

METI-RIETI APEC Symposium on Small and
Medium Enterprises:
Strategy for Reinvigorating Economic Growth
with Dual Engine: SME and Asia-Pacific

October 1, 2010, Gifu

Panel Chair's Lead-off

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SME in the Japanese economy

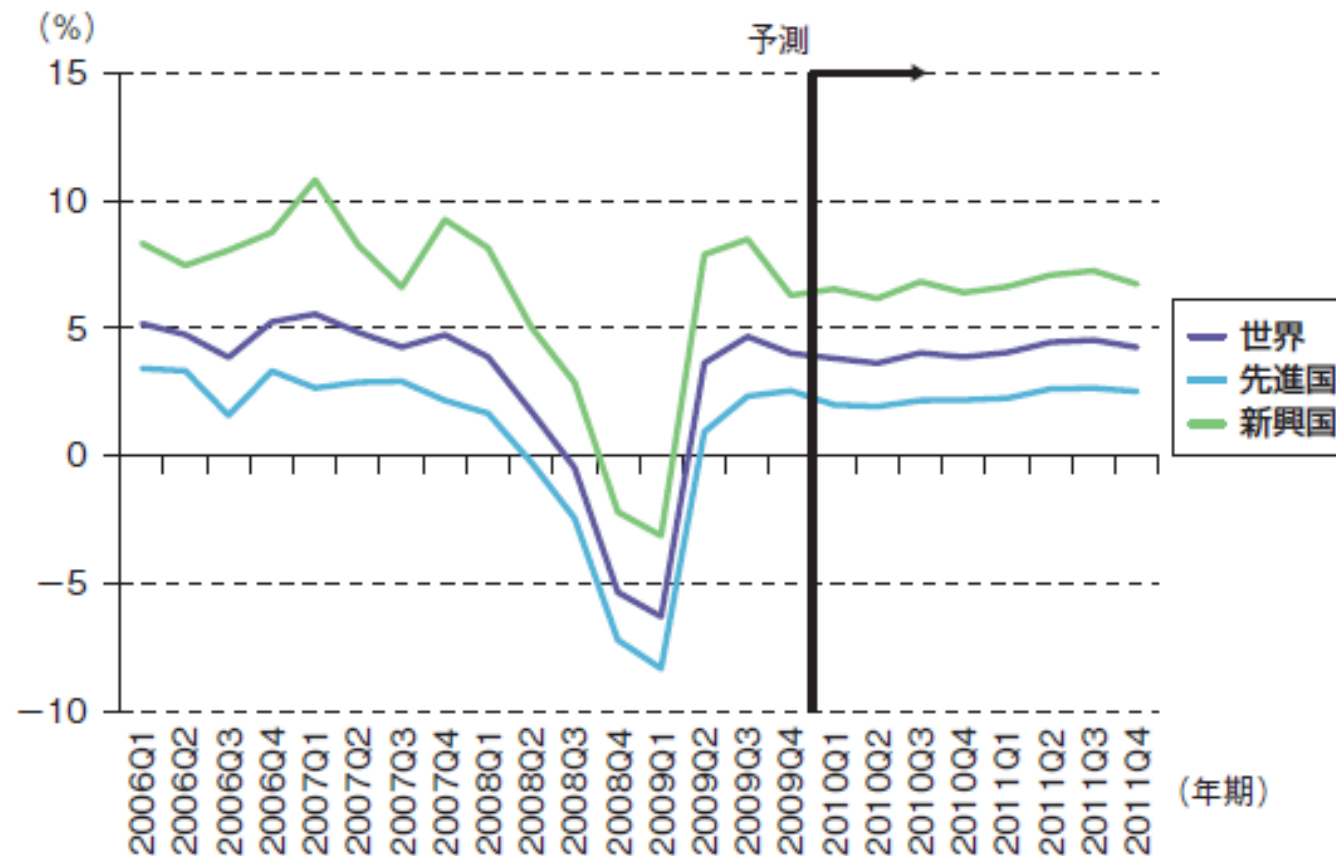
- Definition:
 - Manufacturing: less than 300 employees
 - Whole sales and services: less than 100 employees
 - Retail: less than 50 employees
- Share of SMEs in the Japanese economy (2006) (%)

	# of firms	# of Employees *	Value added (2008) *
Manufacturing	99.6	74.2	54.4
Whole sales and Retail	99.6	79.0	

* Small and medium business establishment basis

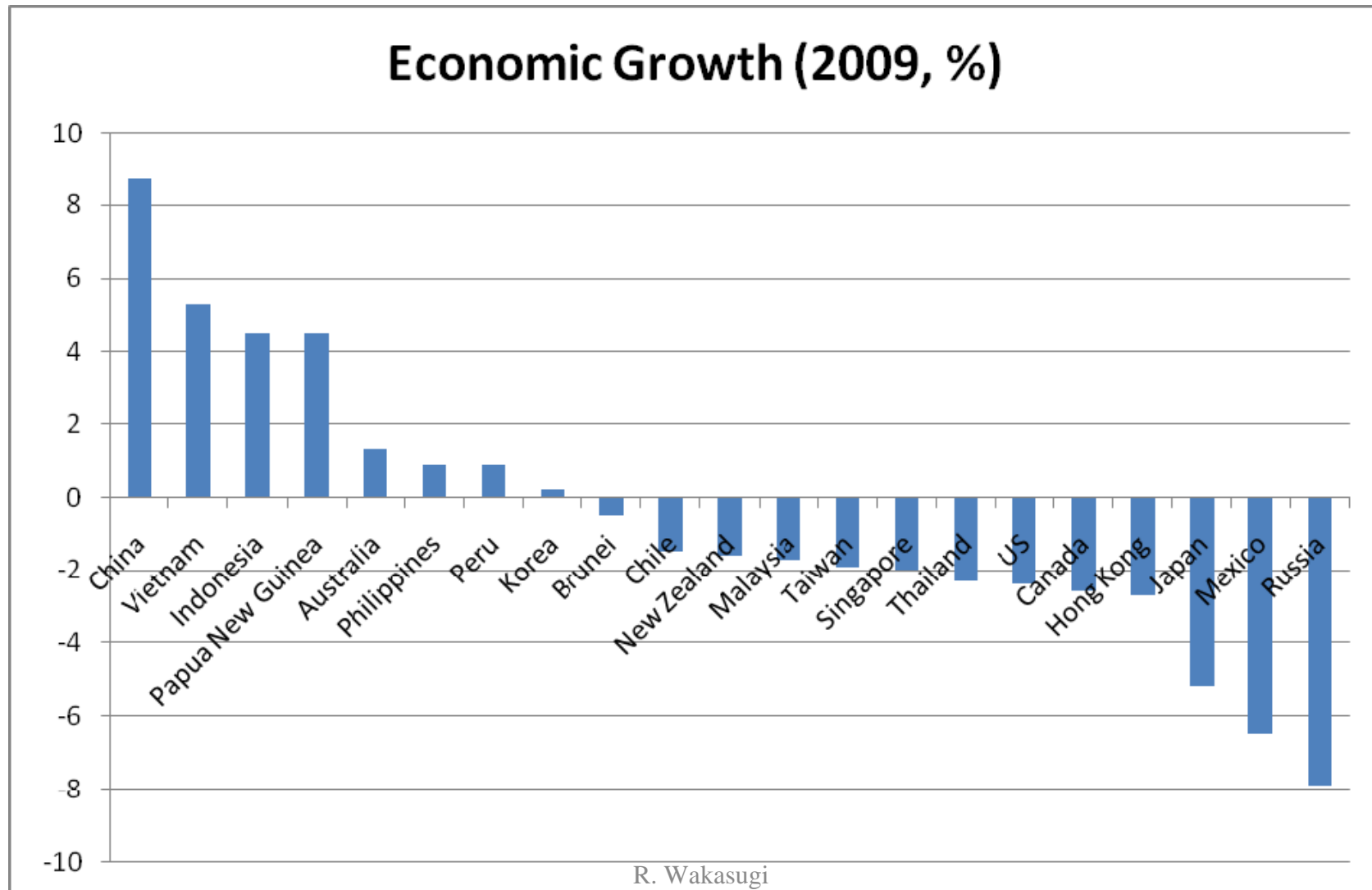
Global shock wave to SME's activities

Lehman Shock, Greek Crisis, and after : Low growth of OECD countries and High growth of emerging economies



資料: IMF 「World Economic Outlook Update, January 2010」から作成。

Heterogeneous growth rate in APEC member countries after the financial crisis

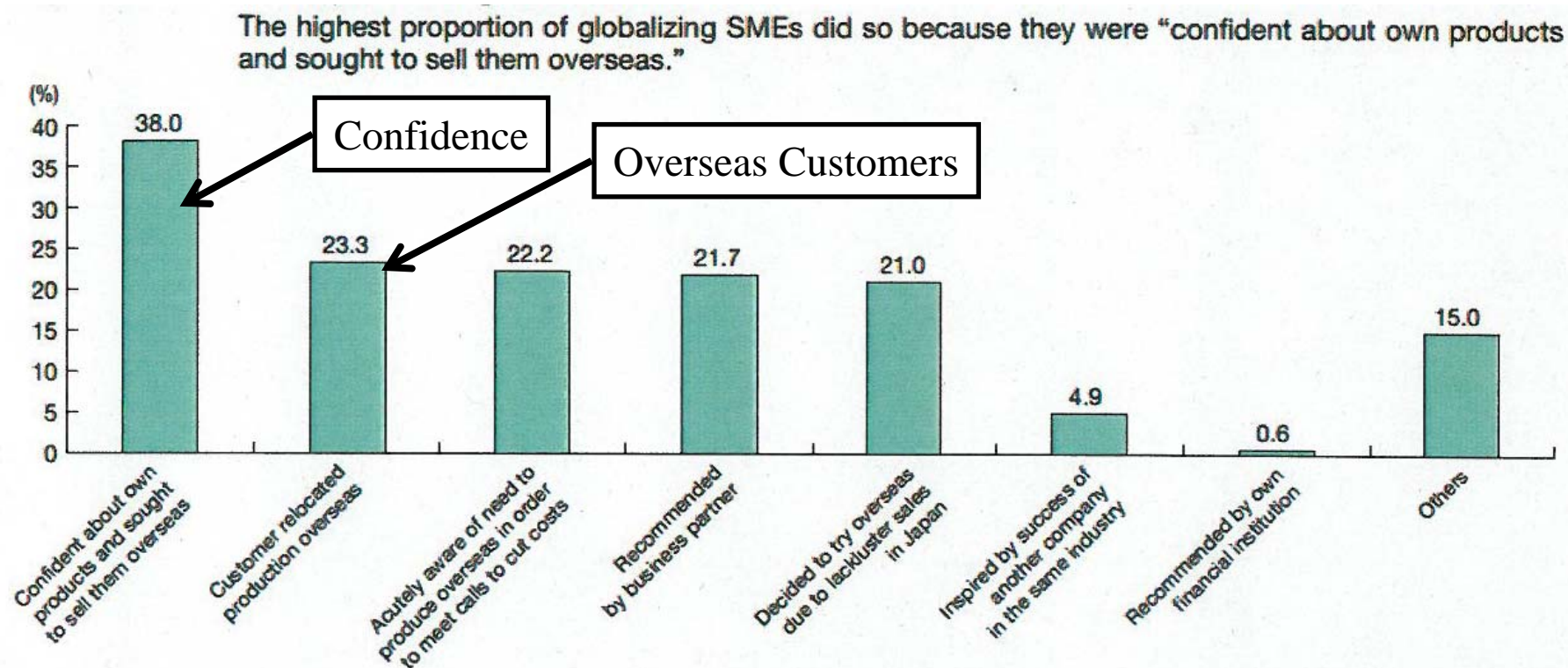


Internationalization of SME

Export ratio (Electric machinery, 2005)

	Direct export	Indirect export	Total
SME	36.7	16.3	53.0
Large firms	37.5	14.5	52.0

Motivations of SME's internationalization

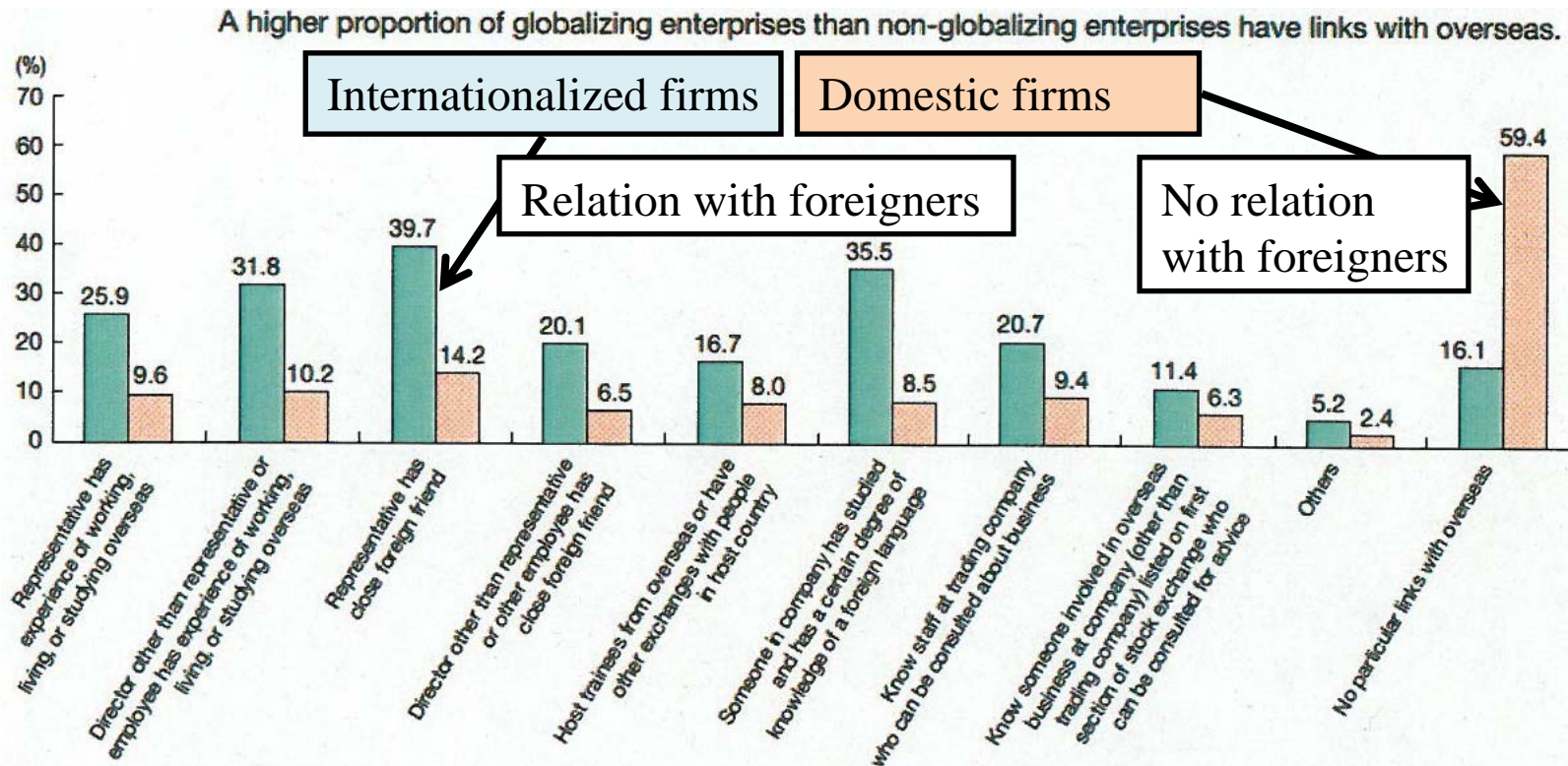


Source: Mitsubishi UFJ Research & Consulting Co., Ltd., *Questionnaire Survey of Globalization and Business Activities* (November 2009), commissioned by SME Agency.

Notes: 1. Only enterprises that responded that they were "engaged" in globalization are included.
2. Totals do not necessarily sum to 100 due to multiple responses.

source: 2010 White Paper on Small and Medium Enterprises in Japan
(provisional translation)

Global network for SME's internationalization

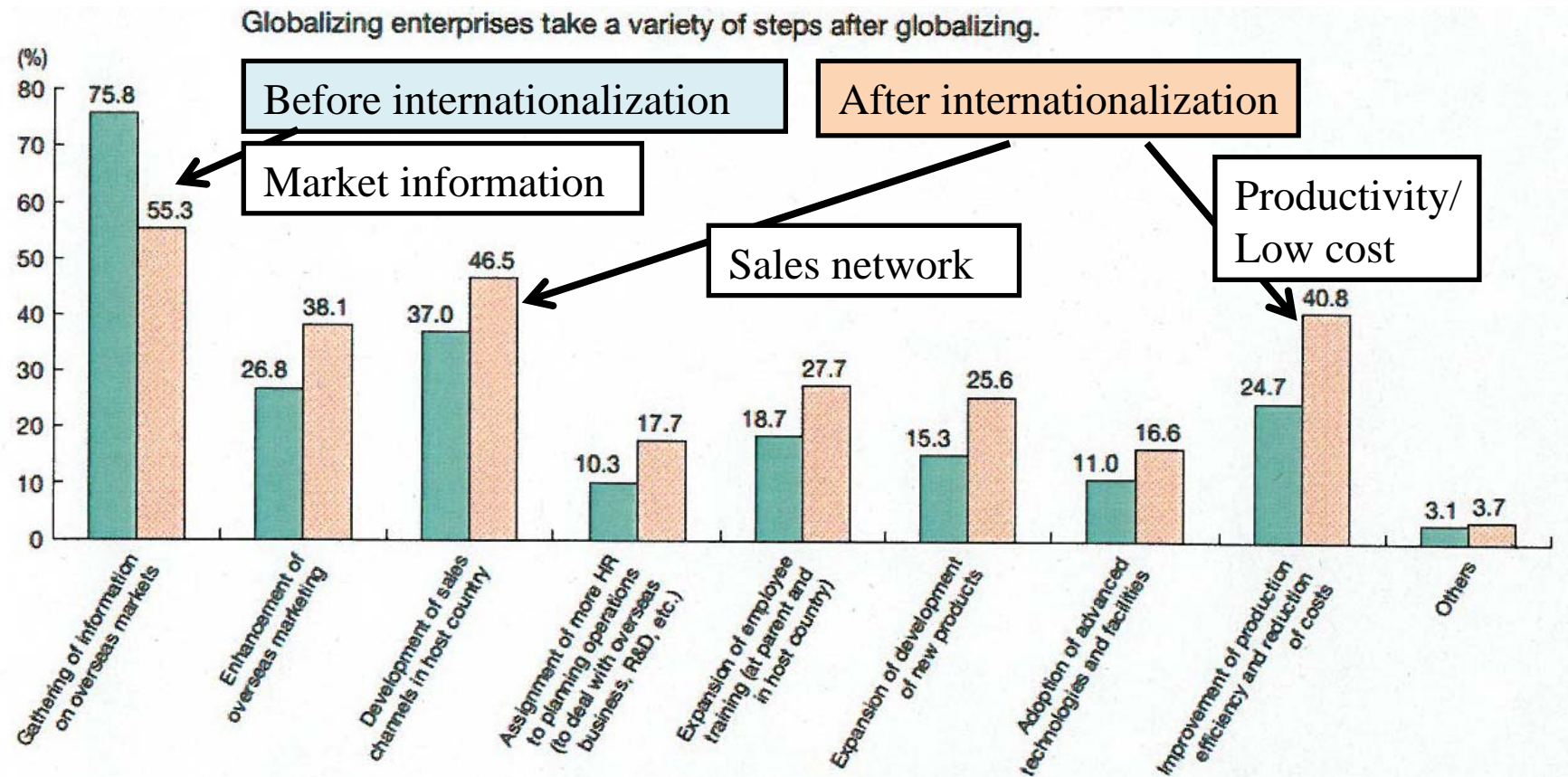


Source: Mitsubishi UFJ Research & Consulting Co., Ltd., *Questionnaire Survey of Globalization and Business Activities* (November 2009), commissioned by SME Agency.

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Preparation for internationalization

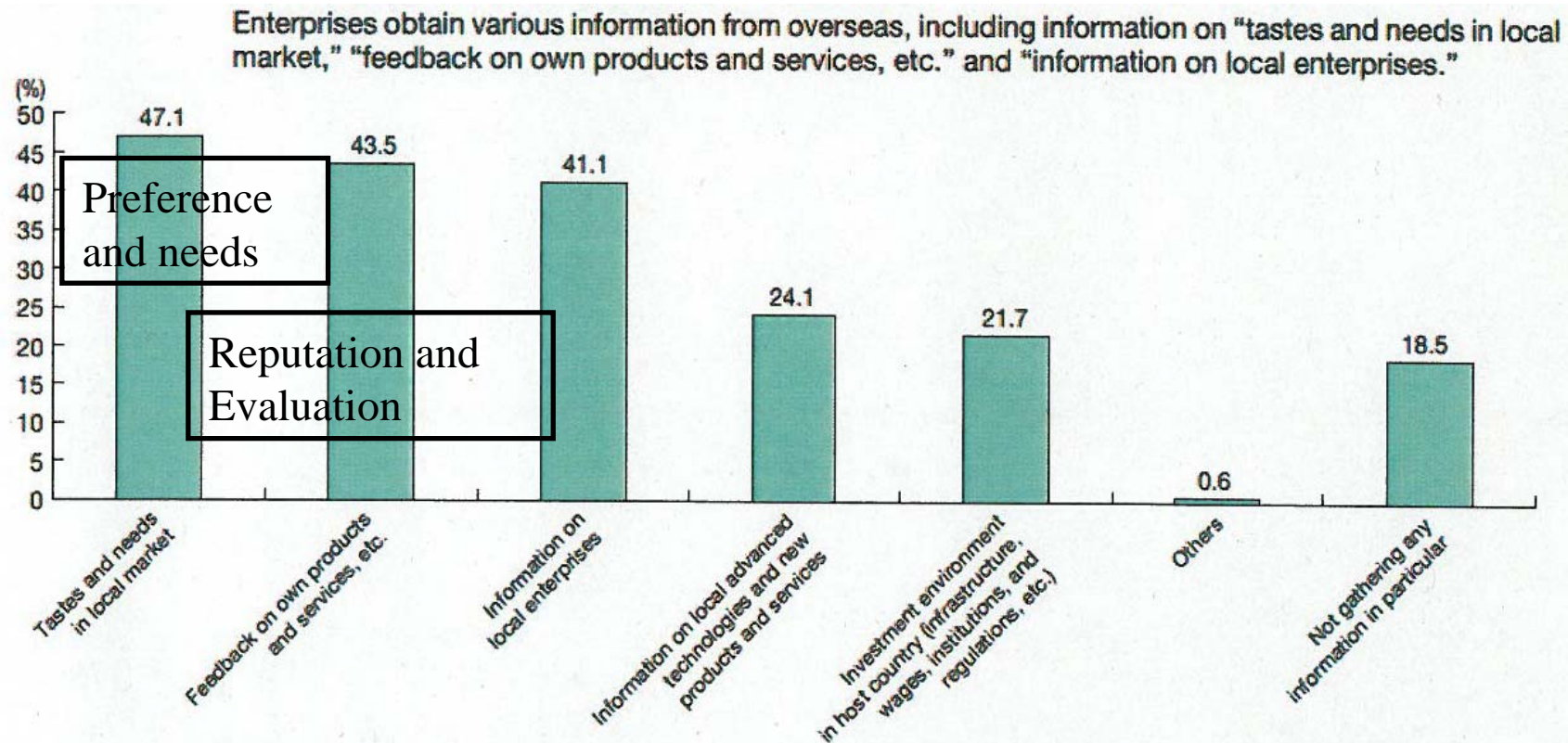


Source: Mitsubishi UFJ Research & Consulting Co., Ltd., *Questionnaire Survey of Globalization and Business Activities* (November 2009), commissioned by SME Agency.

Notes: 1. Only results for SMEs that responded that they were "engaged" in globalization are included in the above.
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source: 2010 White Paper on Small and Medium Enterprises in Japan
(provisional translation)

Critical information for internationalization



Source: Mitsubishi UFJ Research & Consulting Co., Ltd., *Questionnaire Survey of Globalization and Business Activities* (November 2009), commissioned by SME Agency.

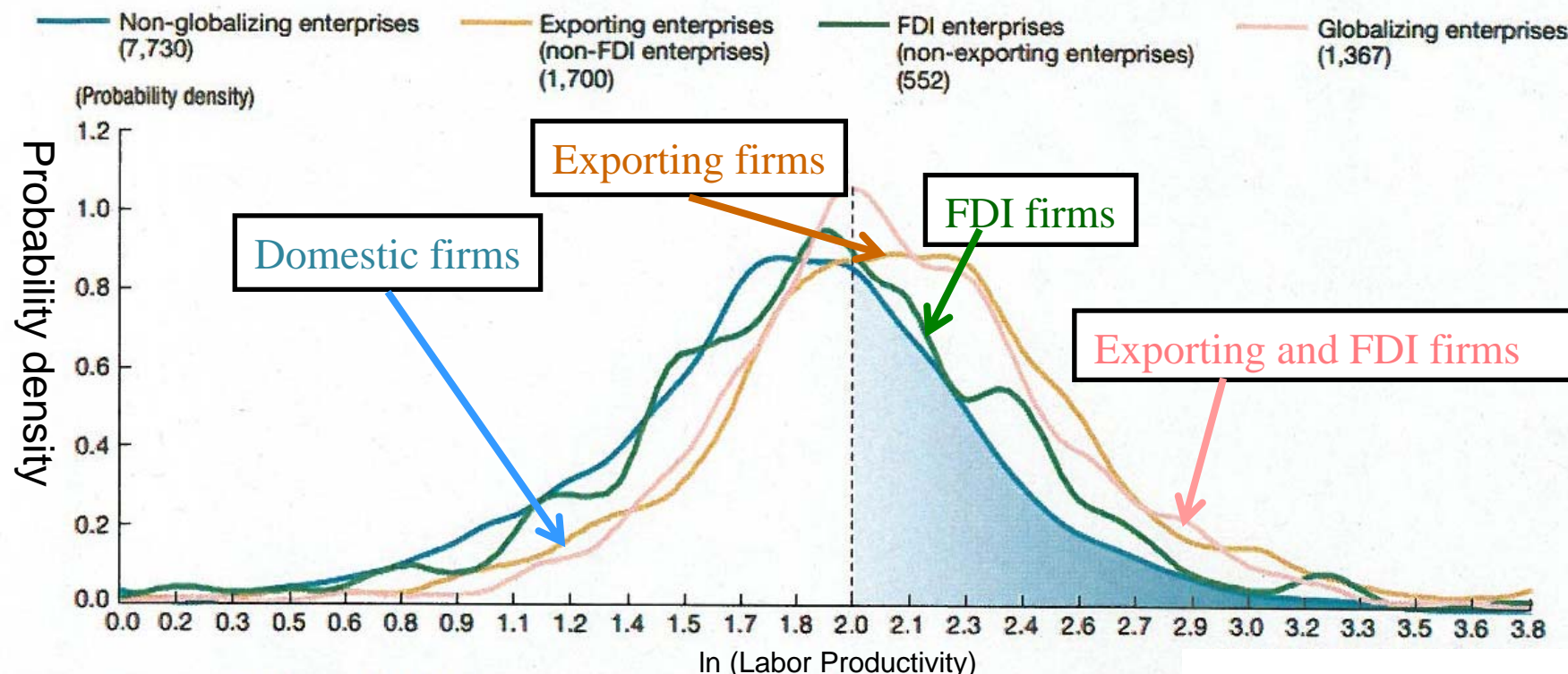
Notes: 1. Only results for SMEs that responded that they were "engaged" in globalization are included in the above.
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source: 2010 White Paper on Small and Medium Enterprises in Japan
(provisional translation)

Productivity of SME

SME with high productivity still non-internationalized

Some enterprises do not engage in globalization despite having high labor productivity.



Source: Recompiled from METI, 2008 *Basic Survey of Japanese Business Structure and Activities*.

Notes: 1. Compiled based on Wakasugi et al. (2008).

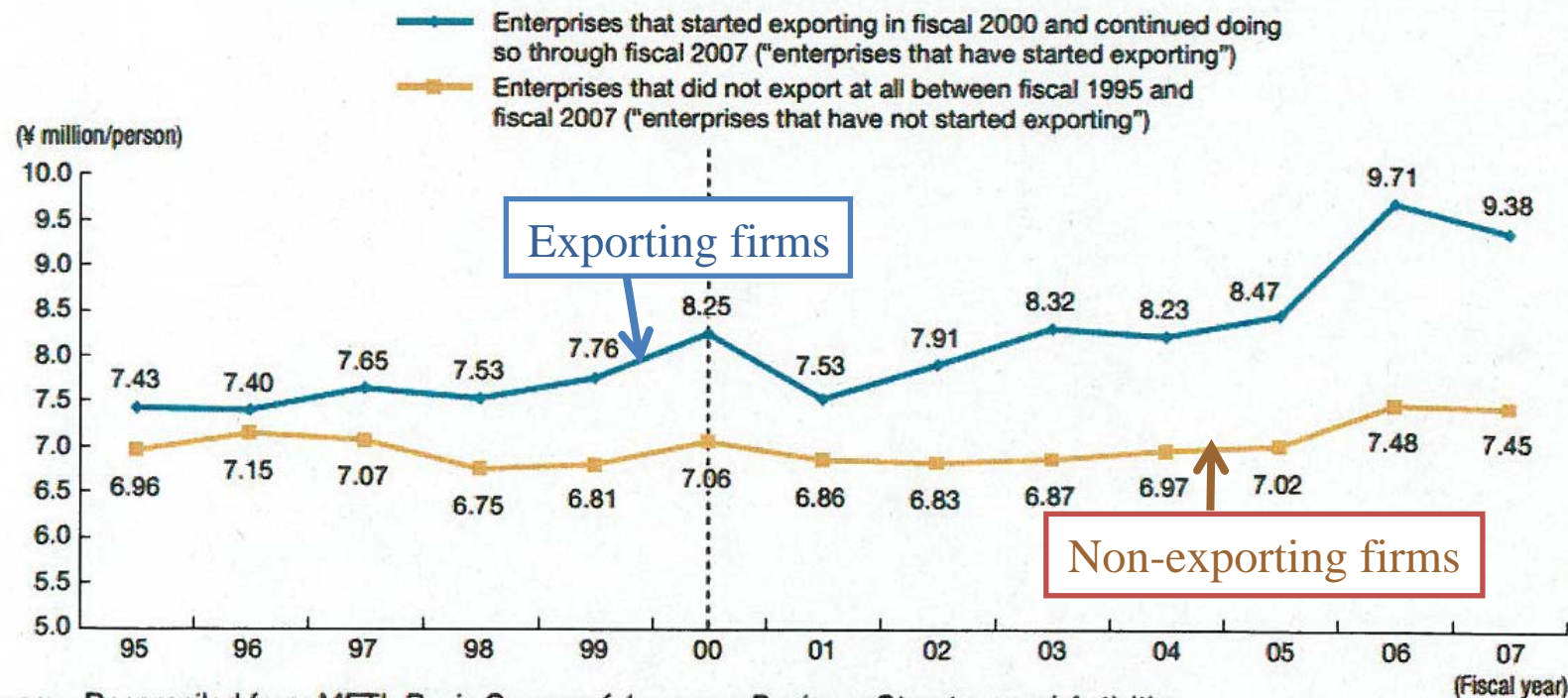
2. An increase of 1 in the natural log signifies a 2.7-fold increase in the actual number.

source: 2010 White Paper on Small and Medium Enterprises in Japan
(provisional translation)

R. Wakasugi

SME's high productivity by exporting

Enterprises that have started exporting had higher labor productivity before doing so and have higher growth in labor productivity afterwards than other enterprises.



Source: Recompiled from METI, *Basic Survey of Japanese Business Structure and Activities*.

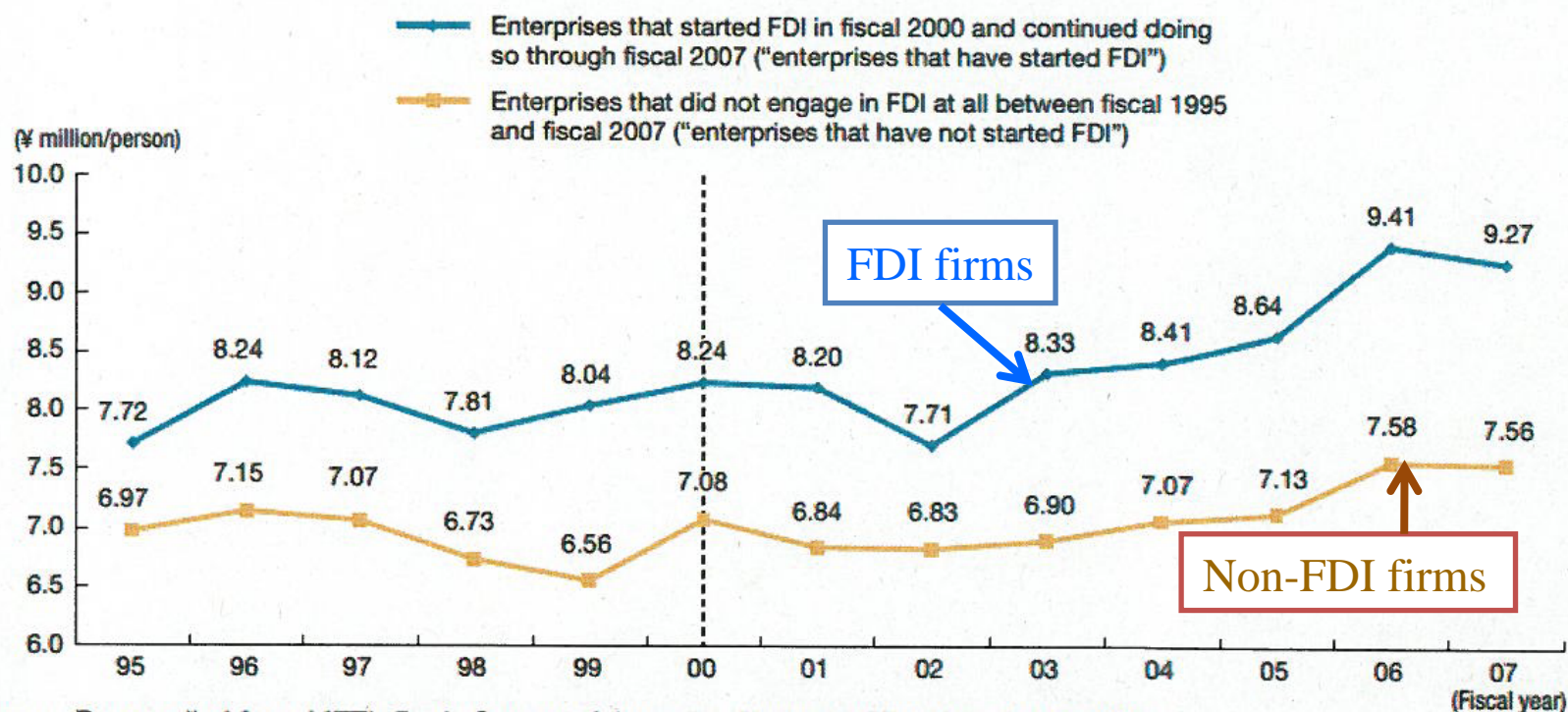
- Notes:
1. Labor productivity = value added in Japan / number of employees in Japan
 2. Only enterprises that responded continuously from fiscal 1994 through to fiscal 2007 are included.
 3. Compiled based on Wakasugi et al. (2008).

source: 2010 White Paper on Small and Medium Enterprises in Japan
(provisional translation)

R. Wakasugi

SME's high productivity by conducting FDI and overseas production

Enterprises that have started FDI had higher labor productivity before doing so and have higher growth in labor productivity afterwards than other enterprises.



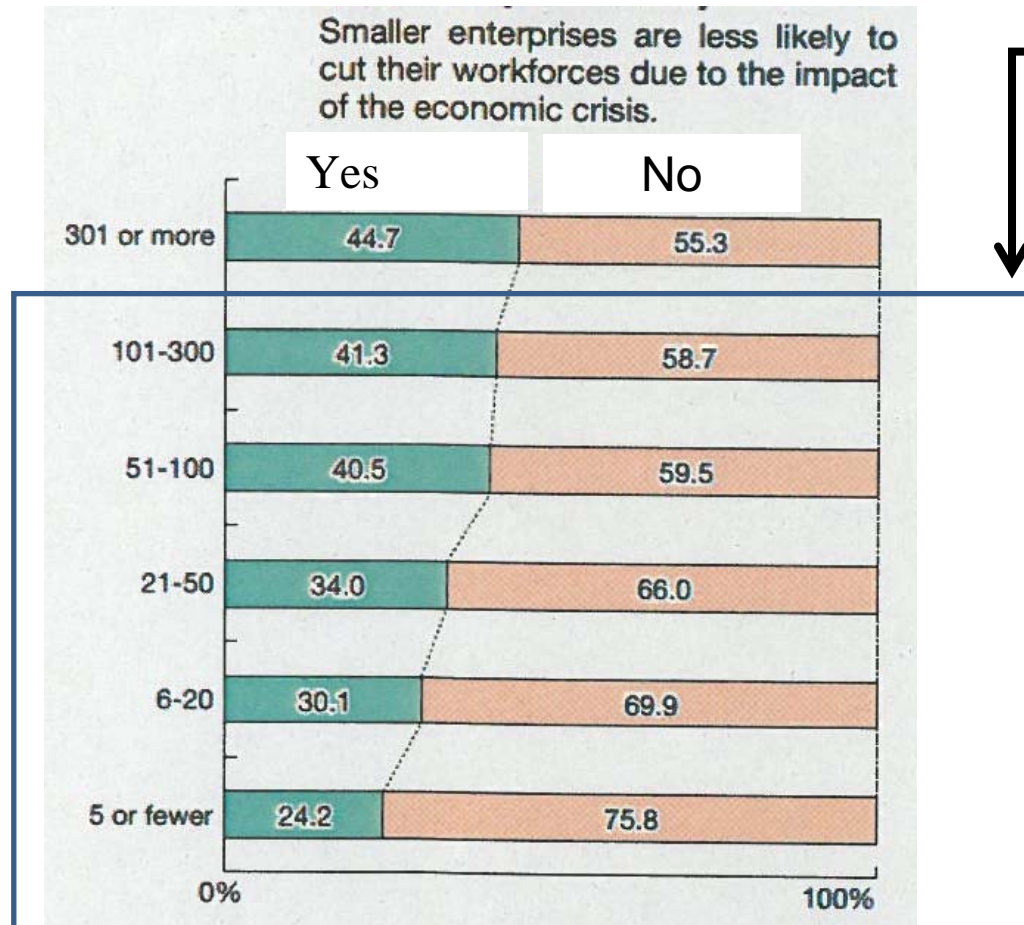
Source: Recompiled from METI, *Basic Survey of Japanese Business Structure and Activities*.

- Notes:
1. Labor productivity = value added in Japan / number of employees in Japan
 2. Only enterprises that responded continuously from fiscal 1994 through to fiscal 2007 are included.
 3. Compiled based on Wakasugi et al. (2008).

source: 2010 White Paper on Small and Medium Enterprises in Japan
(provisional translation)

Job creation by SME

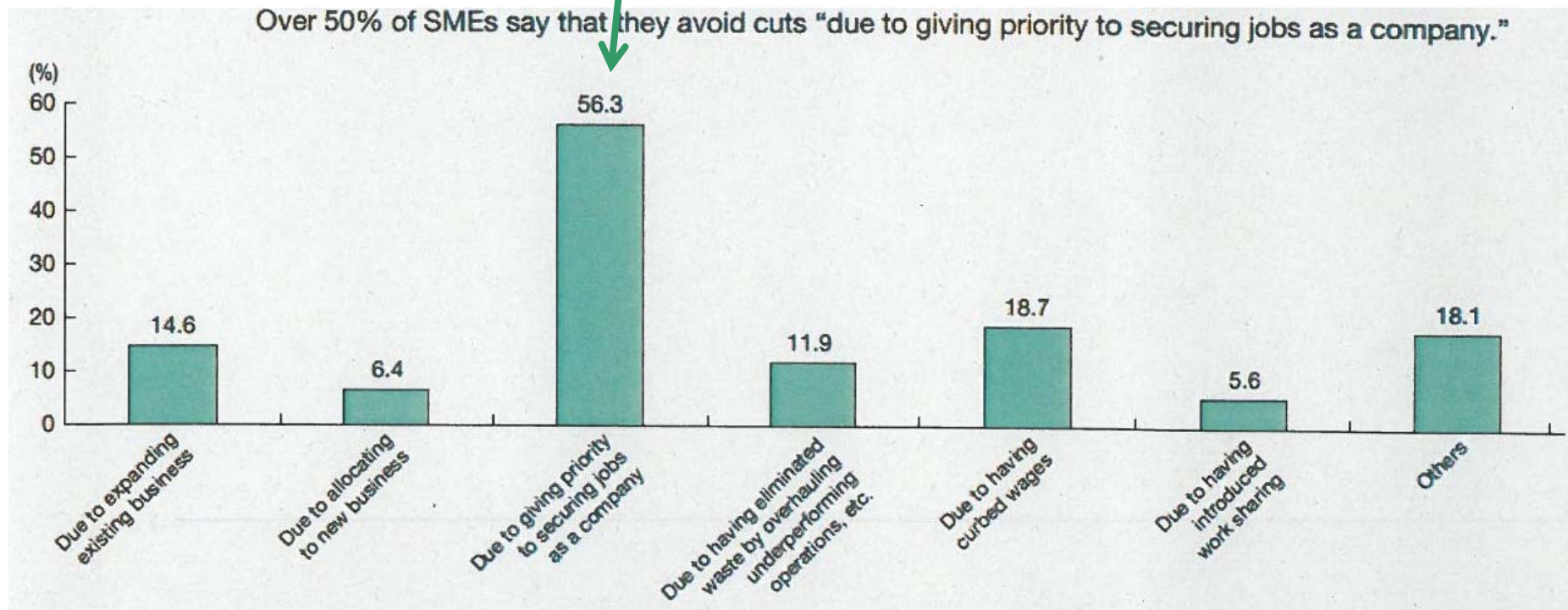
Smaller layoff of SME after the financial crisis



source: 2010 White Paper
on Small and Medium
Enterprises in Japan
(provisional translation)

Source: Mizuho Research Institute Ltd., *Survey of Corporate Employment Conditions and Government Support Measures* (November 2009), commissioned by SME Agency.
R. Wakasugi

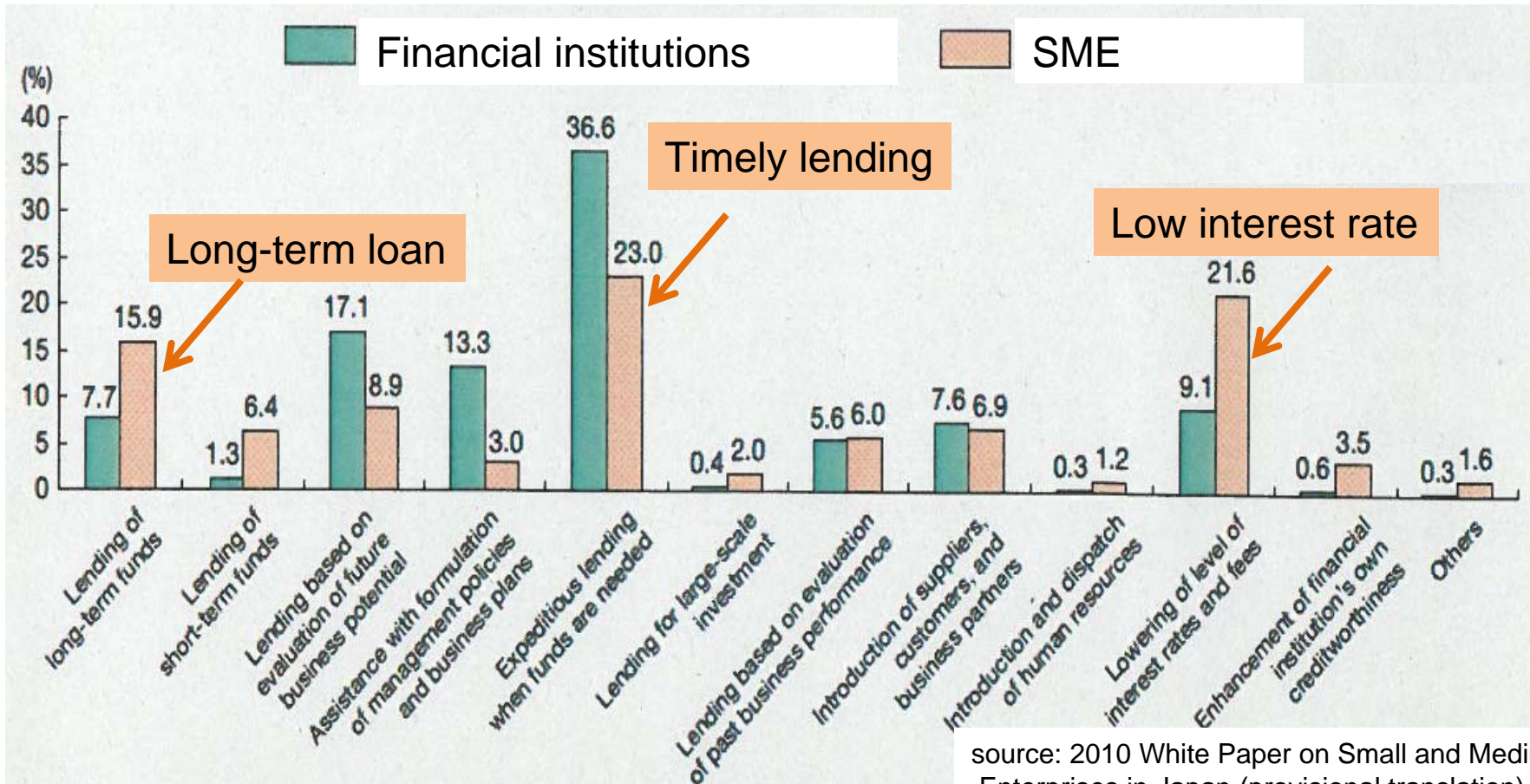
Higher priority of SME to the maintenance of job opportunity



source: 2010 White Paper on Small and Medium Enterprises in Japan (provisional translation)

SME's encountering difficulties

Financial constraint for SME

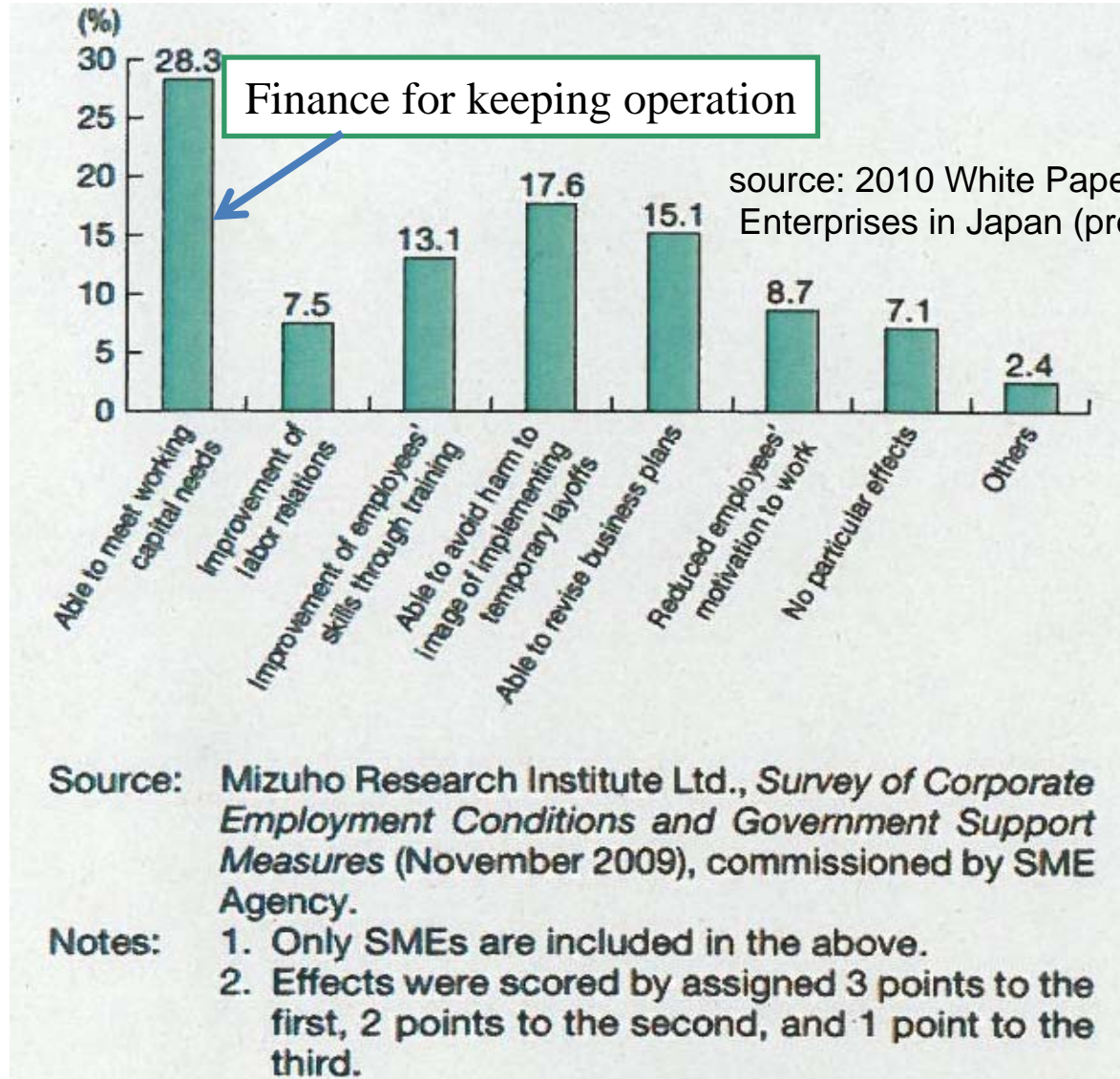


source: 2010 White Paper on Small and Medium Enterprises in Japan (provisional translation)

Sources: Mizuho Research Institute Ltd., *Survey of Fund Raising by Small and Medium Enterprises* (November 2009) and *Survey of Corporate Employment Conditions and Government Support Measures* (November 2009), both commissioned by SME Agency.

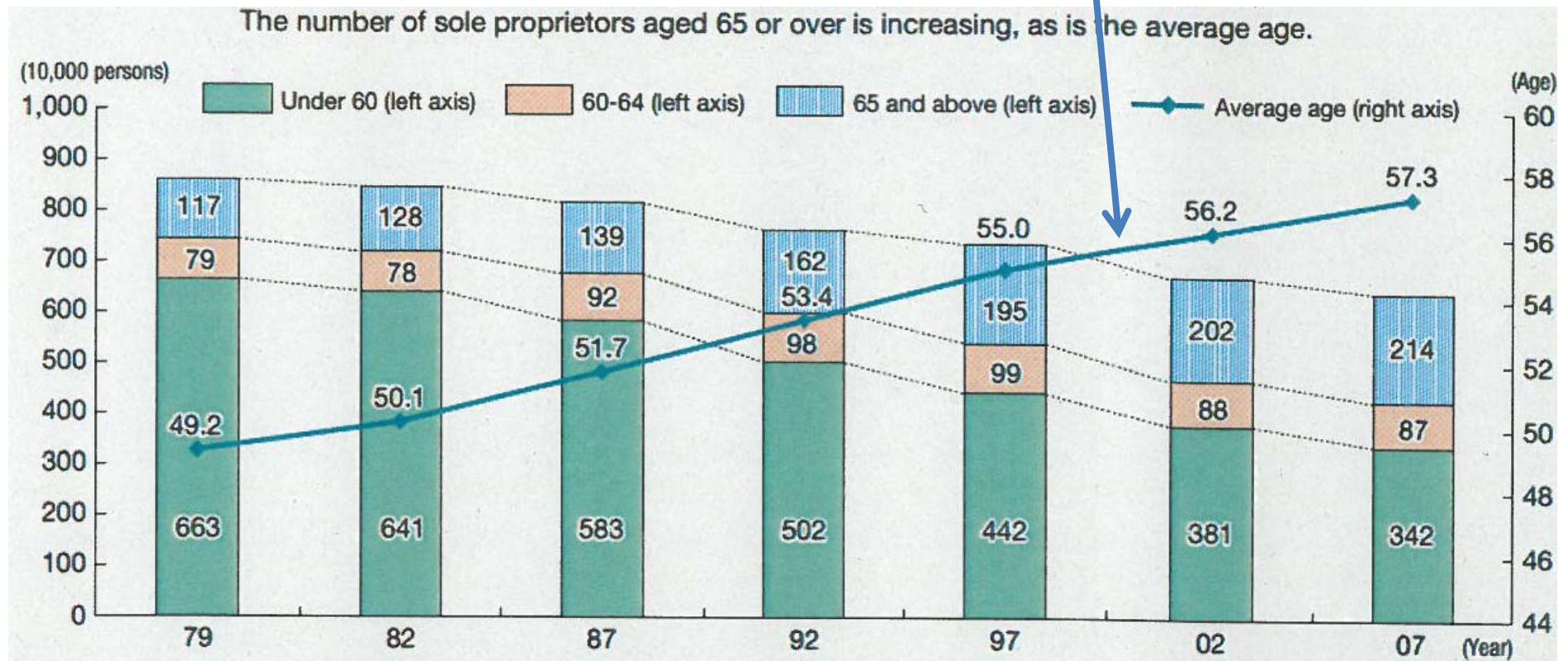
Note: Effects were scored by assigning 3 points to the first, 2 points to the second, and 1 point to the third.

Timely financial support to SME's job creation



Human resources for SME

Aging
owners/managers



Source: Recompiled from MIC, *Employment Status Survey*.

source: 2010 White Paper on Small and Medium Enterprises in Japan (provisional translation)

SME in the global economy

- Participation in the division of labor and offshoring in the global economy
- Export and FDI of SME cause higher productivity, job creation, profitability and growth
- Entrepreneur to create innovation and new business
- Creation of job opportunity in the local market
- Suppliers of diversified goods and services to the wide range of customers from high income level to BOP(Base of the economic pyramid)
- Driving force to the agglomeration and growth in the local economy as well as the global economy