



NEW EXPORT POTENTIAL OF €13.5 BILLION FOR GERMAN COMPANIES TRADING WITH JAPAN AND KOREA ACCORDING TO A REPORT CONDUCTED ON BEHALF OF THE EUROPEAN COMMISSION

European Commission launches The Executive Training Programme in Japan and Korea

Brussels, 21st September 2011: New export opportunities worth €13.5 billion a year by 2020 could emerge for German companies trading with Japan and Korea according to a report conducted on behalf of the European Commission. *'The Executive Training Programme's: EU Trade with Japan & Korea'* report maintains that if export growth from Germany to Japan and Korea follows growth patterns in Germany's non-EU exports over the last ten years, German companies could enjoy significant new export opportunities by 2020.

According to the report, Germany trades significantly less with Japan and Korea, on a per capita basis, than with Australia, another developed economy that is located about the same distance from the EU. Per capita, Japan consumes approximately €100 worth of German imports per year, while the equivalent figure for Korea is €200. However, Australians consume a significantly higher amount of German goods at over €350 worth per capita. This points to the importance of factors apart from distance, such as culture, language and business environment in maximising trade and export opportunities.

'The Executive Training Programme's: EU Trade with Japan & Korea' report was conducted by economist Ronan Lyons of Oxford University, on behalf of the European Commission to launch the new cycle of its Executive Training Programme (ETP). The ETP provides European companies' executives with the knowledge and skills necessary to overcome business, language and cultural barriers in order to trade successfully in the Japanese and Korean markets.

Commenting on the research, Tung-Lai Margue, Director, Head of the Service for Foreign Policy Instruments of the European Commission, said, "The variation between EU exports to Australia versus those to Japan and Korea points to significant export opportunities for European businesses in these Asian markets. Over the past 30 years the Executive Training Programme has become a key instrument in supporting EU companies' expansion in Japan and Korea, helping them to understand business practices in those markets and overcome language and cultural barriers to successful trade relations."

"This report clearly highlights that, as two of the largest economies in the world, these markets offer a wealth of opportunity to European businesses. The ETP is uniquely positioned to enable European businesses to unlock the potential of these complex and idiosyncratic markets."

According to the IMF's World Economic Outlook, Japan's economy is expected to grow by approximately 18% between 2010 and 2020 while Japanese imports of both goods and services is anticipated to grow by 50% between now and 2016.

The share of German exports outside the EU that went to Japan fell from 6.1% in 2000 to 3.4% in 2010. With no change in trend, this could fall further to 1.9% by 2020. In 2010, Japan was Germany's sixth largest market for exports outside the EU, down from third largest in 2000. While Germany's exports outside the EU have grown on average 6% per year over the past ten years, exports to Japan have essentially stagnated in the same period, growing 0.1% per year.



The research report highlights opportunities for particular sectors within Japan. Economist Ronan Lyons, author of the report, commented, "Machinery such as electronics and transport equipment, comprise 57% of all Germany's exports outside the EU. In the case of exports from Germany to Japan, however, the figure is just 49%. An increase in machinery exports to Japan in line with other countries could represent a €920million opportunity for German machinery firms."

Lyons continued, "Foreign direct investment presents a range of further opportunities for German firms. For example, construction activity in Japan over coming years will be driven by the reconstruction following the earthquake earlier this year - the most expensive natural disaster in history. The reconstruction package announced by the Japanese Government is estimated at €36billion. Also, Japan faces particular challenges in relation to healthcare, with 40% of its population predicted to be over the age of 65 by 2050. The medical devices market in Japan, worth €20billion in 2009, is currently dominated by American rather than the EU firms."

In relation to Korea, the report shows that the proportion of German exports to that market has grown steadily over the past 10 years, from 2.1% in 2000 to 2.7% in 2010. If this trend continues exports from Germany to Korea could reach 3.5% by 2020. With the coming into force of a free-trade agreement between the EU and Korea in July of this year, trade may continue to expand rapidly over coming years. According to the IMF's World Economic Outlook, Korea's economy is expected to grow by about 53% between 2010 and 2020 while imports of both goods and services is anticipated to grow by 75% between 2011 and 2016.

The research shows that exports of materials-based manufactures such as iron, paper and textiles, comprise more than 11% of all Germany's exports outside the EU but account for just 8% of its trade with Korea. An increase in manufactures exports to Korea to 11% of the total would present a €330million opportunity for German materials firms.

As a result of the Korean Government's 'Low Carbon, Green Growth' strategy and a €11.5billion economic stimulus package, the environment and green tech sector in Korea is booming, with the Ministry for the Environment in Korea predicting that it will double in size to €45billion by 2013. Also, it is estimated that Korea's healthcare sector, which was worth €38billion in 2007, will grow rapidly in coming years, by an average growth rate of 12-15% per annum.

1,100 executives of European companies have participated in the Executive Training Programme (ETP) since 1979, with 65% going on to become chief executives within their companies. The turnover of companies that have participated in the ETP has doubled within ten years of completing the programme. The next cycle of the ETP begins in November 2012 with applications being accepted between September 2011 and May 2012. Further information is available on www.euetp.eu

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Notes to Editor:

'The Executive Training Programme's: EU Trade with Japan & Korea' report was conducted by Economist Ronan Lyons between 8th and 22nd August 2011 on behalf of the European Commission. Detailed trade statistics from leading international data sources including Eurostat and the OECD were used as part of this analysis. For each of the 27 EU member states, and for the EU as a whole, trends in exports to both Korea and Japan over the period 2000-2010 were analysed. Through projection forward of existing trends, and comparisons with other countries, trade opportunities were highlighted at aggregate and sectoral levels. A pdf copy of the report can be downloaded from www.euetp.eu/pressroom

Disclaimer: This survey was requested by the Service for Foreign Policy Instruments of the European Commission. This document does not represent the point of view of the European Commission or the European Union. The interpretations and opinions contained in it are solely those of the author.

About The Executive Training Programme:

The Executive Training Programme (ETP) is a European Commission funded programme that provides European companies with the business, language and cultural training necessary for success in the Japanese and Korean markets. The ETP strengthens the presence of EU companies in Korea and Japan as well as the cultural and business links between those countries and the EU. The way business is done in Japan and Korea is so vastly different to how it is done in Europe that companies and executives doing business there need to be provided with specialist skills and insights necessary to succeed there. Growing the number of EU companies operating in Japan and Korea is a key strategic imperative for the European Commission.

www.euetp.eu

About The EU Gateway Programme:

The European Commission also funds a sister programme; the **EU Gateway Programme**. The EU Gateway Programme organises and funds Business Missions in high technology and design sectors for European companies to develop their businesses in Japan and Korea.

The Programme offers financial and logistical support, strategic preparation and a tailored search for business contacts. With support provided at every step of the way, EU companies are coached by a team of professionals in the business etiquette of these dynamic markets.

Since the beginning of this Programme, the European Commission has helped many companies reap the rewards of entry into the Japanese and Korean markets. Since 1994 more than 2,500 companies from the EU Member States have participated in an EU Gateway Business Mission.

www.eu-gateway.eu