



## **NEW EXPORT POTENTIAL OF €40 BILLION FOR EU 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, 21<sup>st</sup> September 2011: New export opportunities of between €20billion and €40billion a year by 2020 could emerge for European 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 the EU to Japan and Korea follows growth patterns in non-EU exports over the last ten years, EU companies could enjoy significant new export opportunities by 2020.

According to the report, the vast majority of EU member states trade 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 €340 worth of EU imports per year, while the equivalent figure for Korea is €570. However, Australians consume a significantly higher amount of EU goods at €1,200 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.

If these barriers are overcome, the report maintains that within the next eight years:

- The six largest EU member states could each enjoy new export opportunities of up to €2billion a year.
- For EU states with a population of between 5 and 20 million, the value of new opportunities for exporters could be as much as €850million.
- For the seven smallest EU member states new opportunities for each country's exporters could be in the order of €100million.

*'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."

EU exports to Japan fell from €45billion in 2000 to €43billion in 2010. The research report warns that if this downward trend persists, annual exports could slip to €41billion by 2020. However, figures for the first half of 2011 point to a 15% year-on-year growth in exports from



the EU to Japan. If growth in exports to Japan were to match the general trend in EU exports, the value of this sector could be as high as €68billion per year by 2020. 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 research report highlights opportunities for particular sectors within Japan. Economist Ronan Lyons, author of the report, commented, "Materials-based manufacturing, and machinery such as electronics and transport equipment, comprise 55% of all EU exports to the rest of the world. In the case of exports from the EU to Japan, however, the figure is just 40%. If EU firms increased exports in these sectors so that they are in line with EU exports generally, this could create €1.9 billion worth of new export opportunities in materials-based manufacturing and €4.5billion in machinery exports."

Lyons continued, "Foreign direct investment presents a range of further opportunities for EU 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 the EU firms."

In relation to Korea, the report shows that EU exports to that market have grown steadily over the past 10 years, from €16billion in 2000 to €27billion in 2010. 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. If recent growth in exports is sustained, the value of exports could reach €47billion a year by 2020. 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 there is potential for €660million in new export opportunities for EU firms engaged in materials-based manufacturing where exports to Korea comprise just 10% of the total, compared to 13% generally. Likewise, a €1.1billion opportunity exists within the fuels and energy sector, where exports constitute just 4% of the total to Korea, compared to 8% generally.

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](http://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 8<sup>th</sup> and 22<sup>nd</sup> 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.euetsp.eu/pressroom](http://www.euetsp.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.euetsp.eu](http://www.euetsp.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](http://www.eu-gateway.eu)