

JETRO Chicago Midwest NEWSLETTER

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From the Chief Executive Director

*Takashi "Taka" Tsuchiya,
Chief Executive Director,
JETRO Chicago*

Personal Consumption in Japan can Spur Continued Recovery

Summer in Japan, except its northern part, is hot and humid. It is different from the summer in the Midwest where it is hot but breezy. Summer in Japan is a vacation season like the Midwest. Many people take vacations, in particular, around mid-August when Obon, Festival of Souls, takes place. According to Japanese folk tradition, Obon is the time when the spirits of ancestors return to their families' homes. So many people take vacations to return to their home towns. Some offices and factories are closed during this period (a week or so). This annual event is a good contributor to the increment in personal or private consumption, since Japanese people spend money on travel, and souvenirs for families in their home towns.

The increment of private consumption is very important for staying on an economic recovery path in Japan. The corporate investment in facilities and equipments has been a main driver of economic recovery, which started in February 2002. It has slightly slowed down in growth this year. In the meantime private consumption has not

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US-Japan Investment Initiative Seminar set for September in Osaka

A U.S.-Japan investment initiative program is set for Osaka on September 12-13, 2007, following the Japan-Midwest U.S. Association meeting (September 9-11 in Tokyo). Lieutenant Governors from the states of Iowa, Illinois, Kansas and Ohio are expected to attend this event, joining with other state officials and business people from the United States, and Japanese governors/vice-governors and companies from the Kansai region.

This meeting is the latest in a series of events promoting the U.S.-Japan Investment Initiative. The program was established in June 2001 between the leaders of the two countries within the framework of the U.S.-Japan Economic Partnership for Growth. This Initiative provides important, mutually beneficial opportunities for the two governments to exchange views on ways to improve the investment environment in their respective countries.

150-200 attendees are expected in total, including U.S. companies having an interest in investing in the Kansai area and Japanese

companies (mainly from the Kansai Area) having an interest in developing business in the U.S.

They will enjoy a program focusing on understanding the importance of direct/indirect investment for both Japan and the U.S., through case studies of the successful attraction of enterprises and discussions on how to attract companies to the regions. Mr. Yasuo Hayashi, Chairman & CEO of JETRO will deliver the opening remarks.

Organizers of the event include METI (Ministry of Economy, Trade and Industry), METI Kansai Bureau, JETRO, Forum of Local Authorities for the Promotion of FDI, Osaka Prefecture, Osaka City, Osaka Chamber of Commerce and Industry, Osaka Business and Investment Center (O-BIC), Embassy of the United States in Japan, Institute for International Studies and Training (IIST).

For more information, and a full schedule, contact Ralph Inforzato at 312-832-6000, e-mail: Ralph_Inforzato@jetro.go.jp.

Lt. Governor: "North Dakota is committed to its partnership with JETRO"



Guest View

*Jack Dalrymple,
Lt. Governor,
State of North Dakota*

North Dakota recently was honored to host JETRO officials who toured our state and saw first hand why North Dakota ranks among the best states for business and export growth.

Takashi "Taka" Tsuchiya, the Chief Executive

Director of JETRO's Chicago office, and Ralph Inforzato, JETRO's Business Development Director, were introduced to some of the cutting-edge technology research and development underway in North Dakota's Research Corridor. They toured PacketDigital, a company that enhances many of the electronics that we use. They also met with some of the nation's leading producers and marketers of value-added "Identity Preserved" foods traced from the field to the consumer's plate.

Our guests got a sense of the commitment between the state and private sector to build on North Dakota's successful business environment and to expand state export

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Soybeans, Cars, and Miso; How Japanese Consumers are Impacted by US Biofuels



Guest View

Gregory S. Mellinger,
CEO
HighQuest Partners LLC

For nearly fifty years, Japan has consistently ranked first in volume as a destination for U.S. soybeans and soybean products. While Japan's position as the primary export market for U.S. soybean producers has been recently superseded by China (# one) and Mexico (# two), Japan still ranks second on the basis dollar value of soybeans imported, exceeding \$1 billion in 2005, with specialty food grade soybeans contributing to reaching this high value.

The USDA projects that the volume of U.S. soybean exports to Japan in 2007 will reach 3.2 million metric tons of soybeans and 520,000 metric tons of soybean meal (both destined for animal feed and industrial usage). U.S. soybean exports into Japan also include identity preserved non-GMO food grade beans that are processed into traditional Japanese food products (e.g., tofu, miso and natto). Soy oil imports from the U.S., which were 5,899 metric tons in 2006, are expected to increase by 167% in volume and 195% in price in 2007.

As soybeans from the U.S. account for over 76% of Japan's total soybean imports, variations in U.S. soybean supply and price levels have a significant impact on the cost structures of Japanese feed manufacturers and food processors using soybeans. With the rapid expansion of corn ethanol and biodiesel production in the U.S. exerting price pressure on soybeans, they can expect rising input costs over the coming year which will ultimately

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JETRO Around the Midwest

Seminars, Meetings and Events

Robots Attract Attention & Curiosity in Rosemont

The International Robots & Vision Show in June attracted robots from around the world to the Chicago-land area. JETRO Chicago took part in the exhibition with a booth in the Emerging Robotics Zone, and attendees were surprised and excited to find not one, but two of the lovable robotic seals, *Paro* (at right). While industrial robots dominated the trade show, JETRO's booth highlighted the future of the industry with information on service robots in Japan as well as the upcoming International Robot Exhibition (IREX) in Tokyo in late November.



From left: Dr. Takanori Shibata; Terunobu Yamauchi, Director of Technology, JETRO Chicago; Tokuo Iikura; Takashi Tsuchiya, Chief Executive Director, JETRO Chicago; Dr. Masami Takayasu; and Teruaki Saito of NEDO.

JETRO welcomed several guests from Japan to the event. As part of a panel discussion of speakers from several different countries, Dr. Masami Takayasu, Executive Director of the New Energy and Industrial Technology Development Organization (NEDO), offered Japan's view of the "Future of Service Robots." Tokuo Iikura, Executive Director of the Japan Robot Association (JARA), was also in attendance for the panel discussion. Finally, Dr. Takanori Shibata, Senior Research Scientist at the Institute of Advance Industrial Science and Technology (AIST) and inventor of *Paro*, introduced the therapeutic robot seal to exhibit attendees. Dr. Shibata expects *Paro* to be introduced to the US market by early 2008.

For more information on the upcoming IREX 2007 in Tokyo as well as the RoboLink Forum sponsored by JETRO and JARA, please contact Kevin Kalb at 312-832-6000 or Kevin_Kalb@jetro.go.jp.



Harrington College of Design visits Japan

Crandon Gustafson, Department Chairman for Interior Design at Chicago's Harrington College of Design submitted this photo of students on a Spring visit to Osaka, Japan.

During the early spring, JETRO Chicago provided the students with a briefing on what to expect on their first trip to Japan. The City of Osaka office in Chicago was instrumental in arranging for the group to tour the City of Osaka's Asia Pacific Trade Center where they met up with architect Kenichi Hirai..

East-West Center pays a call

Christina Monroe, Program Associate, Asia Pacific Leadership Program, at the East-West Center in Honolulu visited JETRO Chicago recently. She is at right above with JETRO's Ayumi Soobratty and Kazuya Nakajo.



The East-West Center is an education and research organization established by the U.S. Congress in 1960 to strengthen relations and understanding among the peoples and nations of Asia, the Pacific, and the United States.

Toshikatsu Mino joins JETRO Chicago as Director of Agriculture

In mid-July, Toshikatsu Mino was named the Director of Agriculture and Research for the JETRO Chicago Office.

In this role, Mino will be monitoring the trends in agriculture and conducting various research programs for JETRO.

He joined Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF) in 1995 in the Structure Improvement Bureau. He has held a number of management posts in agriculture and fisheries.

In 2002 he was named economic manager to the city of Yaizu, Shizuoka Prefecture, and in April 2005 he became a Deputy Director, Food Industry Policy Division, General Food Policy Bureau, MAFF, coordinating the promotion of Japanese food exports and Japanese food companies' investment abroad, food waste recycling system, etc.

Contact Mino at 312-832-6000, x107, or e-mail toshikatsu_mino@jetro.go.jp.



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**Ask
JETRO**

**How can I receive JETRO's
Invest Japan magazine?**

One of JETRO's most popular publications for a number of years has been *Invest Japan*.

This colorful magazine provides news of the Japanese market, opportunities for business development and a look at regions in Japan that are working to bring in new businesses. Case studies of successful businesses and their investment programs are featured in every issue, as well.

Invest Japan is published quarterly, and is available to all interested parties as a PDF download from the JETRO headquarters website.

To find the most current issue, along with back issues going back to 2003, visit www.jetro.go.jp/en/invest/newsroom/newsletter.



Contact JETRO Chicago

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For general information, call the number above, or for a specific inquiry, use the form at www.jetro.org (select "Contact JETRO" from the menu bar at left).

For Invest-in-Japan information contact Kevin Kalb, at kevin_kalb@jetro.go.jp.

For biotech information, contact David Peterson at David_Peterson@jetro.go.jp



BIOLINK FORUM 2007 will provide special opportunities in Yokohama



**Director's
Dialogue**

*David Peterson
Project Manager
JETRO Chicago*

Many of JETRO Chicago's activities over the past few years have been built around the premise that biotechnology industry is a key element in the economic future of both Japan and the Midwest region of the US. This holds true today and JETRO Chicago remains committed to building a network through which potential partners in the US and Japan can make contact with each other and develop meaningful and mutually beneficial relationships. As in years past, one of the most important settings for this type of interaction is the annual life science industry conference that is Japan's largest and most influential: BioJapan.

After attracting more than 19,000 participants last year in Osaka, BioJapan's convention and business forum returns to Yokohama this September 19-21 with a focus on the theme

of "open innovation." We believe that this idea—that organizations and companies in the life science field benefit from collaborative research and product development—represents an important new trend that will help strengthen US-Japan relationships in the field, and it is an idea that will be expanded upon in JETRO's Biolink Forum, a combination symposium and partnering event held within BioJapan.

The Biolink Symposium, to be held on September 19th, will examine the drivers of and barriers to international research partnerships, looking at the experiences of companies from the US, Europe, Japan and the emerging markets of China and India. The audience here will benefit from the concrete experiences of speakers from organizations including Merck, Eli Lilly, Biogen Idec, Eisai, Dr. Reddy's, and the China Center for Pharmaceutical International Exchange (CCPIE).

In past years, JETRO has experimented with different methods to provide opportunities for Midwestern biotech companies to establish relationships in Japan, including missions, site tours, and variety of partnering programs. The Biolink Forum partnering system that will be unveiled at this year's event, based

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grown as much as it has been hoped and its contribution to the growth of GDP was limited, despite the fact that it accounts for some 55% of GDP in Japan. In this context, there is encouraging news. According to the survey of 790 companies conducted by Nikkei in early July, the average amount of bonus paid to the employee at the age of 37 this summer was 837,036 yen (approximately \$6,860 with \$=122 yen exchange rate). This amount is 2.5% more than the bonus a year ago (there is another bonus season in December). This increase, though small, seems to contribute to the better summer sales at Japanese retail stores than a year ago.

Moderate growth of private consumption this year is forecasted by many economists, who point out the wage hike and increment of capital gains through stock investment for their reasoning.

For your reference, the Japanese Government

released its monthly economic report on July 15. The report described that: corporate profits are improving; business investment is increasing; private consumption is picking up; and exports and industrial productions are flat. Considering all these factors, the Government assessed that overall the economy is recovering. The economic expansion has reached the 66th month as of July—continuing to break the record of the longest postwar uninterrupted expansion.

Please visit Japan to see this economic recovery with your own eyes. As I mentioned, August may not be the best month for this, but September is a good month climate-wise. In addition, JETRO hosts two events—US-Japan Investment Initiative Seminar in Osaka on September 12 and Bio Link Forum in Yokohama for September 19-21. The details are described in this newsletter. Some from our office will attend these events. Please take advantage of these occasions to visit Japan, if you can.

JETRO Chicago

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on international best practices and JETRO's own experience, represents a new level of quality and user-friendliness that we hope will make identifying potential partners a smoother process for all involved. In Japan, JETRO has worked for the past three years to develop a network of contacts from university TLOs to biotech startups to large pharmaceutical companies, identifying the appropriate decision-makers to participate in this program. For US companies that participate in the program, this means that they will have unprecedented access to the right people in a wide array of Japanese life science entities, thereby increasing their odds in the challenging task of searching for appropriate business partners. Registration is now open for the Biolink partnering program, and I would encourage all who plan to attend BioJapan to sign up for this service as soon as possible.

We realize the logistical and budgetary hurdles that business travel to Japan represents for some, and so we have enlisted the help of the Japan Travel Bureau in creating a hotel and domestic travel package that we hope will make visiting BioJapan more feasible. For more information on this package, BioJapan, and the JETRO Biolink Forum, please visit www.jetro.org and look under events. As always, don't hesitate to contact me at 312-832-6000 or david_peterson@jetro.go.jp.

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result in higher food prices at the retail level.

Based on U.S. Department of Agriculture forecasts, this spring U.S. growers planted 90.5 million acres in corn, a level not seen since 1944 and representing a dramatic increase of 15% in corn acreage over 2006. This increase will come largely at the expense of soybean acreage which is expected to decrease to 64.1 million acres, a level not seen since 1995. Given steadily declining carryover stocks over the past couple of years, lower production and marginal increases in harvest yields, the decrease in soybean acreage - and hence production - is expected to push soybean to test new price highs with forecasts of \$7.25-8.25/bushel for the 2007/08 crop year compared to an average of \$6.35/bushel in 2006/07.

In addition to decreasing stocks, price pressures for soybeans are exacerbated by increased demand for soybean oil coming from outside the traditional food processing and food service sectors. With 1.2 million gallons per year of biodiesel plant capacity operating in the U.S. and an additional 4.1 billion gallons per year in various stages of development, increasing volumes of soybean oil are being drawn into biodiesel production, placing additional pressure on the price of soybeans. Soybean oil is even more likely than soybeans to set new records with expectations of prices rising to 32-36 cents per pound in 2007/08.

While this supply-demand dynamic is expected to continue throughout the

2007/08 crop year, the dramatic shift toward corn production in the current year has led to a softening of corn prices during the summer months leading up to the 2007 harvest. This situation is leading U.S. producers to consider shifting their planting intentions back in favor of soybeans in 2008. While a rebalancing of U.S. soybean production may alleviate some of the pressure on prices, it is more likely to result in a prolonged period of price volatility and indecision on the part of U.S. producers regarding their planting intentions and how they view their prospects of supplying the biodiesel industry.

To effectively address this volatility, Japanese importers and processors need to work closely with their U.S. operations and partners/advisors. This will help them to monitor the ongoing situation and implement strategies that anticipate and leverage trends in U.S. soybean production and utilization to their long-term advantage.

HighQuest Partners is a management consulting firm that helps a wide range of companies and organizations to enter, grow and succeed in global markets. HighQuest subsidiary Soyatech LLC is a publishing, research, and consulting firm serving the global soy, oilseed, and biofuels industries since 1985. For more information on Soyatech, including its upcoming November 2007 global oilseed conference in Chicago, please visit www.soyatech.com and www.soyasummit.com. Mr. Mellinger can be reached at gmellinger@highquestpartners.com or 978-887-8800 x120.

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sales throughout the global marketplace.

States don't grow their local economies by themselves. In today's global economy, international relations and business are critical.

That's why North Dakota is committed to its partnership with JETRO. Through trade missions and other cultural and business exchanges, North Dakota and Japan have developed a lasting and mutually beneficial friendship.

Japan is a major consumer of North Dakota's wheat, soybeans and other crops. Japan is the largest purchaser of U.S. hard red spring

wheat, buying 61.5 million bushels or 25 percent of the nation's 2005/06 crop.

Japan also ranks among the 10 largest export markets for North Dakota's manufactured and processed goods. These exports totaled \$23 million last year, a 24 percent increase since 2001.

In the end, it comes down to building trust and friendships that result in mutual trade and investment - a wonderful way to develop common understanding, respect and prosperity. We look forward to continuing our partnership with JETRO and the people of Japan.



During their recent visit to North Dakota, JETRO Chicago representatives were warmly welcomed by Lt. Governor Jack Dalrymple. At left, Susan Geib, Executive Director of the North Dakota Trade Office, and Lt. Governor Dalrymple greet Taka Tsuchiya and Ralph Inforzato of JETRO Chicago.

At right, Tsuchiya visits the North Dakota Trade Office and meets with representatives there. The visit also included tours of the Unity Seed Company and Swanson Health Products.



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Two studies report positive opinions of Japan as partner, and as FDI destination

Two recently published studies, one from Japan's Ministry of Foreign Affairs (MOFA), and the other from JETRO show that U.S.-Japan relations are strong and positive, and that Japan is a very successful destination for investment from the U.S.

The MOFA opinion poll, "2007 U.S. Image of Japan Study," published June 25, 2007, revealed a number of important results, including:

- The perception of Japan as a dependable ally remains at a very high level, with positive responses from 74% of the general public and 91% of opinion leaders. The positive evaluation of the current level of cooperation between Japan and the U.S. marks the highest level measured in the history of this study, which was first commissioned in 1960.
- The percentage of the respondents who think Japan shares common values with the U.S. remained as high as last year (83% among general public, 94%, opinion leaders)
- The percentage of Americans who cite Japan as the most important Asian partner of the U.S. has increased both among general public and opinion leaders since last year.
- In terms of effective measures that should be taken to improve Japan-US relations, the percentage of those who answered the "improvement of economic and trade relations" was highest (36% among both general public and opinion leaders.
- Japan was viewed as "a country with great traditions and culture," "a country with a strong economy and high technology," "a country with beautiful nature," "a country which provides information on such new cultures as anime, fashion, and cuisine," and "a country which has a strong potential for growth."

The Gallup Organization conducted the survey for MOFA. For more information, visit www.mofa.go.jp/announce/announce/2007/6/1174181_828.html.

A second report, from JETRO, showed that for U.S. companies, Japan is an attractive investment destination offering high investment yields. In fact, U.S. direct investments in Japan offer the highest yields among the country's direct investments in major industrialized nations, exceeding the global average including developing countries. Some highlights include:

- Yields from direct investments in Japan are 1.5 to 2 times the yields from E.U. industrialized nations
- Direct investment yields of U.S. companies from Japan averaged 13% per annum from 2001 through 2005. This figure not only exceeds the global average of 10%, but it is also the highest among all G7 nations.
- In addition, yields from direct investments in Japan were the highest among major industrialized nations in all years studied, including 2001 when both Japan and the U.S. grew at slower rates than their European counterparts.

When the data is analyzed by industry, yields from many industries in Japan are producing relatively high yields among industrialized nations. In the manufacturing sector, electrical equipment, appliances and components, and transportation equipment, are doing well. The manufacturing sector offers the highest foreign investment yields on average among all industries in Japan. In the service sector, investment yields from the finance (except depository institutions) and insurance industry, as well as professional scientific and technical services industry, are the highest in Japan compared to other industrialized nations.

Among others, investment yields from Japan's professional, scientific and technical services are outstanding, as they are more than twice the levels in other industrialized nations. Professional, scientific and technical services include computer system design services, consulting services for businesses, advertisement media services and market research services.

More information on this study, prepared by Kengo Moro, Director of Research, JETRO New York, is available at www.jetro.org/content/435

Information and Communication Technology (ICT) Business Plan Competition Osaka 2007 seeks applicants

The City of Osaka is hosting the "ICT Business Plan Competition Osaka 2007" in order to further foster economic and investment exchange between Osaka and the United States in the field of Information and Communication Technology.

The grand prize of this competition is awarded to one company and includes round trip tickets to Osaka, covers accommodation expenses, and provides the company with promotion opportunities at the "Venture Expo 2007" on November 14th and 15th, all at no cost.

The silver prize is awarded to two companies, and except for the international travel support, includes the same as the grand prize. Both prizewinners will have the opportunity for presentation at "Venture Expo 2007" and will receive interpretation support in Osaka.

We are seeking business plan submissions from qualified companies, research institutions, and Universities with more than one year of experience in the field of ICT since establishment who has specific plans to enter the Osaka market.

Applications must be submitted by September 5th and after a rigorous selection process, companies will be chosen at the end of September. Please visit the IBPC Investment Promotion Center web site www.ibpcosaka.or.jp under "events and seminar" for detailed information and application form. For inquiries, call 312-832-6018 or send an e-mail to info@osakacity.org