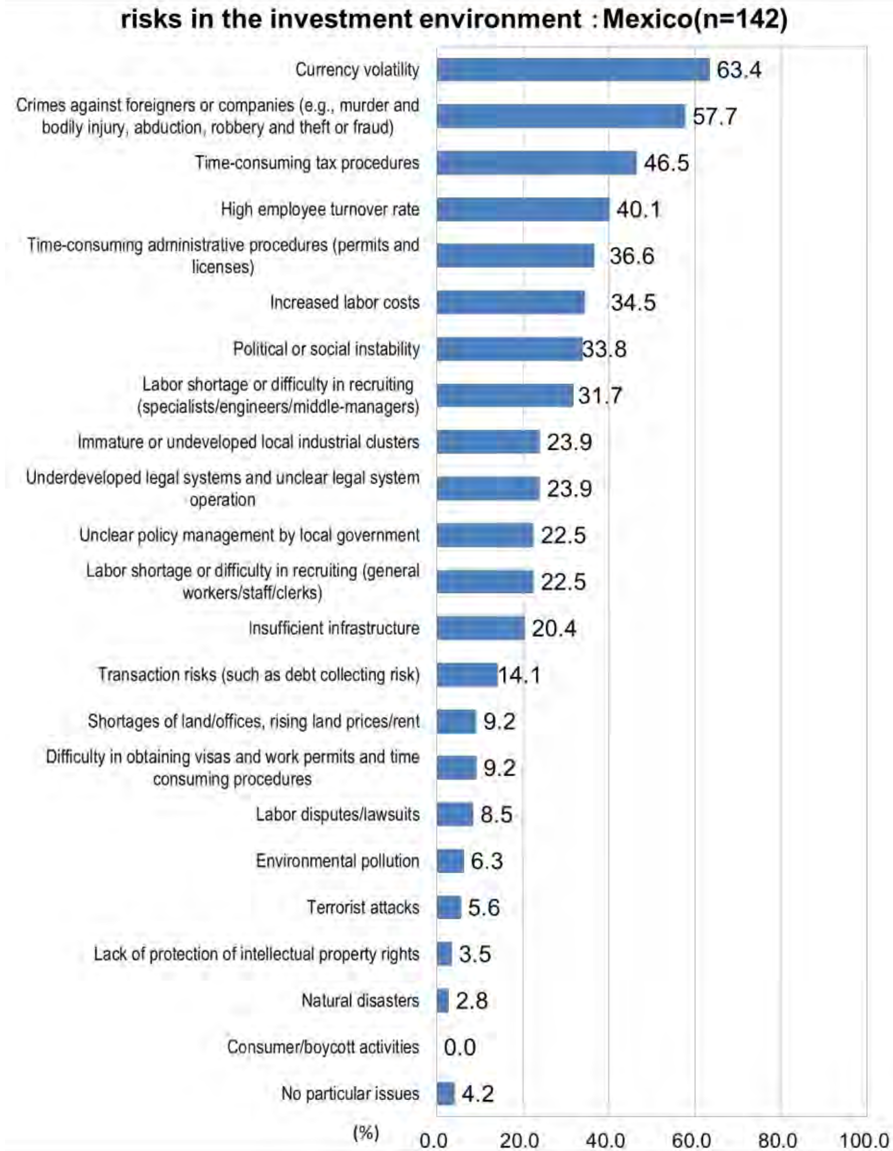

Venezuela (n=5)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)


Argentina (n=10)
Low production capacity due to limited facilities
Cost reduction which has nearly reached the limit
Rising procurement cost
Difficulty in local procurement of materials and parts
Difficulty in changing production items in a short period of time
Difficulty in quality control
High tariffs on imports of capital and intermediate goods
Instability of electricity supply and frequent outages
Inadequate logistics infrastructure
Environmental regulations becoming more strict
Other issues
No particular issues
100.0
80.0
60.0
40.0
20.0
0.0
(%)

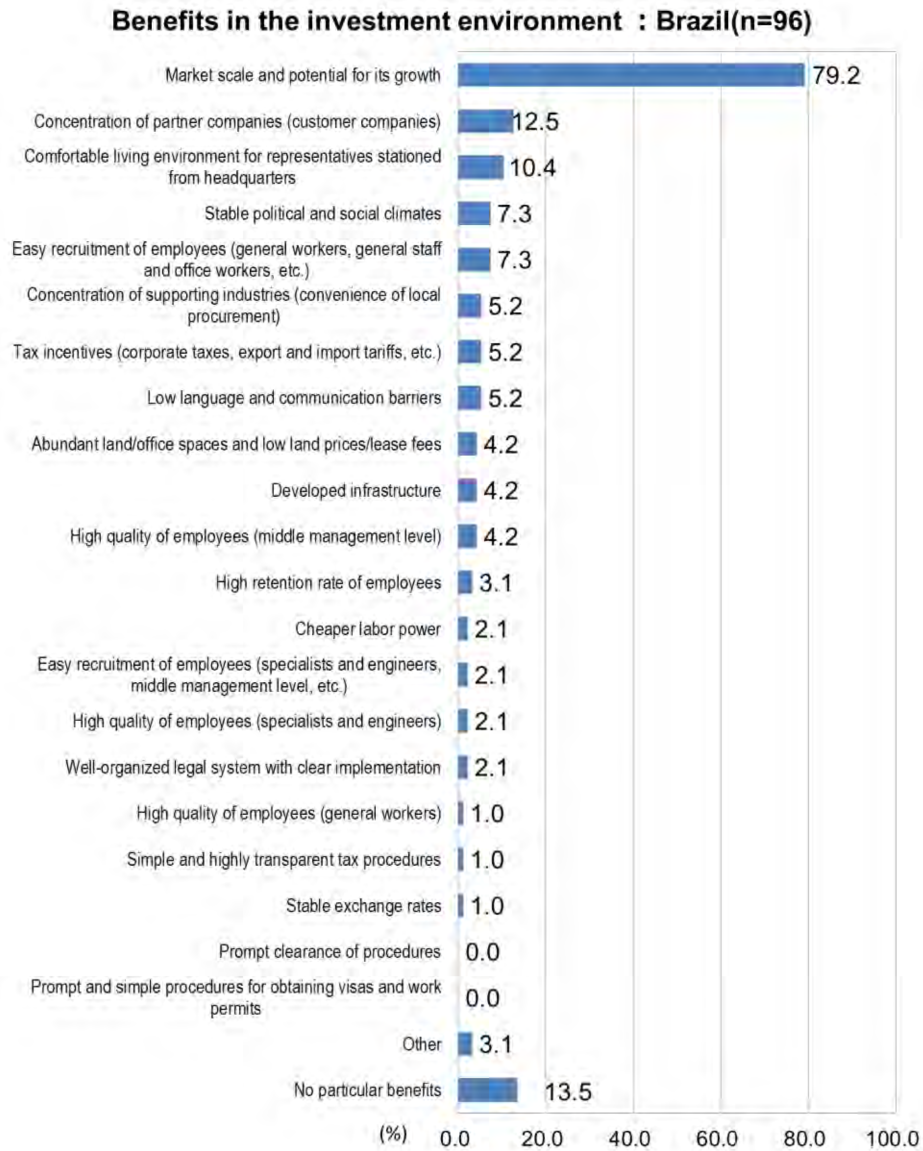
III – 5 – (6) Issues with business management: Benefits and risks in the investment environment -Mexico-

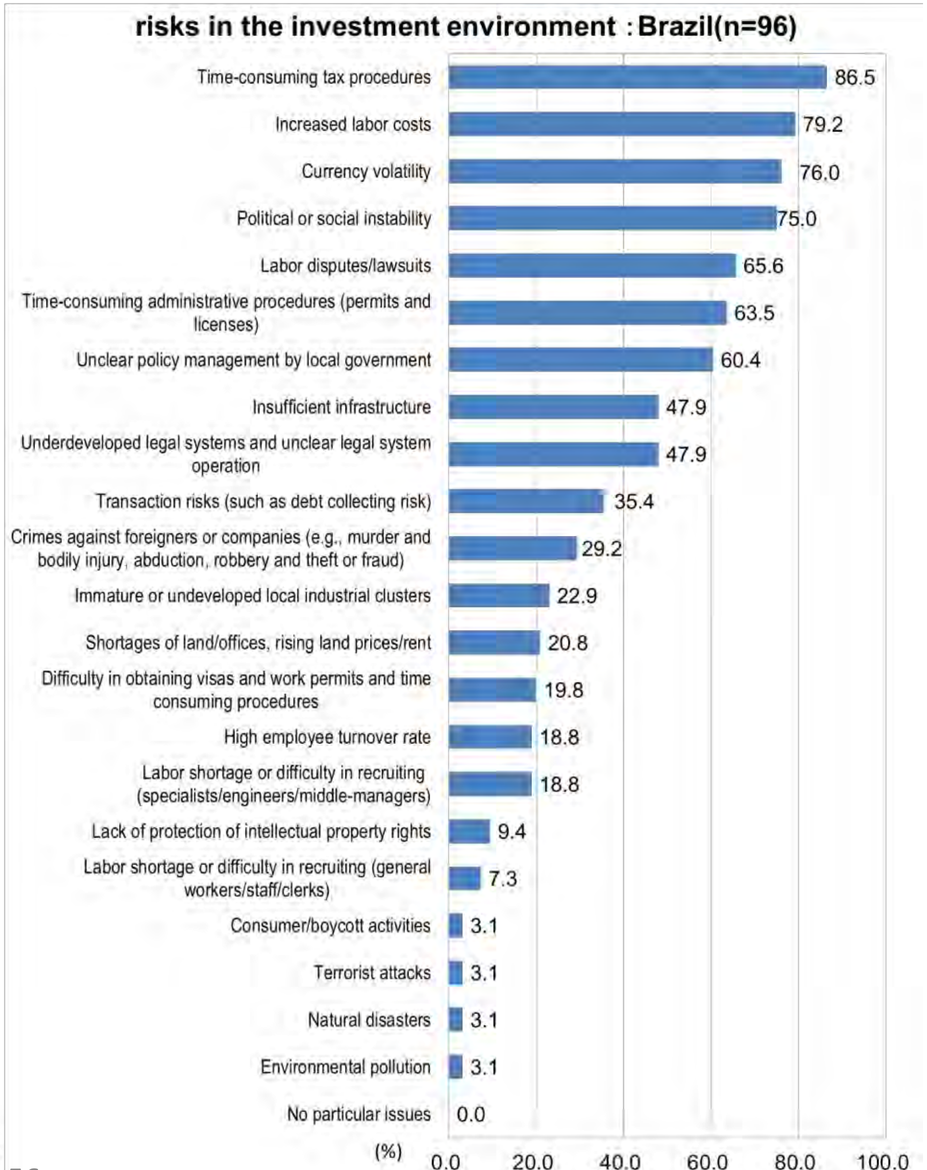
- **As for risks, the ratio of the answer of “unstable exchange” surged from the previous survey (from 43.7% to 63.4%)** and became the first item of risks.





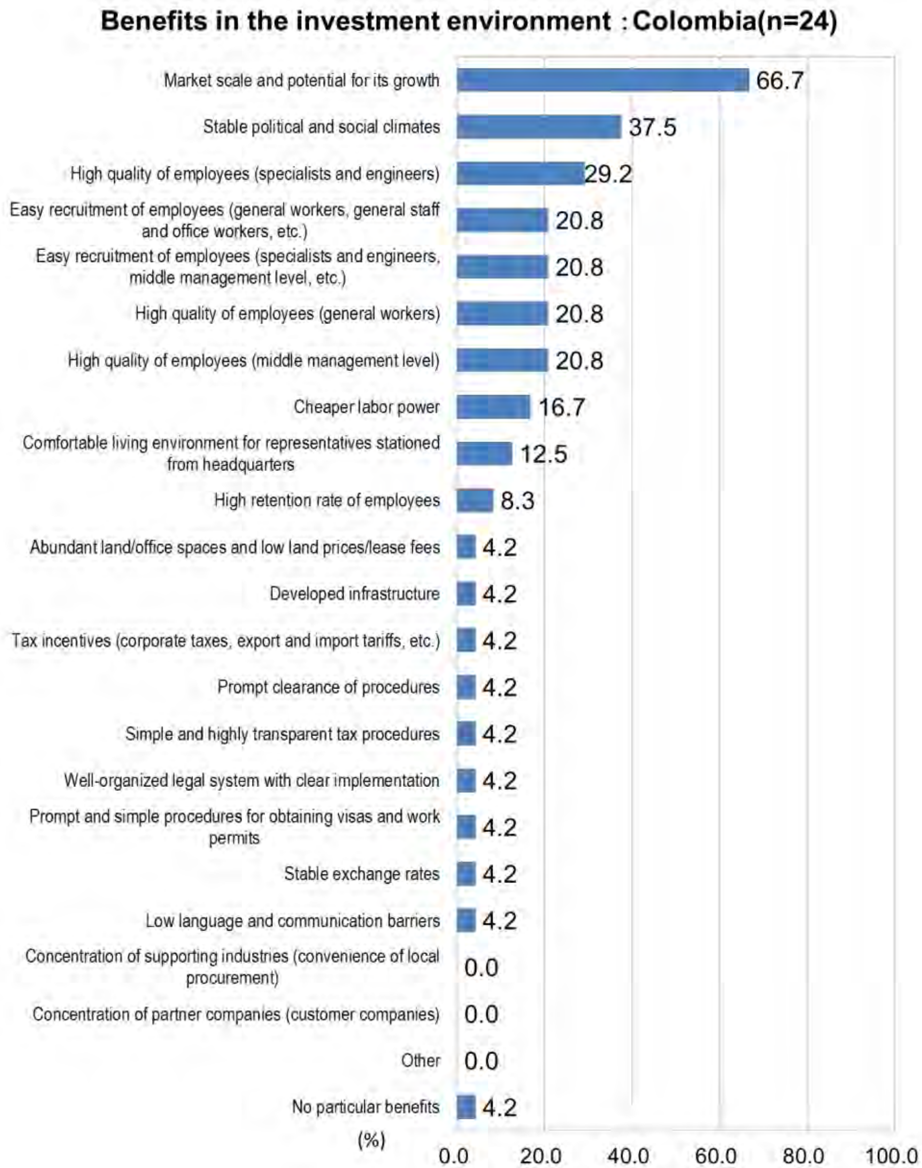
- **Not many enterprises find advantages in the investment environment other than "market size and future growth". On the other** hand, there are still many voices indicating various risks, including taxation.

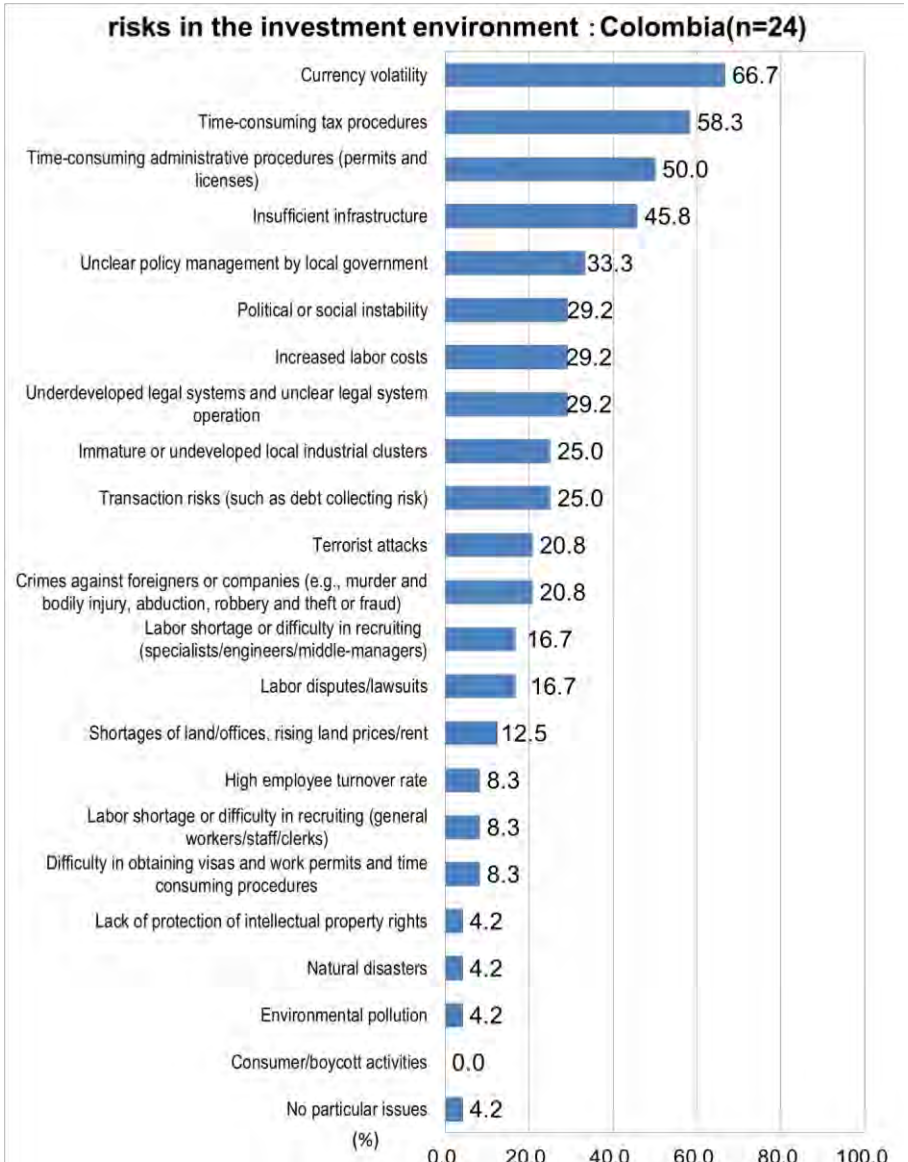




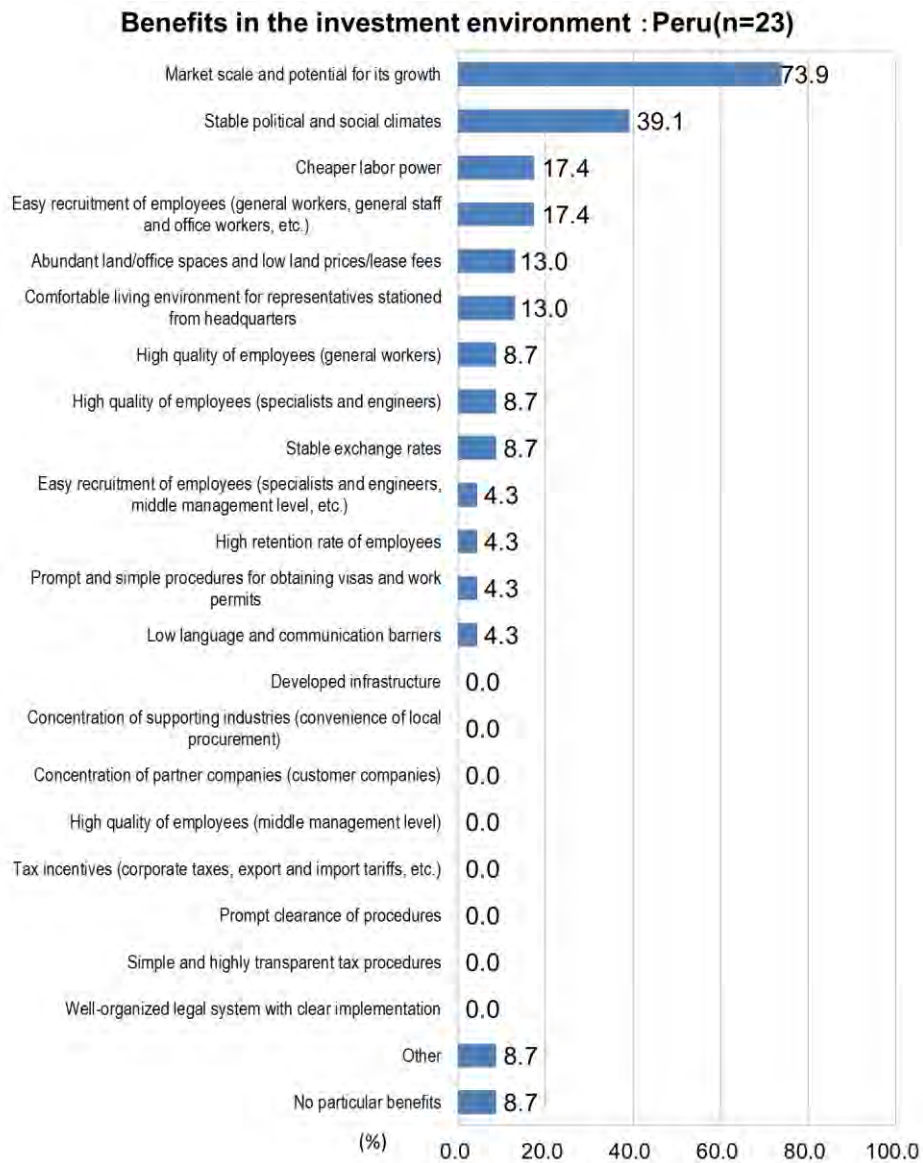
III – 5 – (6) Issues with business management: Benefits and risks in the investment environment -Colombia-

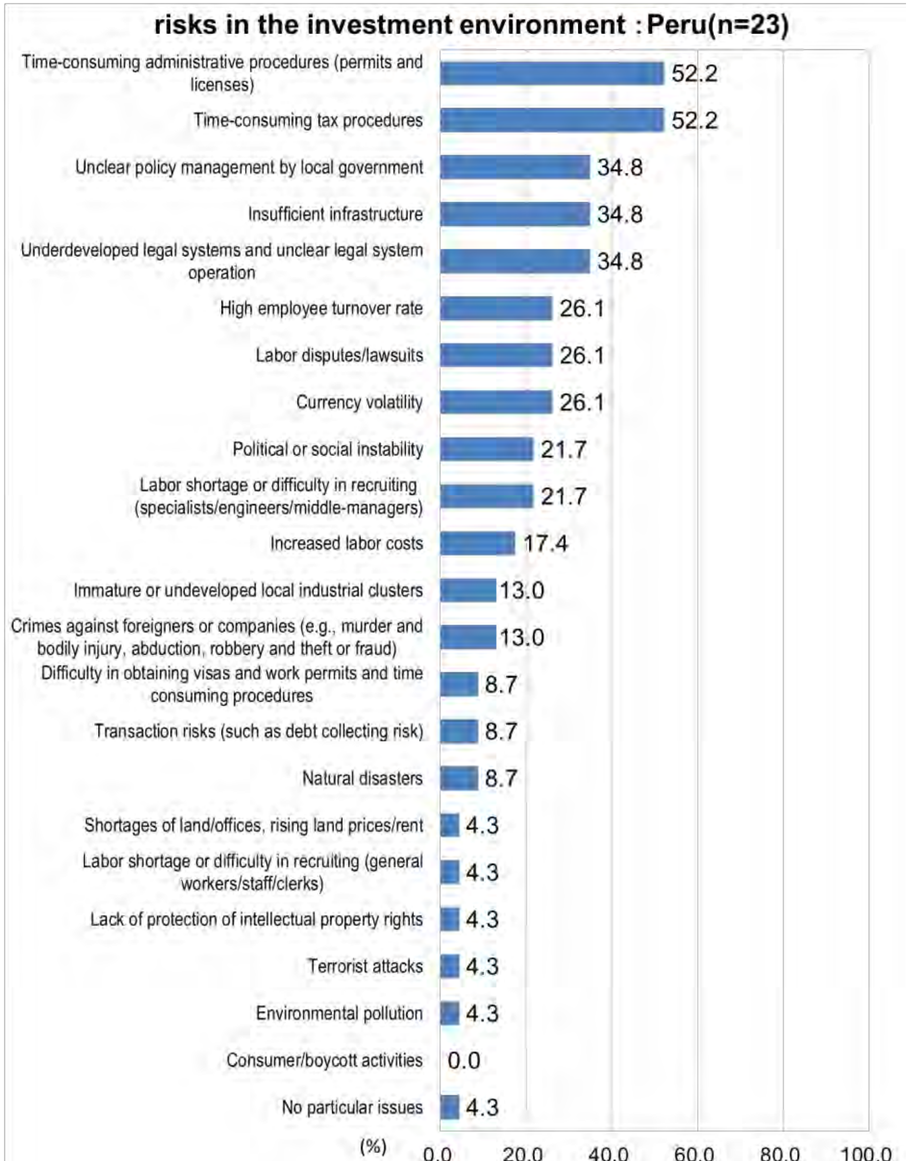
- **As for risks, the ratio of the answer of "terrorism" greatly decreased from the previous survey (33.3% to 20.8%) and dropped** from fifth to eleventh in the ranking. It seems that the progress of the peace process with the left-wing guerrillas lies behind this.



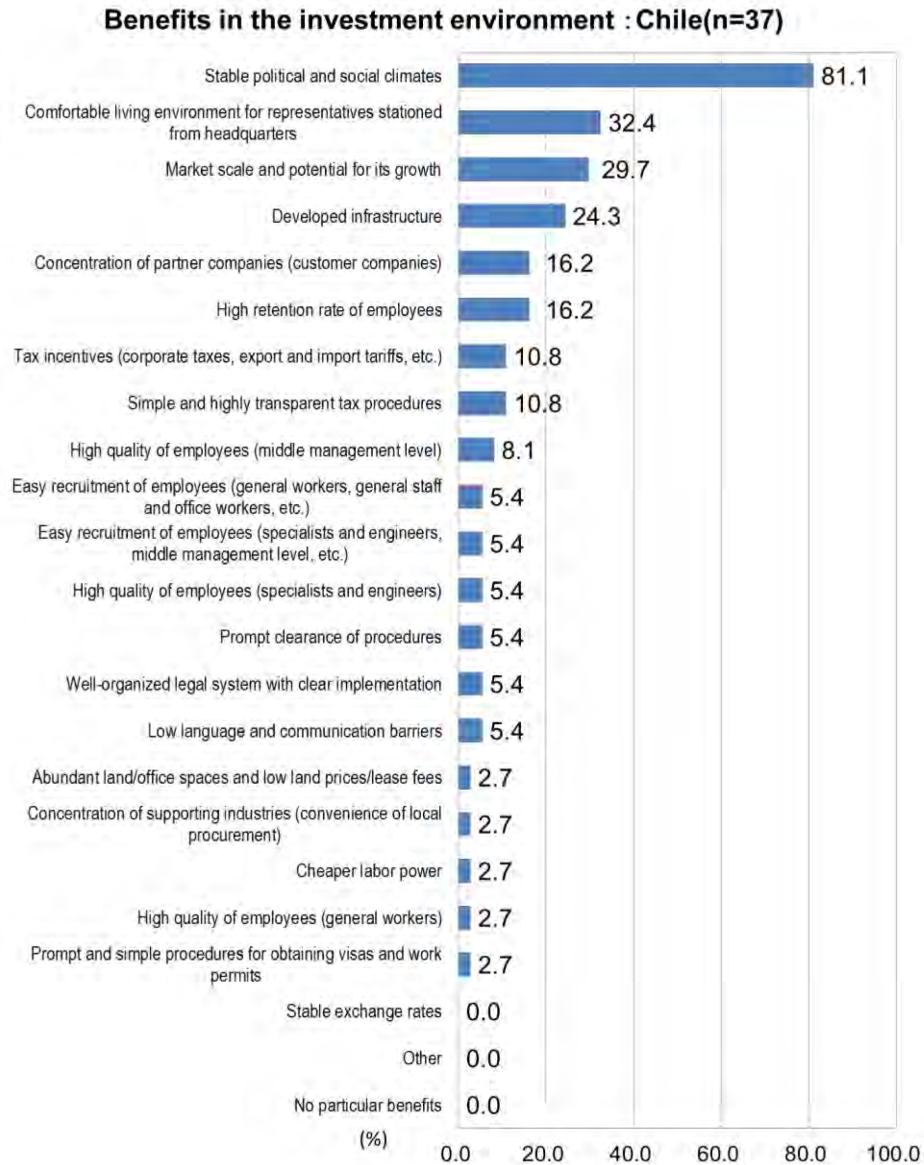


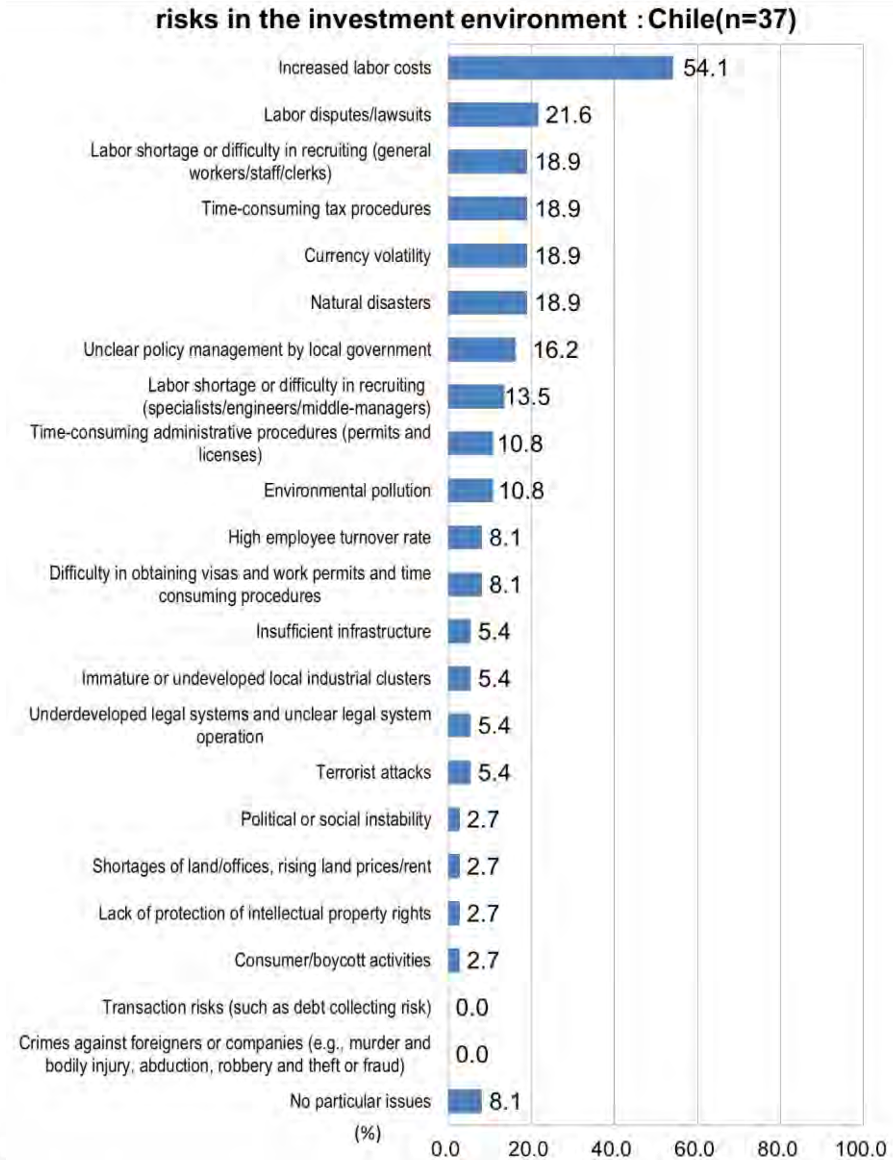
- **On the back of a stable macro economy, the ratio of enterprises that answered "market size and future growth" largely** increased from the previous survey (64.0% to 73.9%).



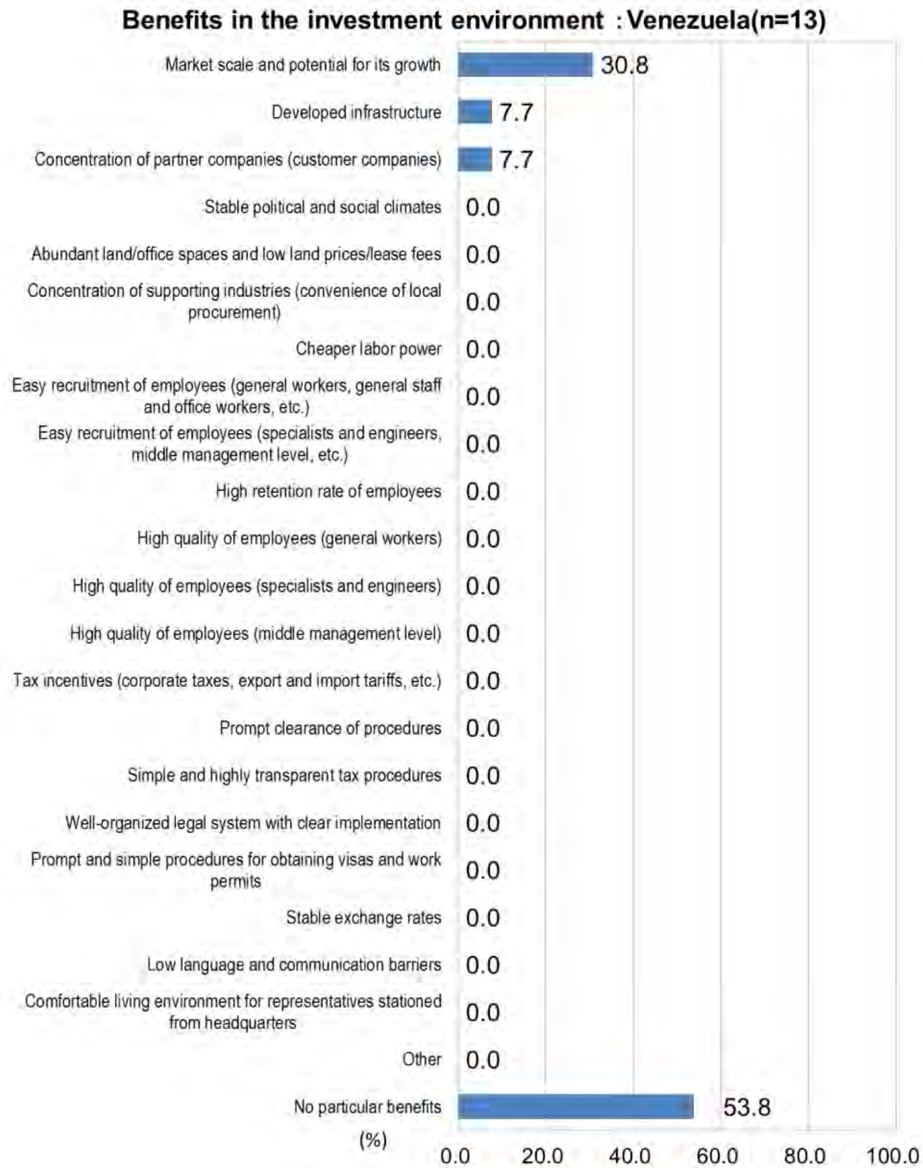


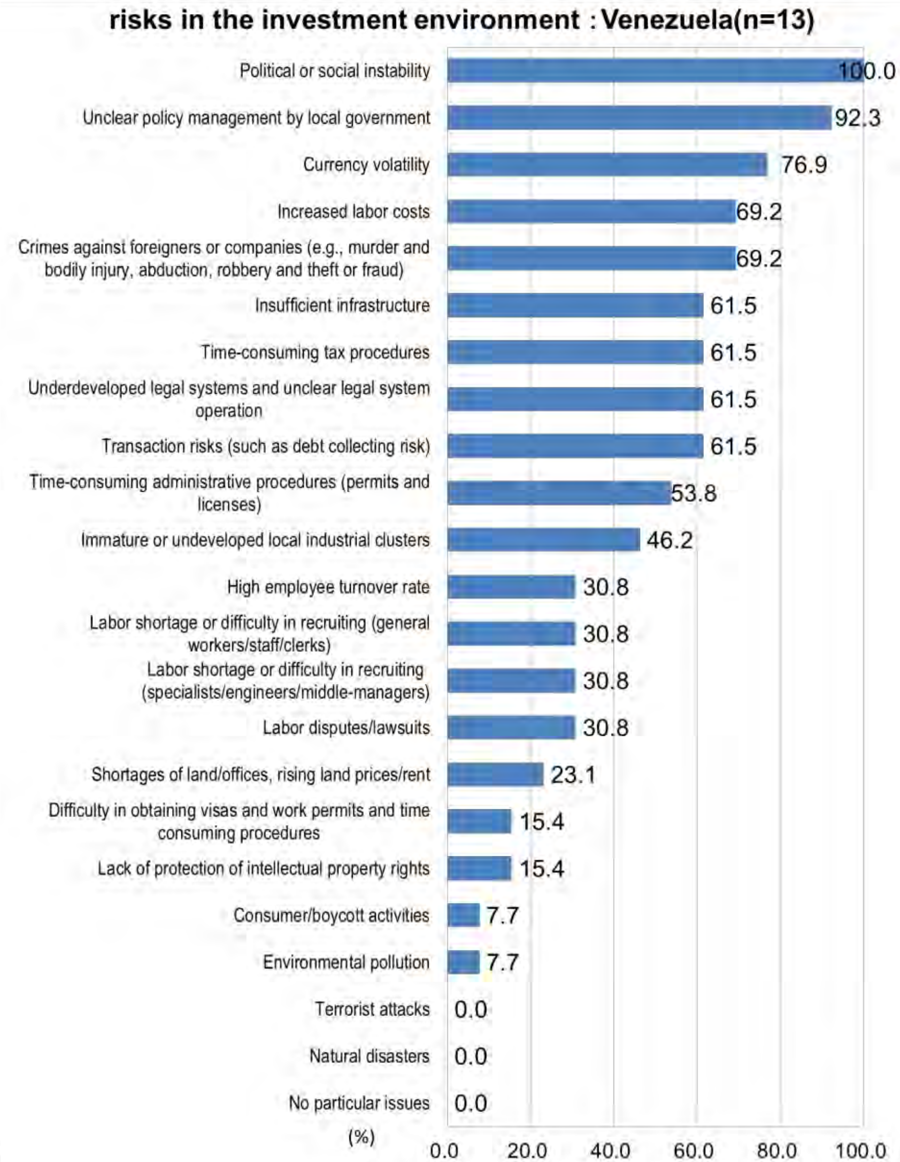
- **Following the conclusion of a tax treaty with Japan, the ratio of enterprises regarding "complex tax system and procedures"** as a risk significantly decreased from the previous survey (35.1% to 18.9%).





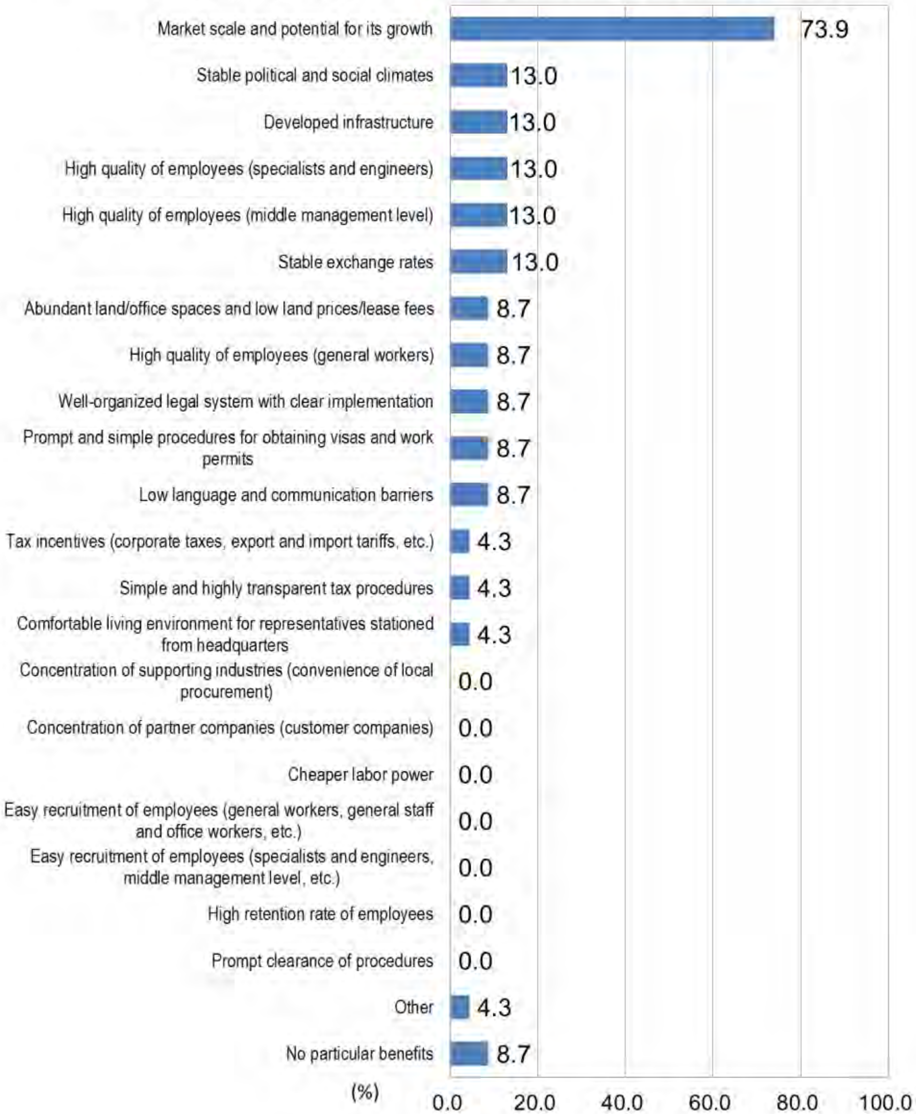
- In Venezuela, there were many companies who indicated that they could not find any benefits in the investment environment due to **the country's political instability and economic climate**. The items they stated as risks cover a broad range of things.



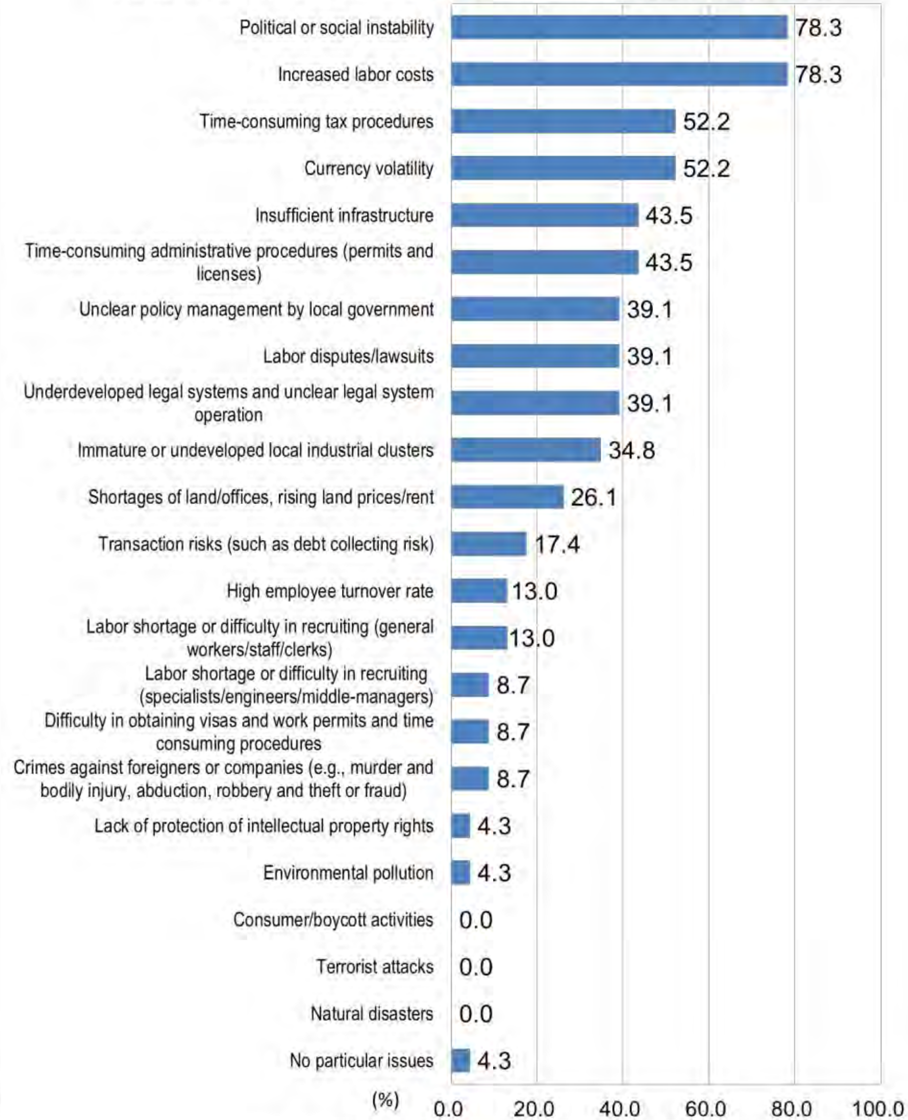


- Taking advantage of an economic policy shift, the ratio of enterprises expressing risks including **“unclear** policy administration by the local government” **and “currency volatility”** greatly decreased from the previous survey (90.3% to 39.1% and 90.3% to 52.2% respectively).

Benefits in the investment environment : Argentina(n=23)

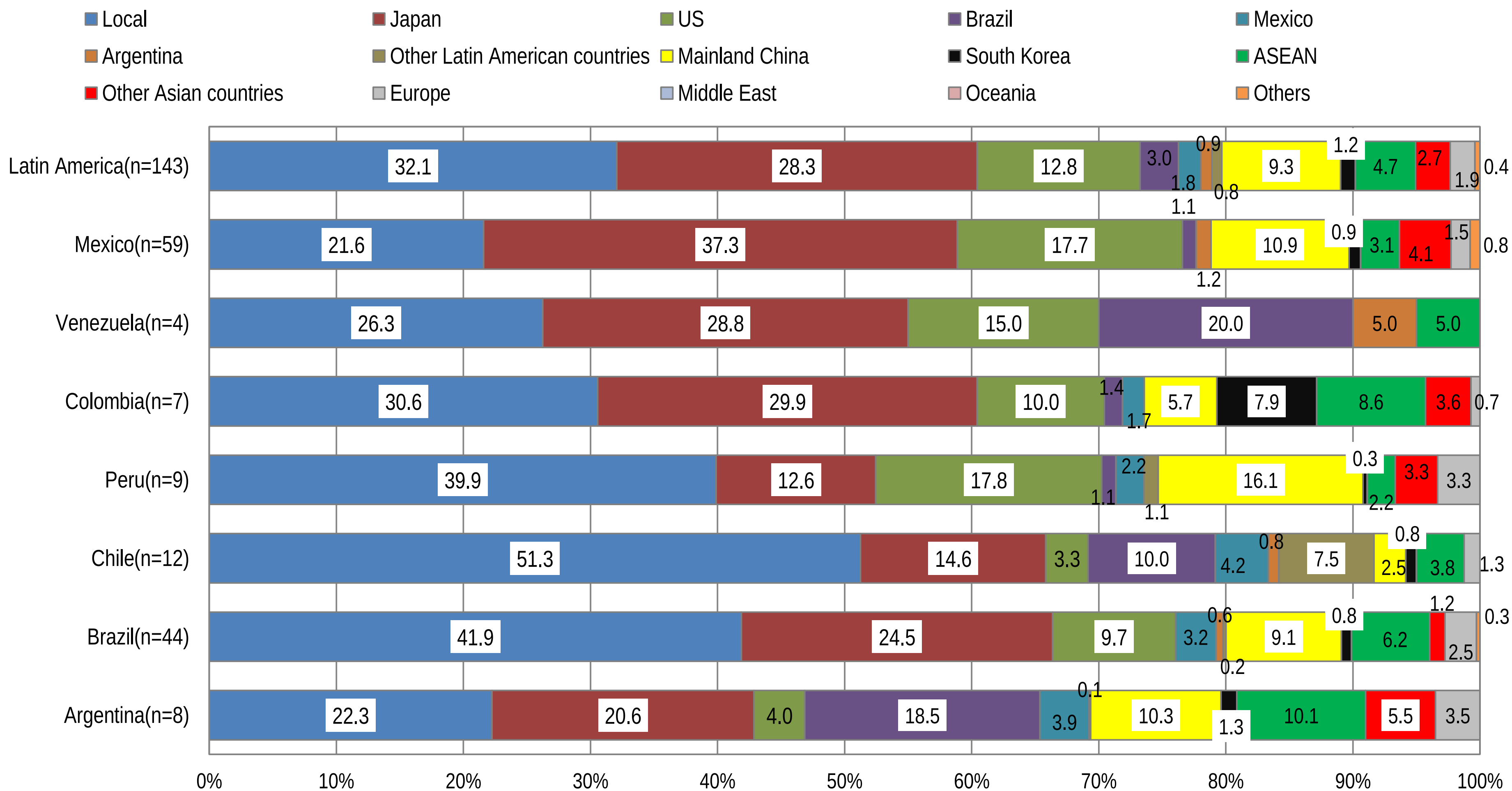


risks in the investment environment : Argentina(n=23)

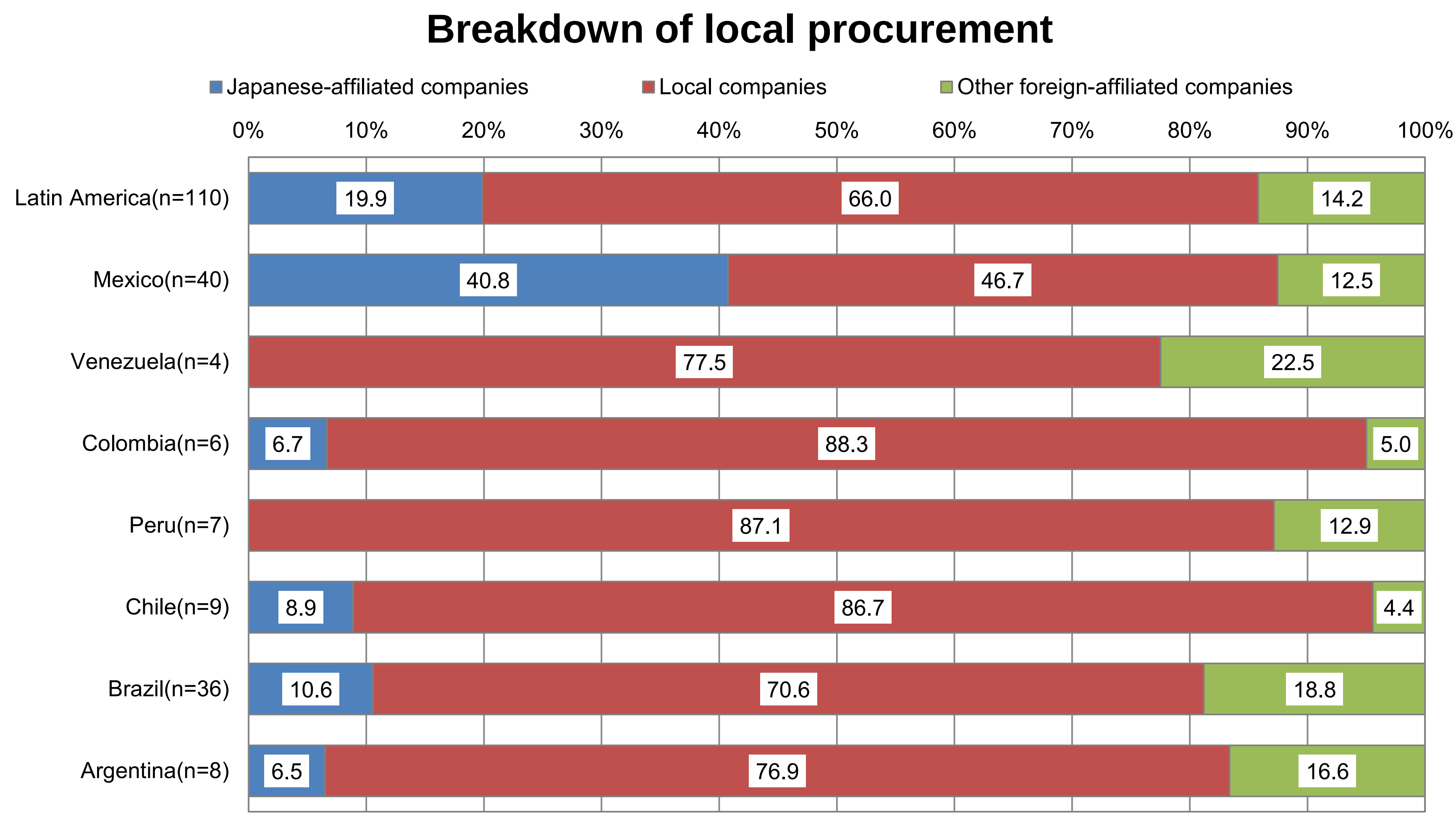


- Within Latin America as a whole, the ratio of local procurement of parts and raw materials was the highest. Japan and America followed.
- In Peru and Chile, where there are many food-processing enterprises, the ratio of local procurement is high.

Breakdown of procurement sources

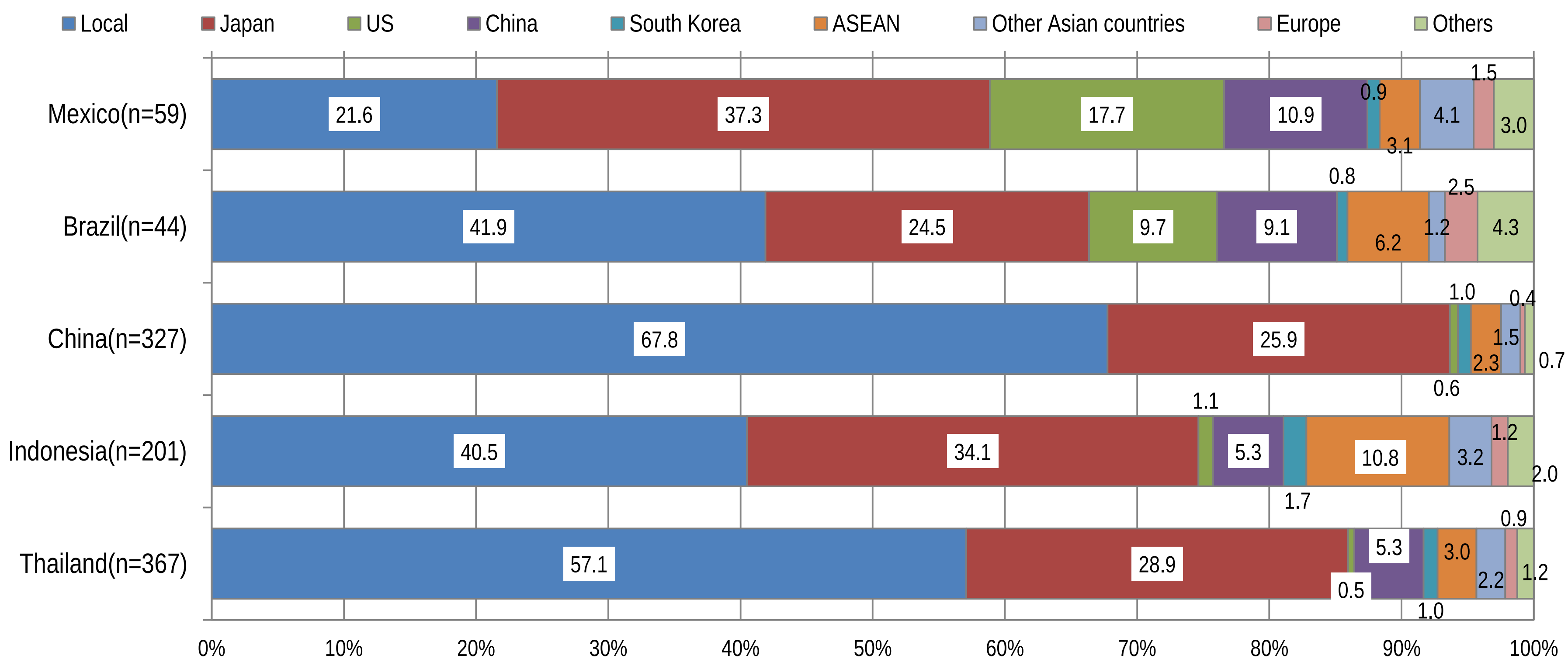


- For Latin America as a whole, the highest percentage within the procurement of local parts and raw materials is from local companies (66.0%). Following this are Japanese-affiliated companies (19.9%) and other foreign-affiliated companies (14.2%).
- Compared to other countries, the procurement rate from Japanese-affiliated companies is high within Mexico which has many expanding secondary suppliers (Tier2).



- The local procurement rate of Japanese companies expanding in Mexico is low due to supply chains being created in North America and the large number of parts that are difficult to procure from local companies.
- There are many parts and raw materials that Japanese automobile assembly manufacturers (OEM) and automobile parts manufacturers (Tier1, Tier2) expanding into Mexico have trouble procuring from local companies, and the local **procurement of parts and raw materials haven't reached Asian standards.**

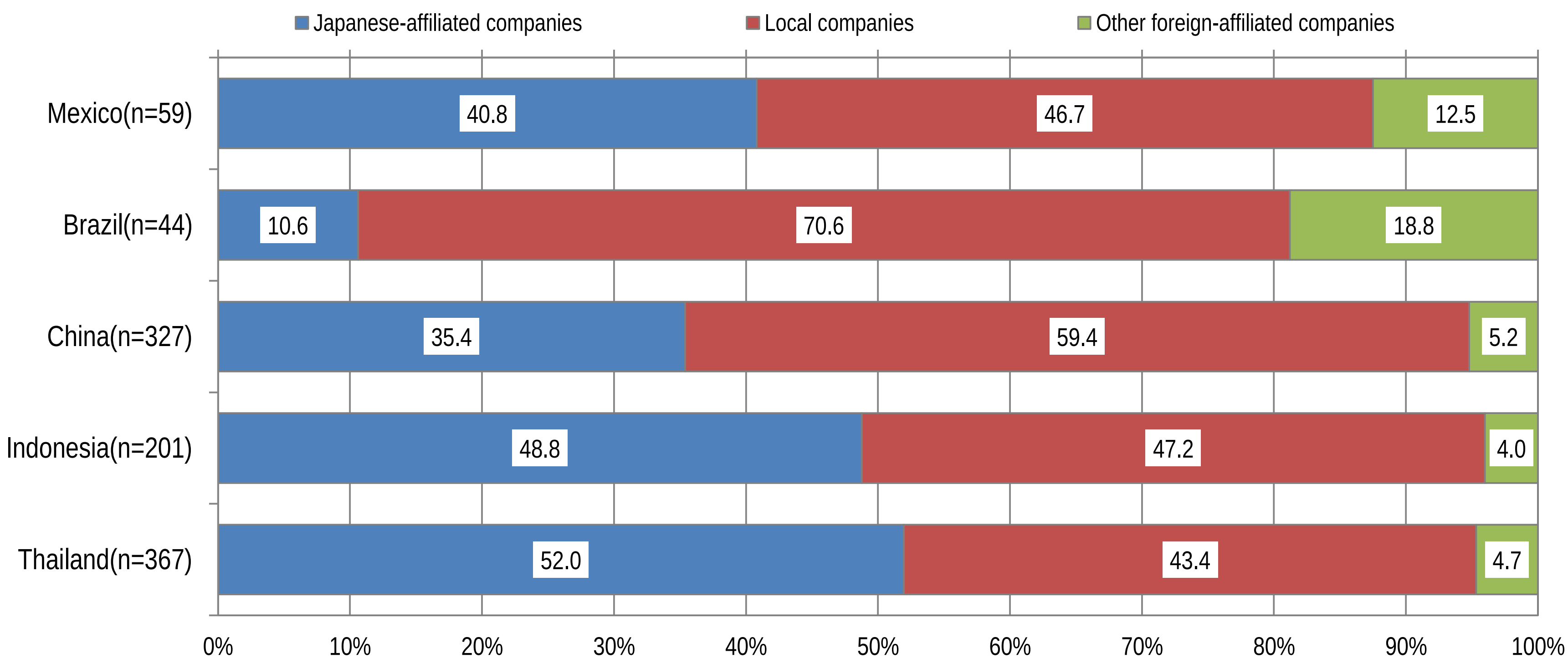
Parts and raw materials suppliers (by country and region) of expanding Japanese companies



(Note): "2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania", "The 2016 Survey on Business Conditions of Japanese Companies in Latin America"

- OEM highly intends to procure locally with the aim to avoid heavily concentrating suppliers of parts and raw materials (to Japan) who do not have stock. In addition, the proportion of Japanese companies expanding into Mexico procuring parts and raw materials from local expanding Japanese companies is low compared to Japanese companies expanding in Thailand. For that reason, it is considered that there is a lot of room to expand the business of Japanese suppliers providing parts and raw materials to Japanese companies expanding into Mexico.

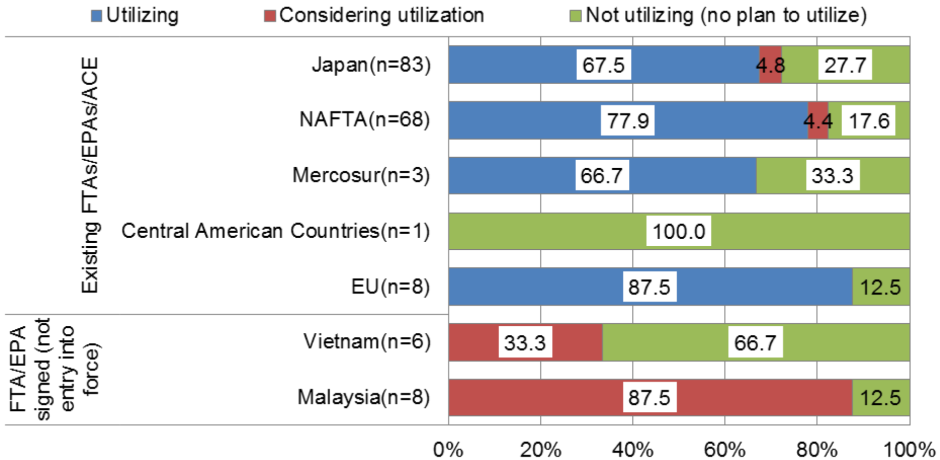
Capital nationality breakdown of local parts and raw materials suppliers of expanding Japanese companies



(Note): "2016 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania", "The 2016 Survey on Business Conditions of Japanese Companies in Latin America"

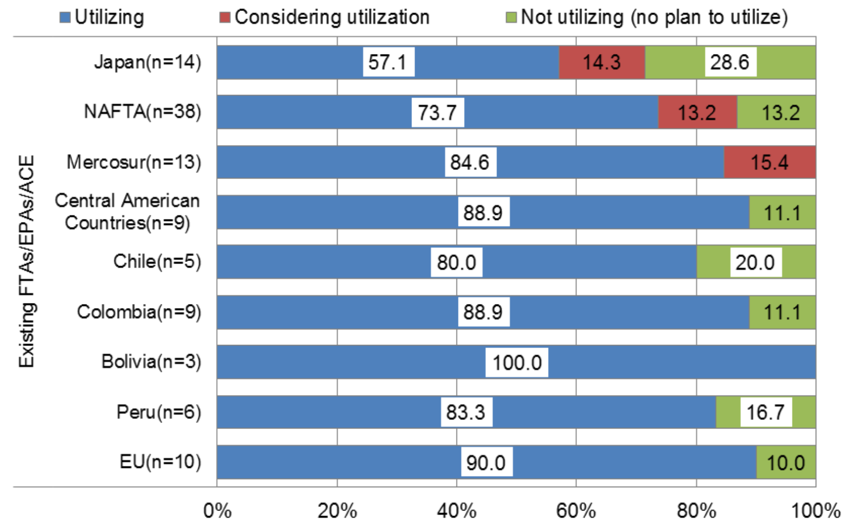
- In Mexico, there are many companies actively utilizing FTA/EPA including Japan-Mexico EPA, NAFTA, and MERCOSUR.

Importing to Mexico



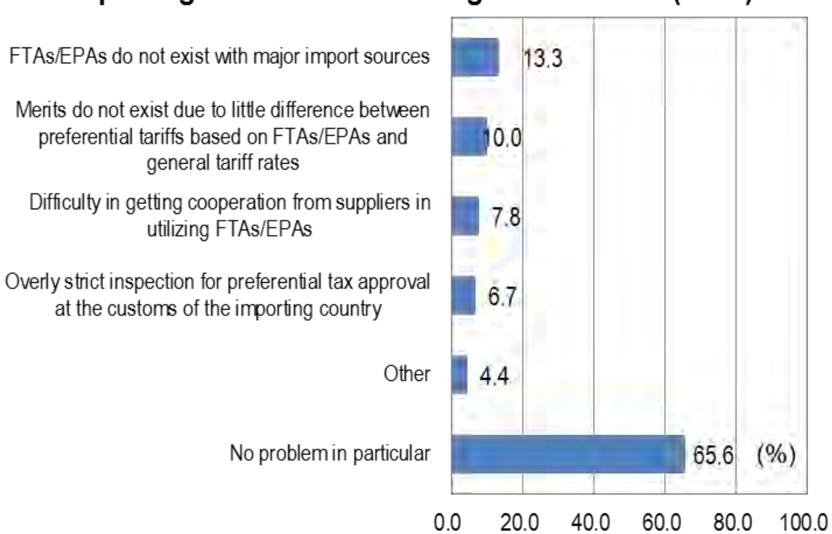
(Note) No valid responses for Chile, Colombia, Bolivia and Peru who have already entered into force, and Australia and New Zealand who have not entered into force.

Exporting from Mexico

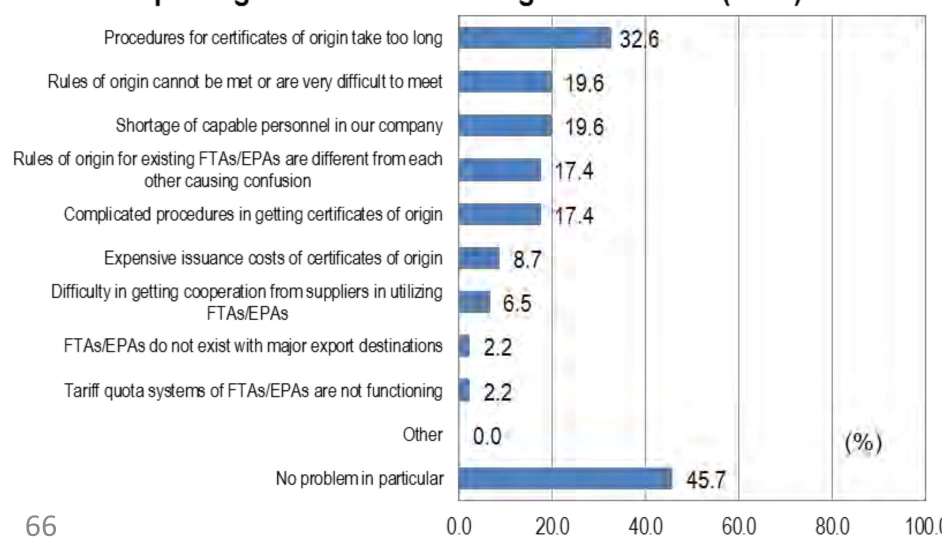


(Note) No valid responses for Vietnam, Malaysia, Australia and New Zealand who have not entered into force.
Mercosur: Brazil, Argentina, Paraguay, Uruguay and Venezuela

Importing issues when utilizing FTA : Mexico(n=90)

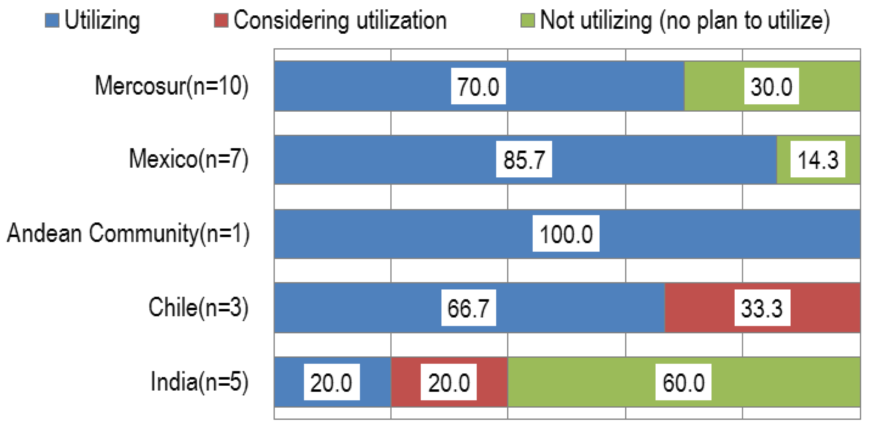


Exporting issues when utilizing FTA : Mexico(n=46)



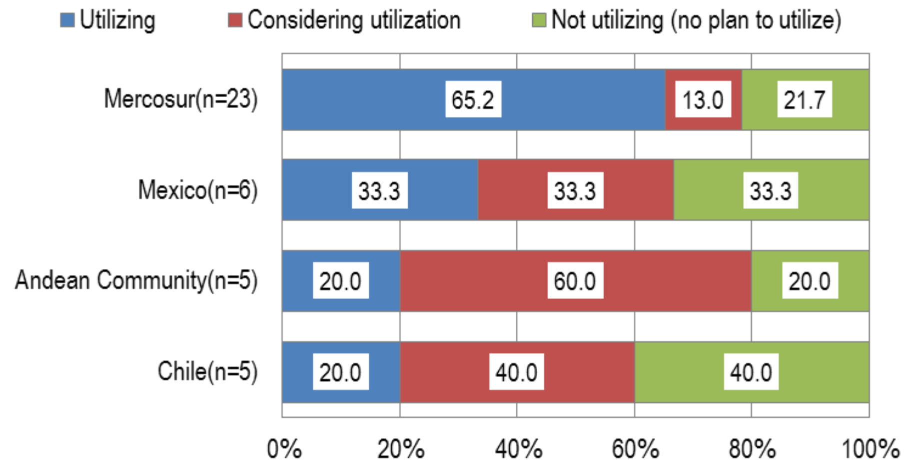
- On the back of the government move expanding existing trade agreements, the number of companies who utilize trade agreements for both import and export is increasing.

Importing to Brazil



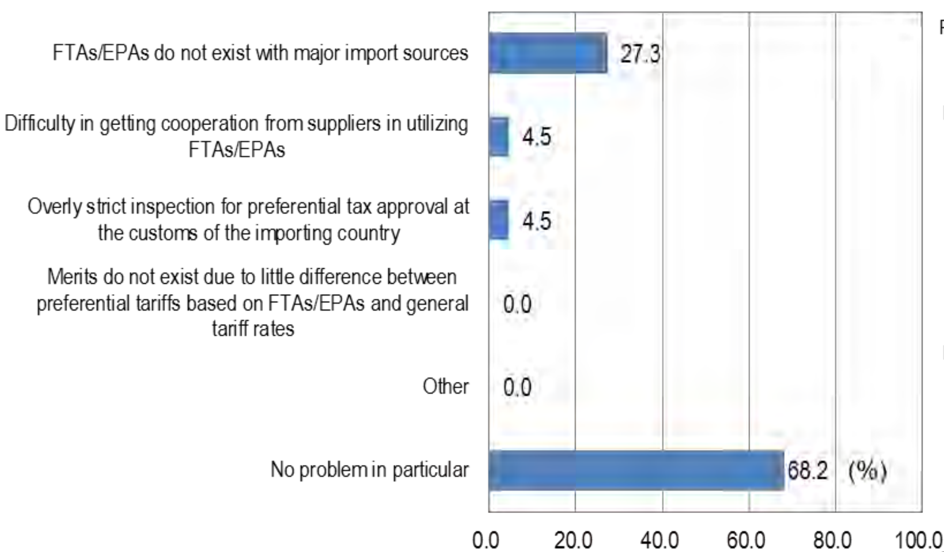
(Note) All have already entered into force.
Andean Community: Bolivia, Colombia, Ecuador and Peru

Exporting from Brazil

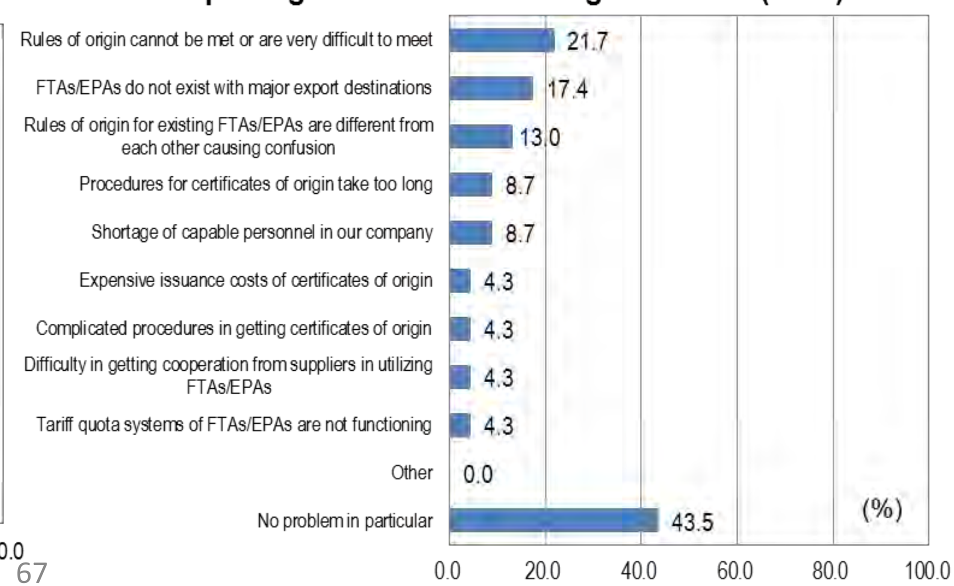


(Note) No valid responses for India who have already entered into force.

Importing issues when utilizing FTA：Brazil(n=22)

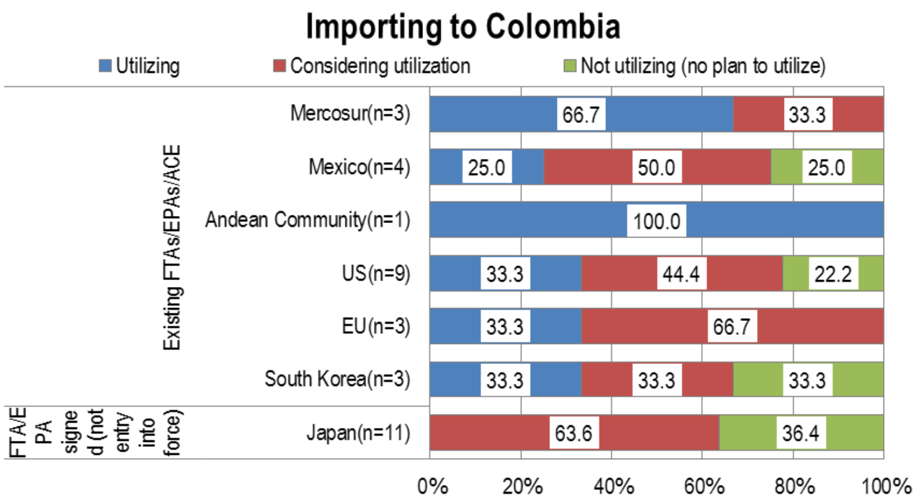


Exporting issues when utilizing FTA : Brazil(n=23)

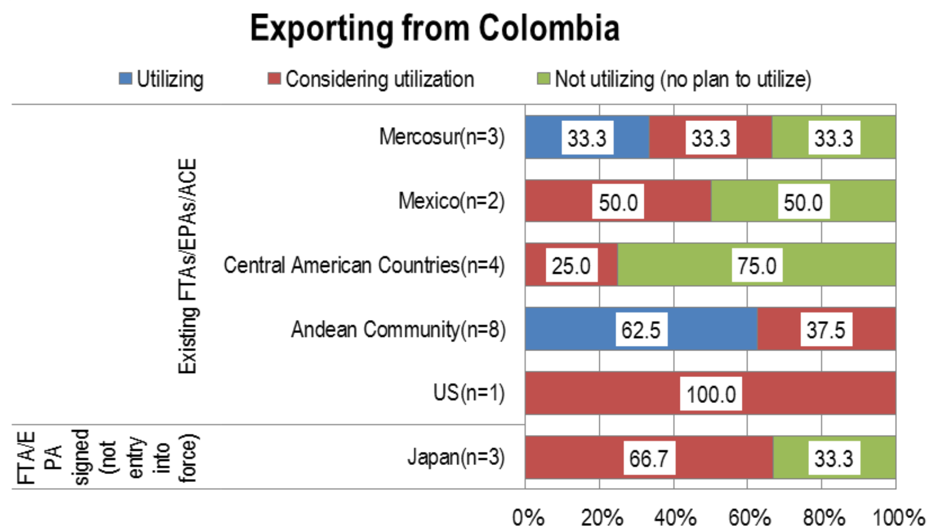


III – 7 – (1) The utilization of, and problems faced in utilizing FTA/EPA: Colombia

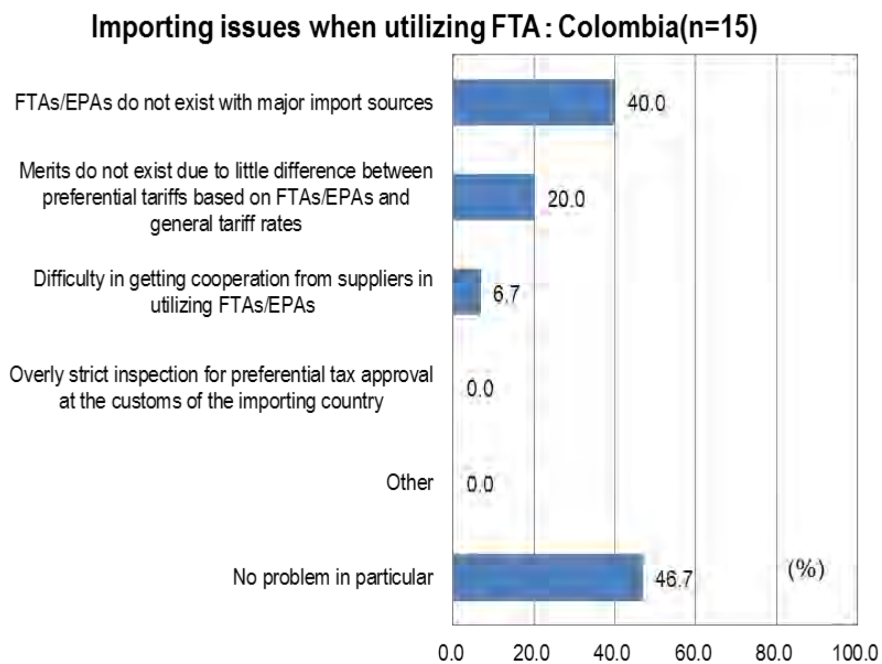
■ Many companies are anticipating the EPA under negotiation with Japan. The FTA with South Korea effected in July 2016 is also utilized.

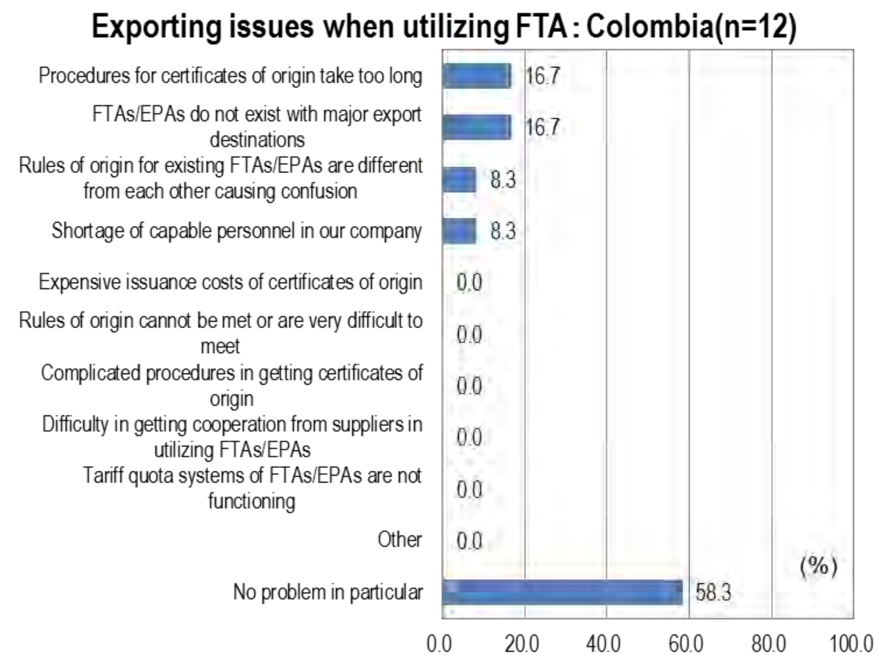


(Note) No valid responses for Central America, Chile, Canada, and EFTA who have already entered into force.



(Note) No valid responses for Chile, Canada, EU, EFTA and South Korea who have already entered into force.

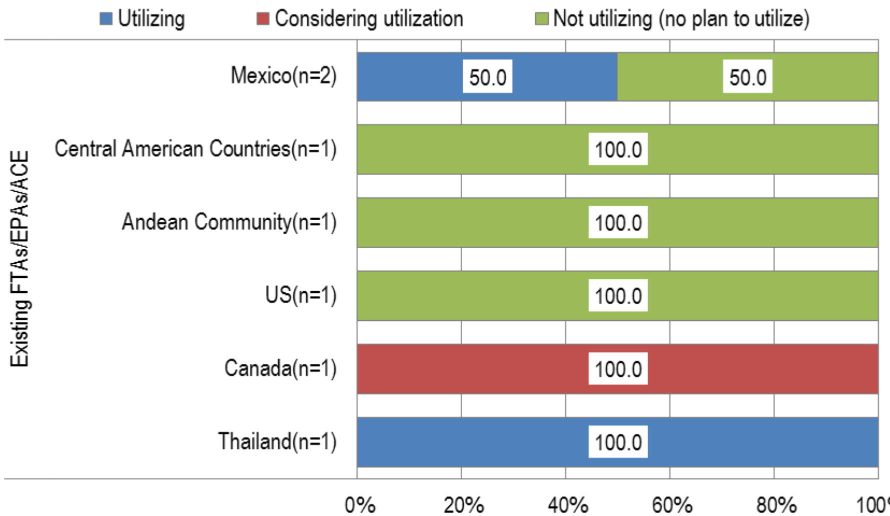




III – 7 – (1) The utilization of, and problems faced in utilizing FTA/EPA: Peru

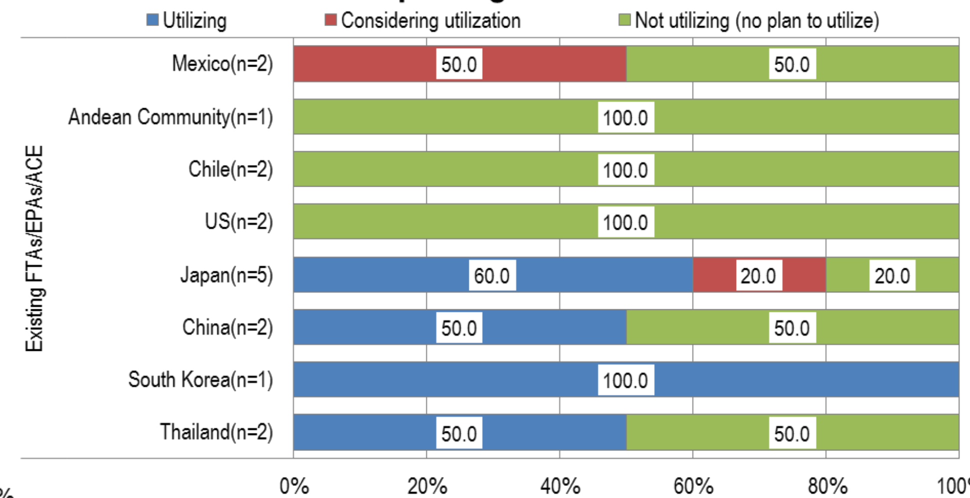
- There are many companies utilizing the FTA/EPA for exports to Asia.

Importing to Peru



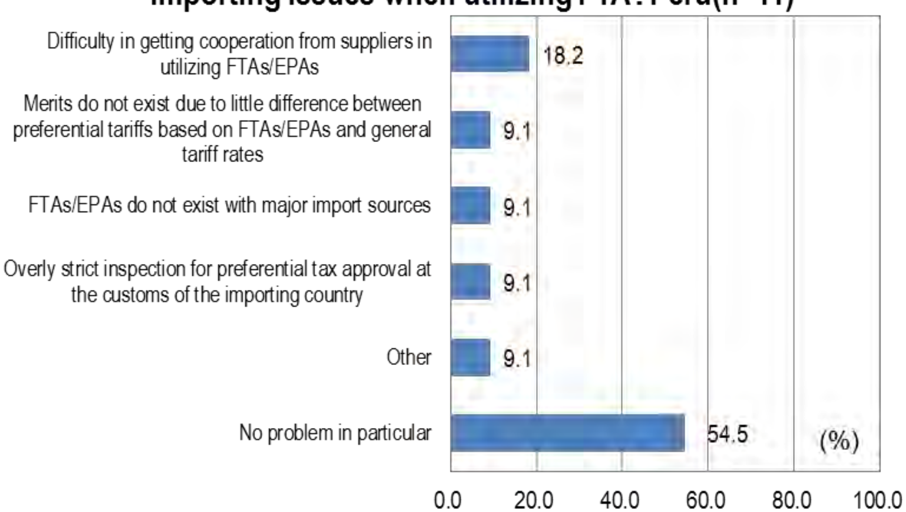
(Note) No valid responses for Mercosur, Chile, Japan, South Korea, China, EU and EFTA who have already entered into force, and Vietnam, Malaysia, Australia and New Zealand who have not entered into force.

Exporting from Peru

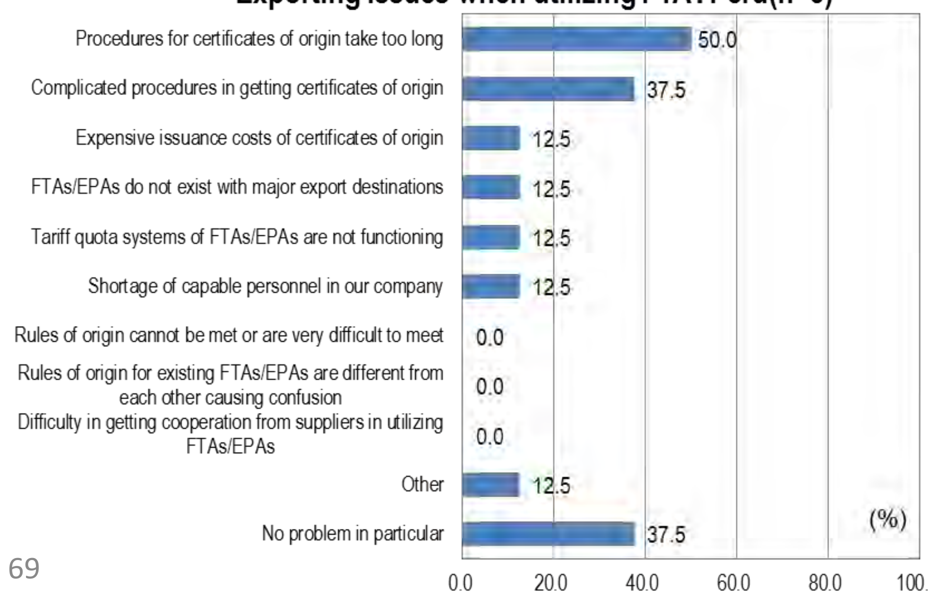


(Note) No valid responses for Mercosur, Central America, Canada, EU and EFTA who have already entered into force, and Vietnam, Malaysia, Australia and New Zealand who have not entered into force.

Importing issues when utilizing FTA : Peru(n=11)

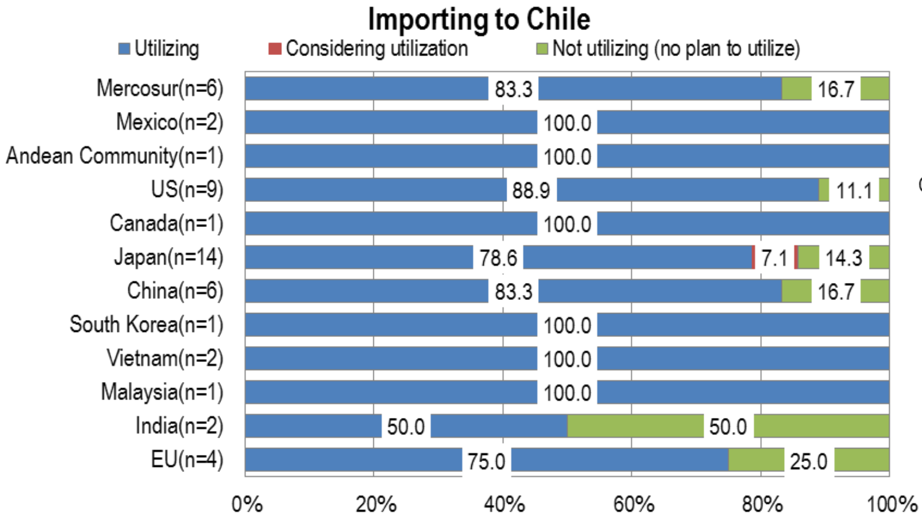


Exporting issues when utilizing FTA : Peru(n=8)

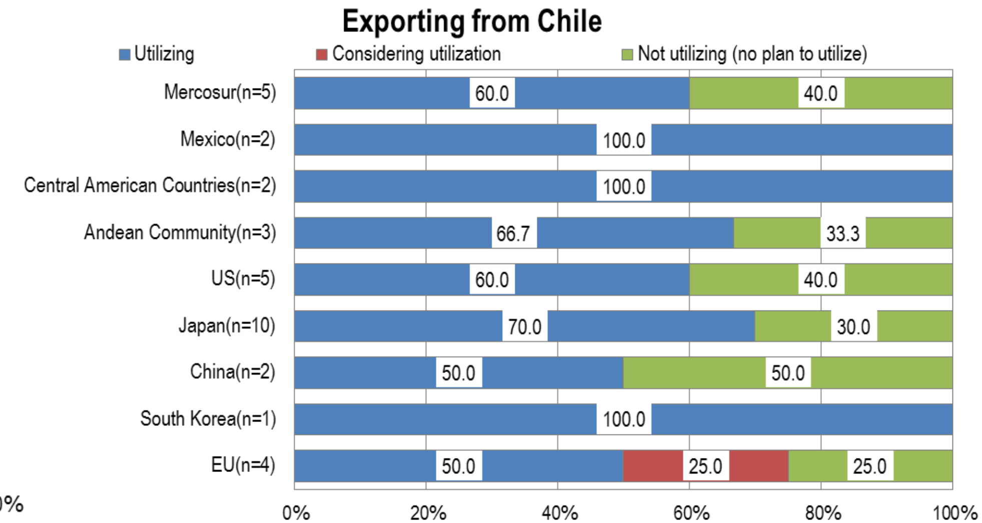


III – 7 – (1) The utilization of, and problems faced in utilizing FTA/EPA: Chile

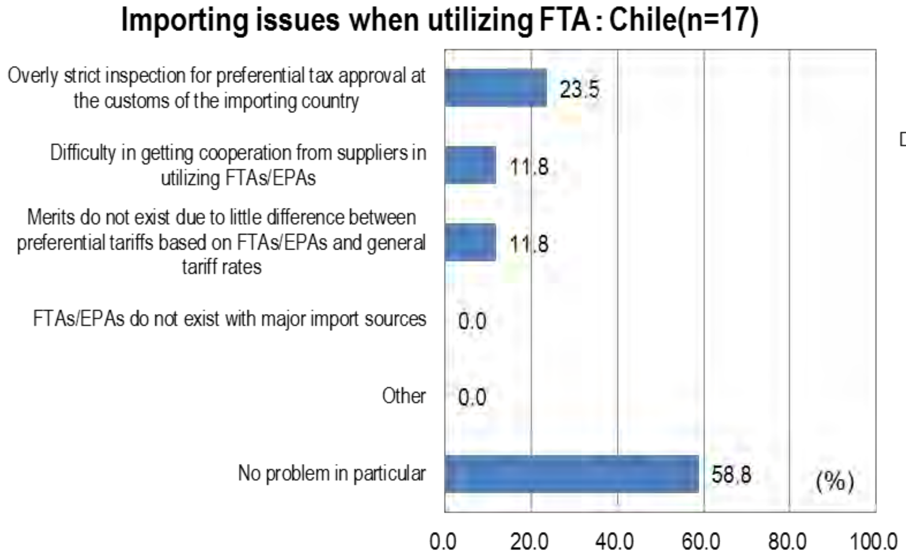
- **The FTA/EPA is utilized especially in imports. There is an increase in comments stating that the government's examination to** identify the preferential tariff is a problem.

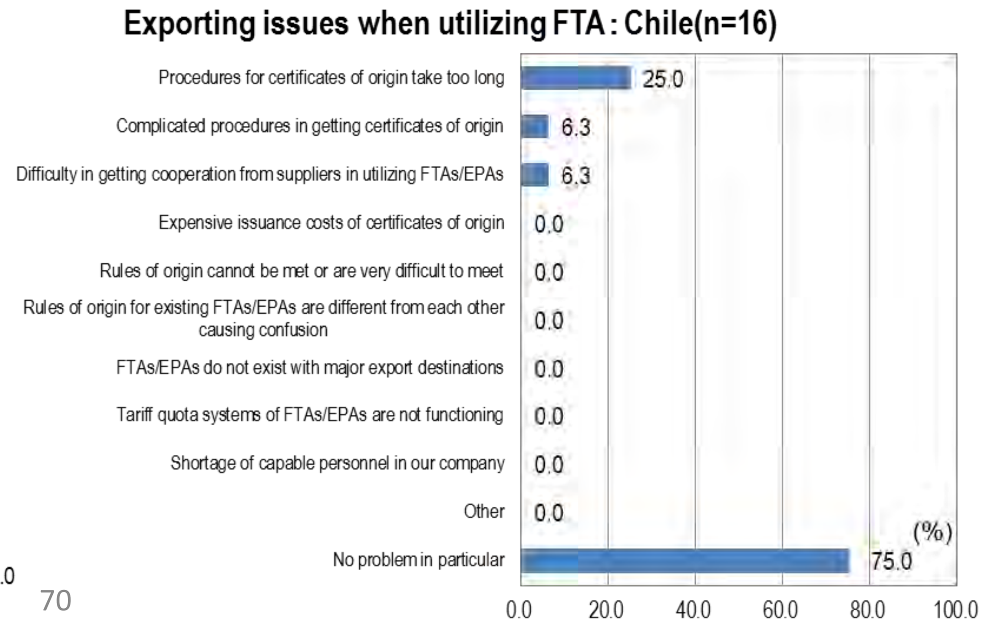


(Note) All of the above has already entered into force. No valid responses for Central America, EFTA and Turkey who have already entered into force.



(Note) All of the above has already entered into force. No valid responses for Canada, Vietnam, Malaysia, India, EFTA and Turkey who have already entered into force.

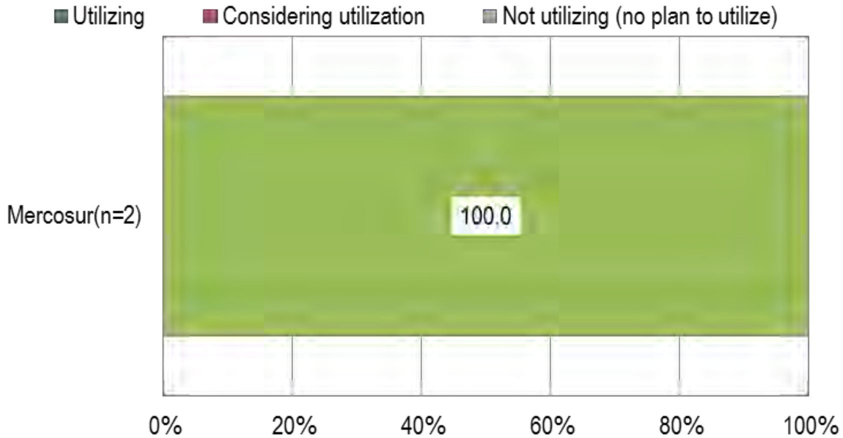




III – 7 – (1) The utilization of, and problems faced in utilizing FTA/EPA: Venezuela

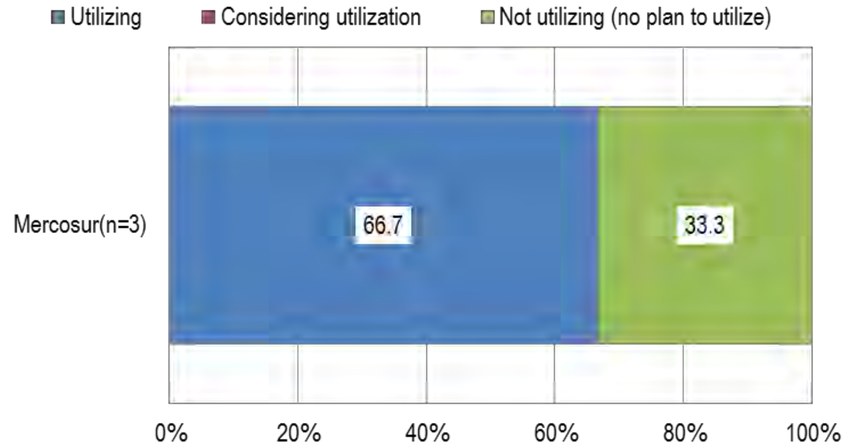
- There are few companies who utilize FTA/EPA in Venezuela.

Importing to Venezuela



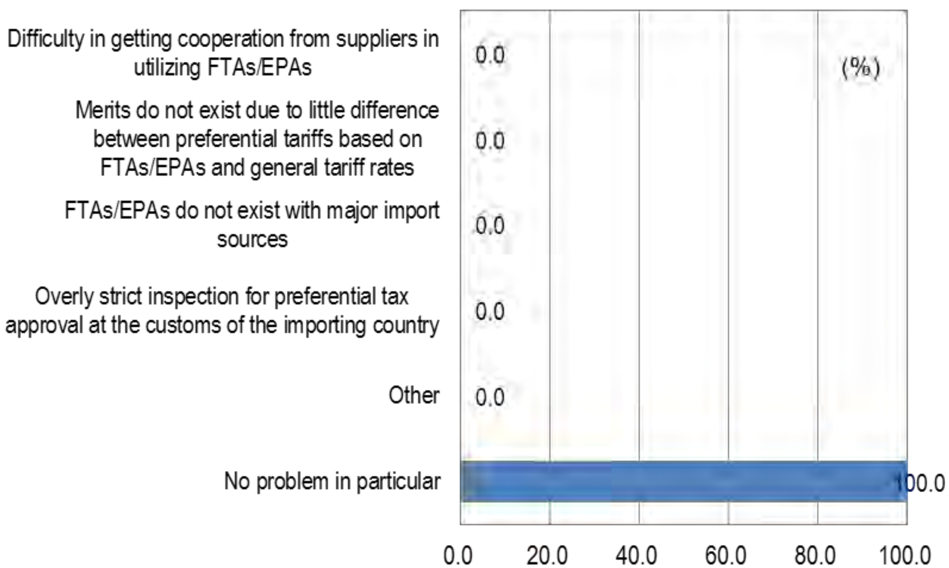
(Note) The above has already entered into force. No valid responses for Colombia, Chile, Peru, Ecuador and Bolivia who have already entered into force.

Exporting from Venezuela

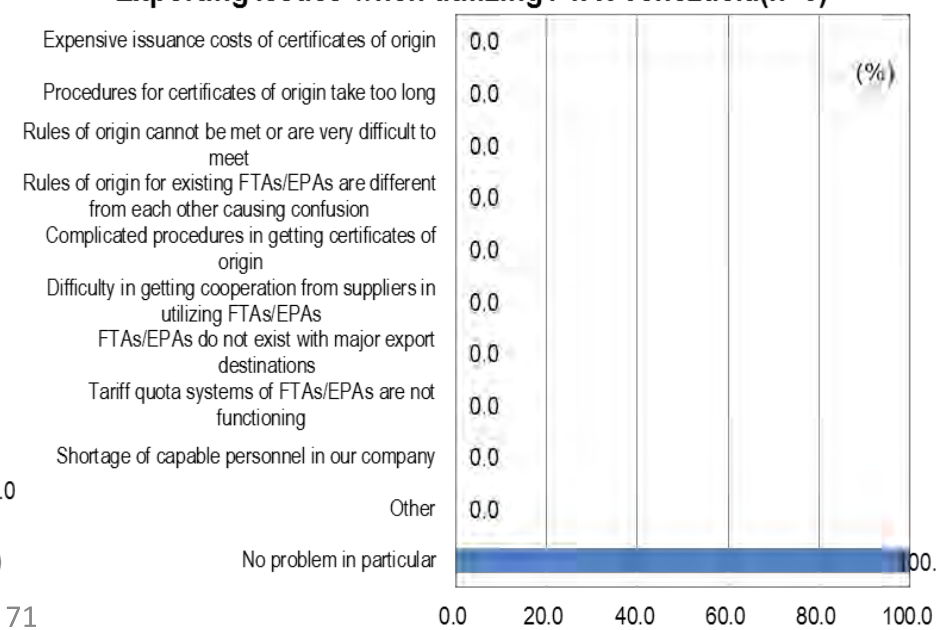


(Note) The above has already entered into force. No valid responses for Colombia, Chile, Peru, Ecuador and Bolivia who have already entered into force.

Importing issues when utilizing FTA : Venezuela(n=2)

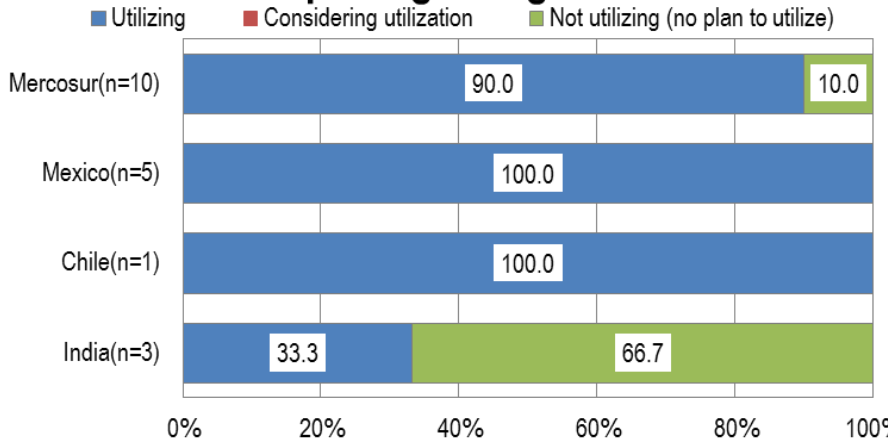


Exporting issues when utilizing FTA : Venezuela(n=3)



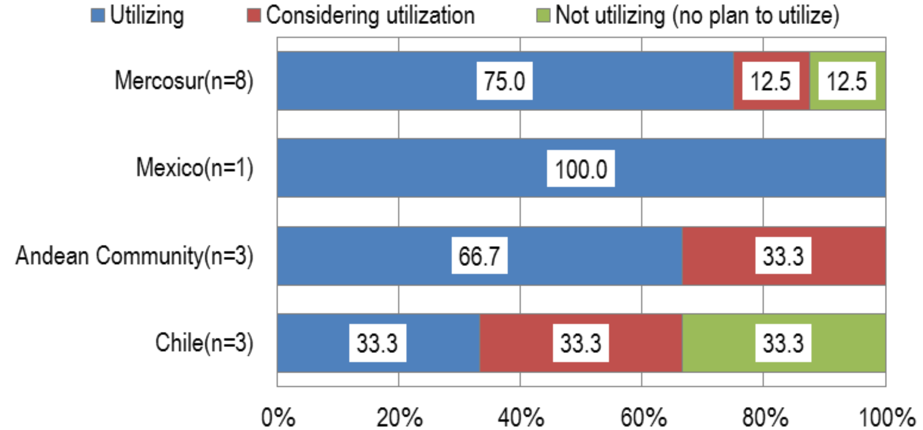
■ In Argentina, there are many companies utilizing MERCOSUR.

Importing to Argentina



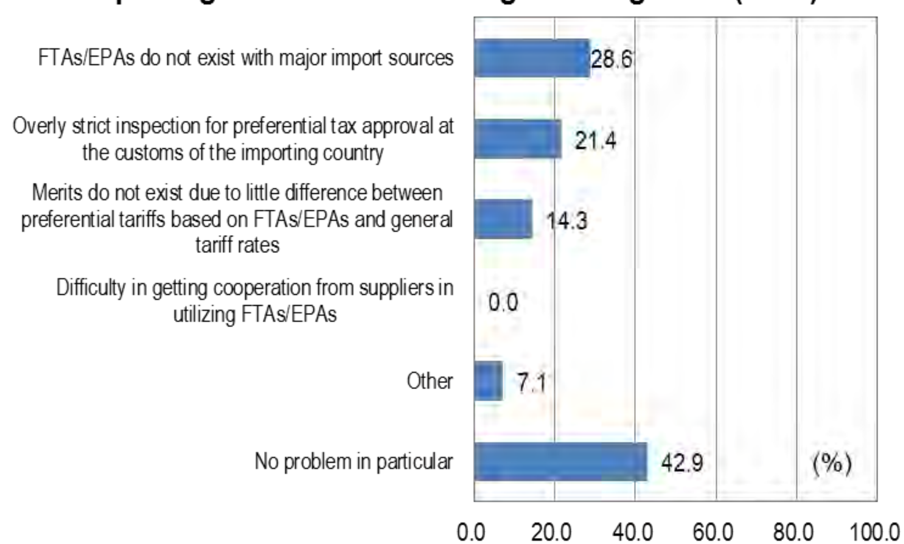
(Note) All of the above has already entered into force. No valid responses for the Andean community who have already entered into force.

Exporting from Argentina

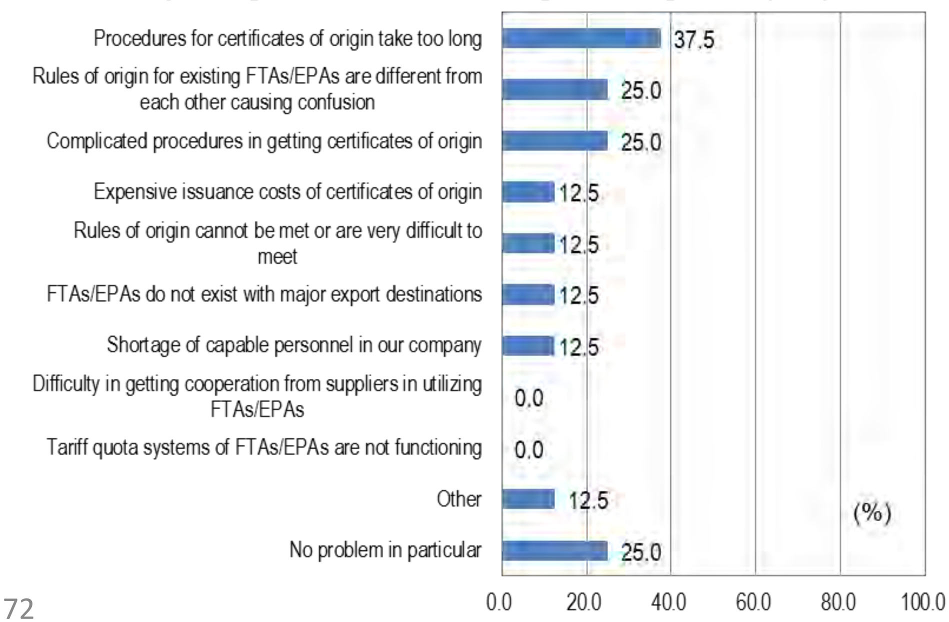


(Note) All of the above has already entered into force. No valid responses for India who has already entered into force.

Importing issues when utilizing FTA : Argentina(n=14)



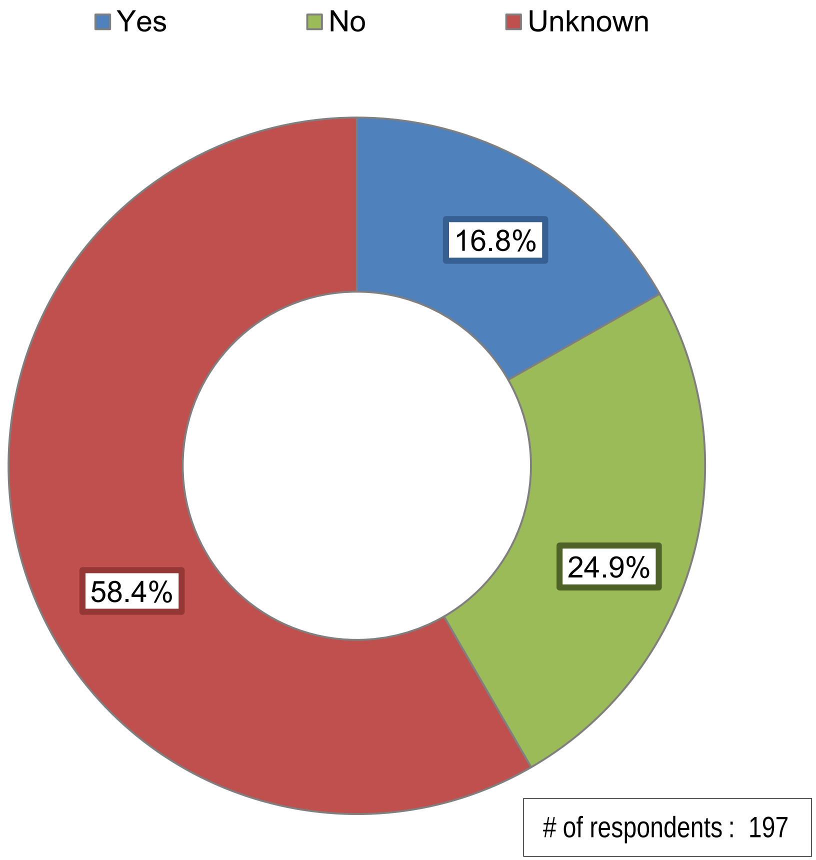
Exporting issues when utilizing FTA : Argentina(n=8)



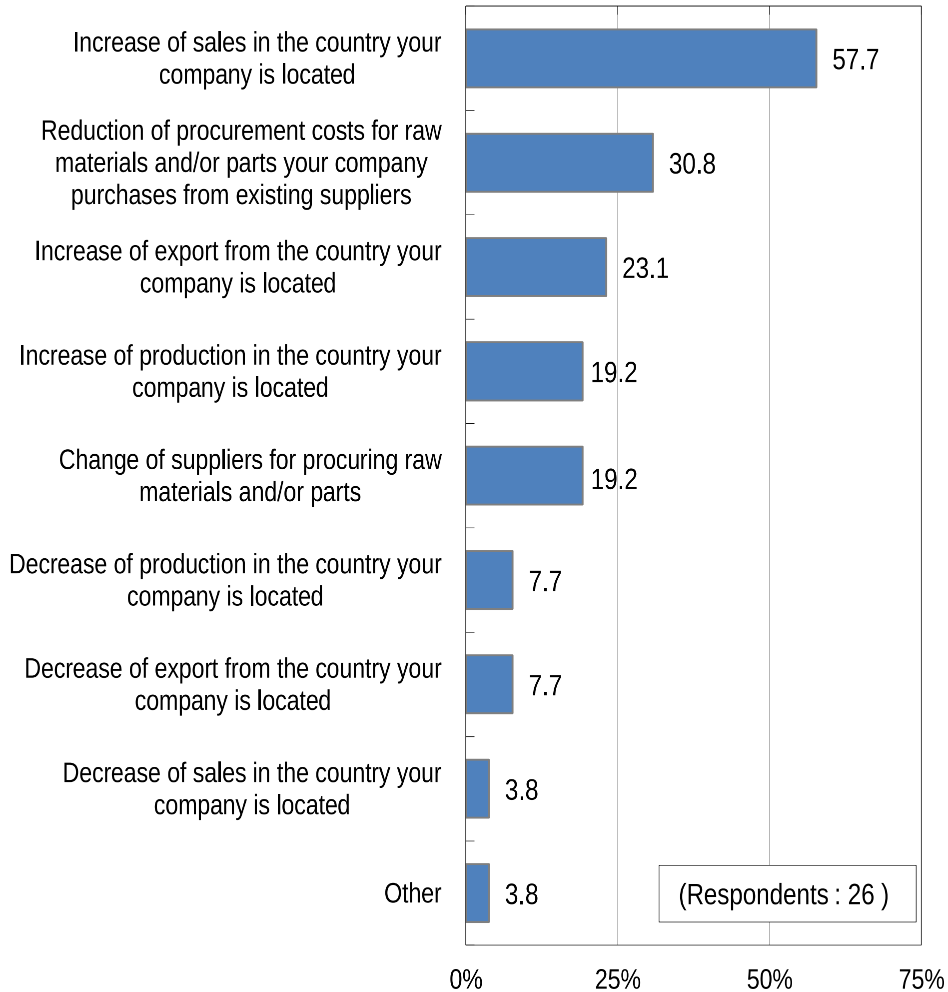
III – 7 – (2) Effect of TPP when it enters into force（Only for companies in Mexico, Chile, Peru）

- At the time this survey was implemented, the ratio of enterprises stating that they were expecting sales increase in the market of each country reached to almost 60%.

Effect of TPP when it enters into force



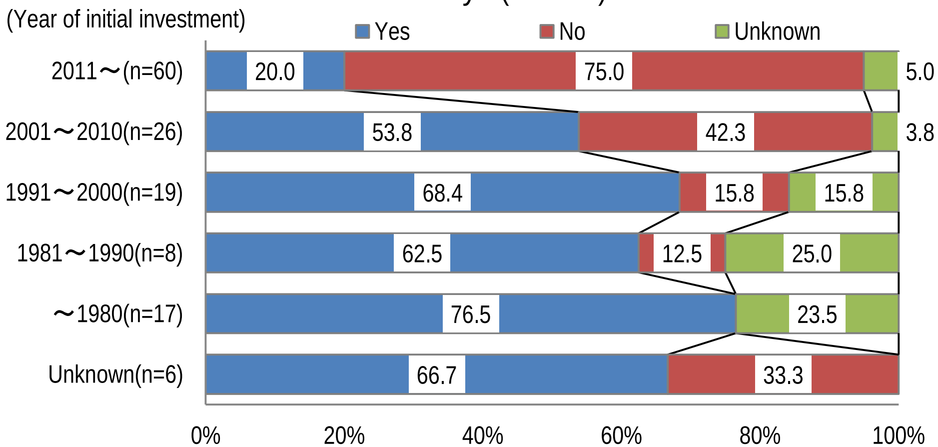
Specific Effects (Multiple Answers)



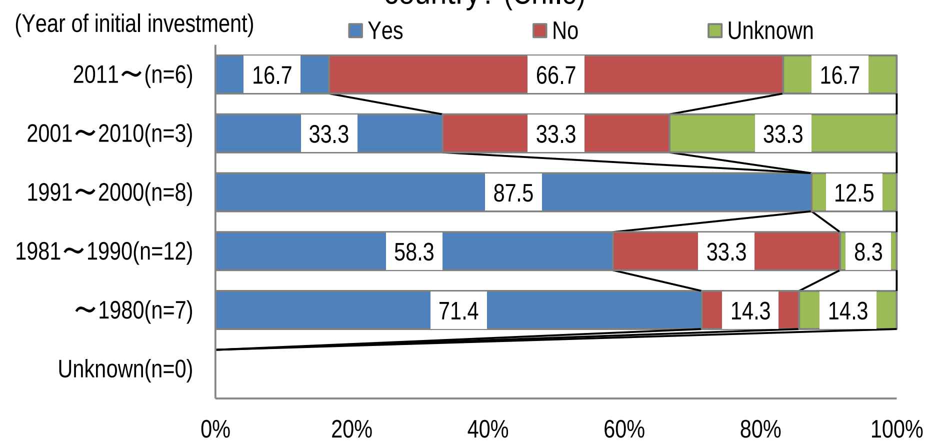
III – 8 – (1) Recovery of the initial investment

- As for the recovery of initial investment capital, it was observed that the enterprises in the Pacific Alliance countries (Mexico, Colombia, Peru, and Chile) could recover the initial investment in a relatively short time compared to the MERCOSUR countries (Brazil, Argentina, and Venezuela).

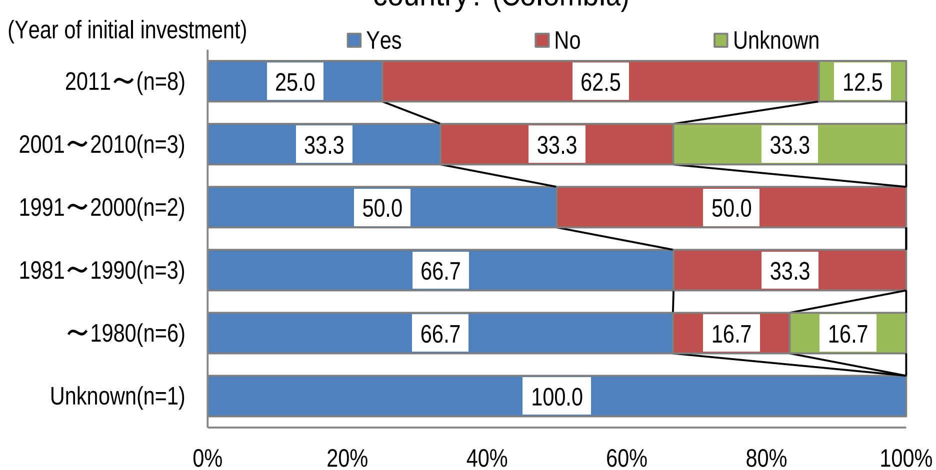
Has Your Company recovered initial investment in this country? (Mexico)



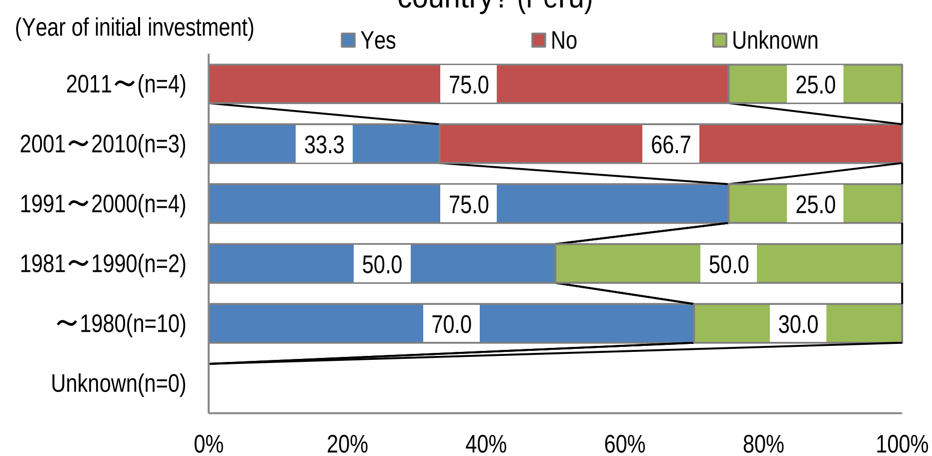
Has Your Company recovered initial investment in this country? (Chile)



Has Your Company recovered initial investment in this country? (Colombia)

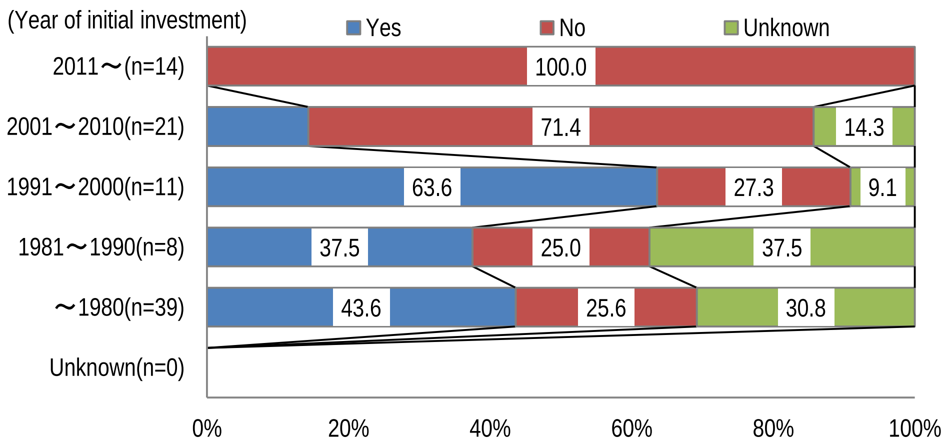


Has Your Company recovered initial investment in this country? (Peru)

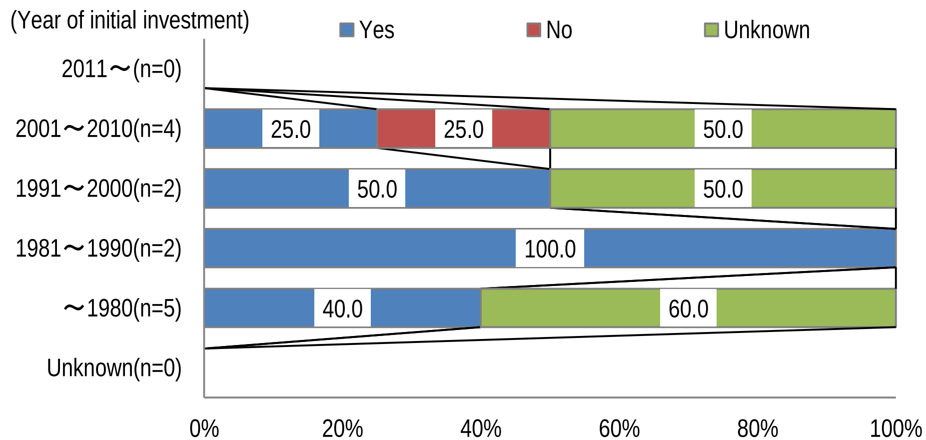


- In Brazil, only 14.3% of enterprises who advanced into Brazil after the 2000s answered that they could recover the initial investment. It seems that the high business cost, or so-**called "Brazil cost," including the complicated tax system, has an** impact.

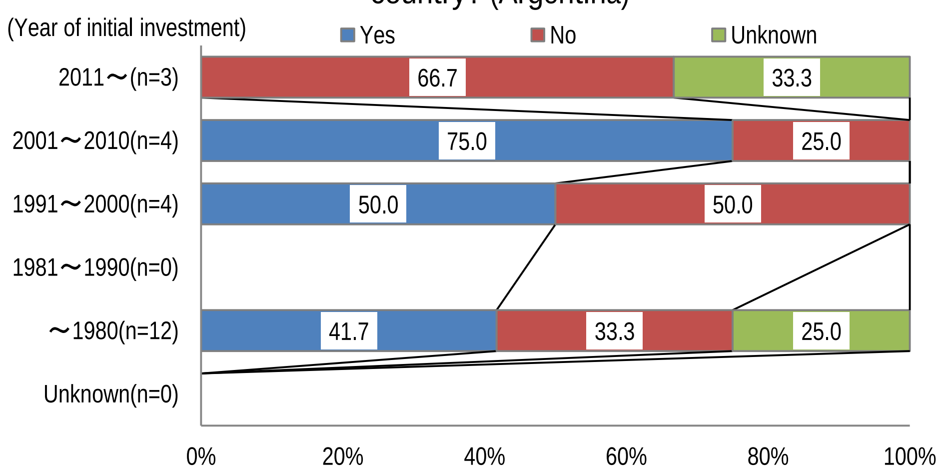
Has Your Company recovered initial investment in this country? (Brazil)



Has Your Company recovered initial investment in this country? (Venezuela)

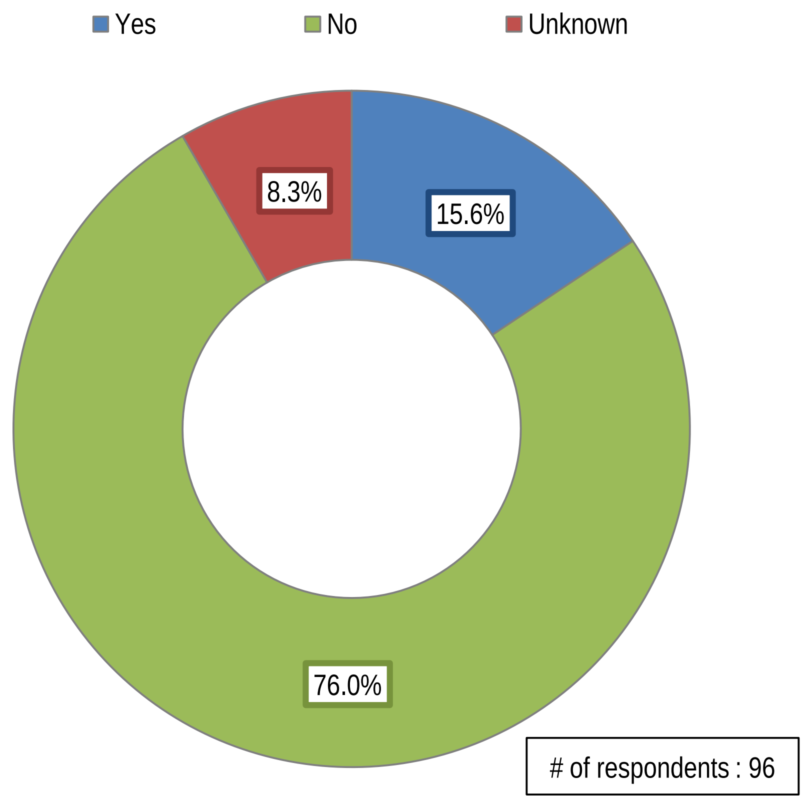


Has Your Company recovered initial investment in this country? (Argentina)

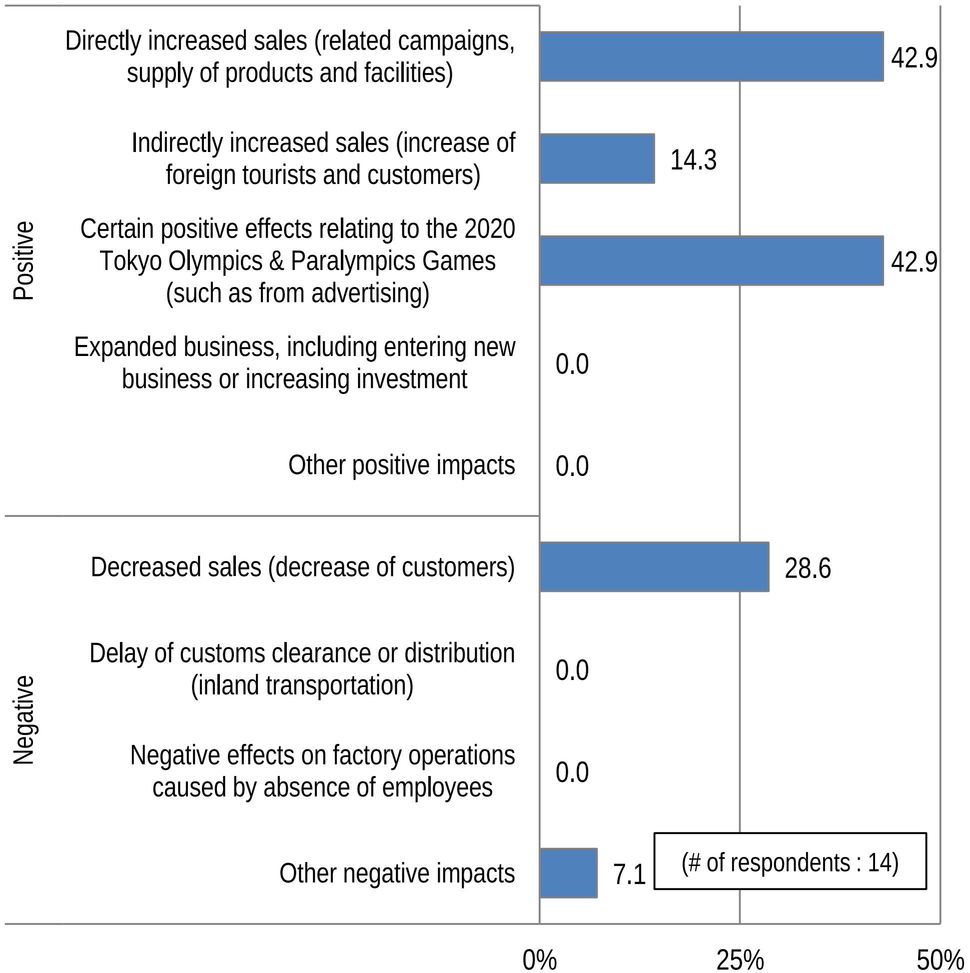


- **As for the impact of the Rio de Janeiro Olympic and Paralympic games on business, 76.0% of enterprises answered “no impact”.**

Effect of Olympic & Paralympic games in Rio de Janeiro



Specific Effects（Multiple Answers）



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