

GOING GLOBAL



Workers process octopus in a factory in Shandong province for export to Japan.

CHEN WEIFENG / FOR CHINA DAILY

Ties: China, Japan expand cooperation

FROM PAGE 13

That highly successful CSR-Kawasaki relationship is typical of the kind of cooperative project that has become a regular feature of the close and growing business relationship in recent years between the two countries.

Closer economic ties

This year marks the 40th anniversary of the normalization of diplomatic relations between China and Japan.

But the relationship hasn't been free of tension in recent years. In 2010, they were strained diplomatically after a Chinese trawler collided with patrol boats from the Japanese coast guard in waters near China's Diaoyu Islands, an uninhabited group of islands in the East China Sea, and bilateral tensions intensified this year over a series of issues.

In mid-July, Japan recalled its ambassador to China, Uichiro Niwa, to Tokyo for discussions on the territorial dispute.

According to a survey recently quoted by the Wall Street Journal, 84 percent of Japanese respondents had a negative impression of China, up six percentage points from a year earlier. Nearly two in three Chinese said the feeling was mutual.

But many economic analysts agreed that for both sides, the heated territorial disputes cannot decelerate the process of enhanced economic and trade relations between the two countries, especially as the European debt crisis deepens.

Both Japanese Prime Minister Yoshihiko Noda and former Chinese Vice-Premier Zeng Peiyan said during the Eighth Beijing-Tokyo Forum in early July that the two countries should join hands and expand mutual investment to boost both the Asian economy, and those around the world.

And they urged the two nations, in particular, to hasten negotiations of the China-Japan-South Korea free-trade agreement, expanding cooperation between the three countries, in sectors such as new energy.

However, compared with the upward trend in Japanese investment in China, China's investment in Japan has been small and grown slowly.

By the end of 2011, Japan's cumulative direct investment in China was \$82.5 billion, but the capital from the world's second-largest economy into Japan was tiny.

China lags behind other major investors in Japan, including the US and the UK, which spent \$3.5 billion

and \$5.2 billion, respectively, in 2010.

Still, experts tracking individual deals said the Chinese money is an increasingly significant influence.

From April 2003 to March 2012, Chinese companies accounted for 97 of the 970 investment deals in Japan made by foreigners and coordinated by the Japan External Trade Organization, a government investment promotion body.

That put China in second place, after the US with 293 deals.

Wei Jianguo, the former vice-minister of commerce, and also secretary-general of the China Center for International Economic Exchanges, China's top think tank to the government, said: "We can see a sharp contrast in the two-way investment figures, but there is much potential for China to grow its investment in Japan, and there is also much to do to promote it."

Wei, a guest economist of China Daily, added that a priority for the two Asian economies is to develop a China-Japan free trade agreement as soon as possible, in a bid to "expand the Chinese investment in Japan in particular."

Going to Japan

According to figures from the Ministry of Commerce, China's outbound direct investment in the first half surged by 48.2 percent from a year earlier to \$35 billion.

Regions and nations including Hong Kong, ASEAN and the United States witnessed rapid growth.

TCL Corp, one of the world's biggest producers of televisions and other consumer electronics, is already making strong progress overseas.

TCL's chairman, CEO and founder, Li Dongsheng, said: "Now is such an important period for Chinese companies to increase their footprint overseas." In 2003 and 2004, TCL announced it was setting up joint ventures with global heavyweights Thomson SA of France and Alcatel.

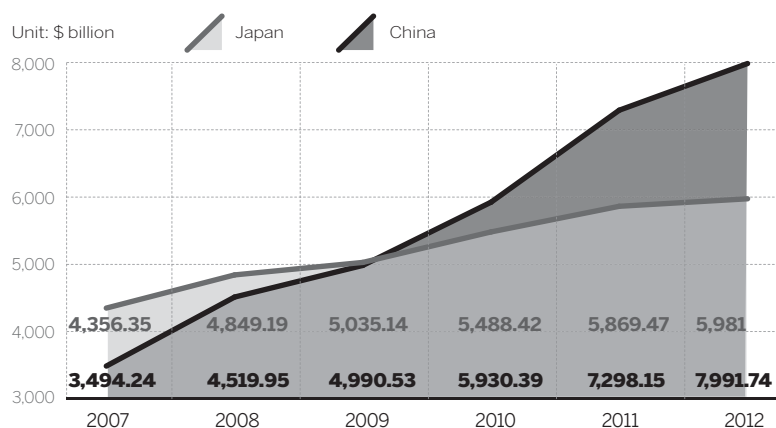
And the company said it is now looking more closely at Japan.

"On the one hand, Japan's consumer electronic goods and home appliances market is huge, and right next to China; but on the other hand, many Japanese companies in the sector are struggling and on the way down," said Li.

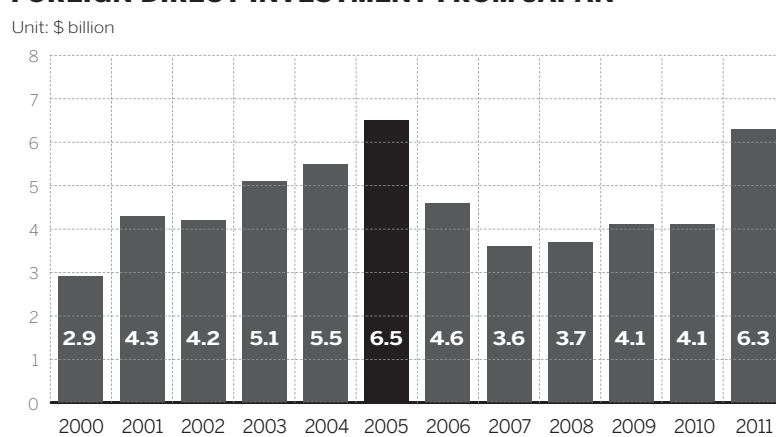
"And this is where there are fantastic business opportunities to be had."

During the past few years, China has been expanding its influence in Japan mainly through mergers and

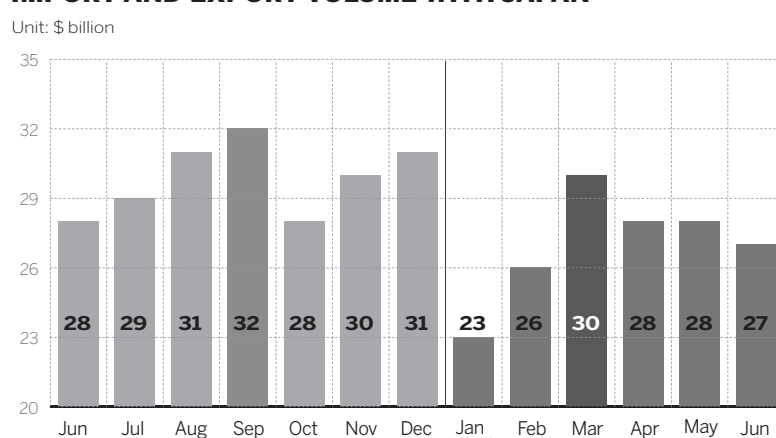
GDP CURRENT PRICES



FOREIGN DIRECT INVESTMENT FROM JAPAN



IMPORT AND EXPORT VOLUME WITH JAPAN



Source: IMF, Wind Information

LI YI / CHINA DAILY

“We can see a sharp contrast in the two-way investment figures, but there is much potential for China to grow its investment in Japan, and there is also much to do to promote it.”

HUO JIANGUO, FORMER VICE-MINISTER OF COMMERCE

acquisitions, and both countries have been working hard to form meaningful business partnerships.

For example, in March, Taiwan-based Hon Hai Precision Industry Co agreed to buy a 46.48 percent stake in the liquid crystal manufacturing plant of Japan's Sharp Corp in Sakai,

western Japan, and also the nation's most advanced panel factory.

And in May, Sharp announced it will supply technological know-how to Hon Hai for a plant that will produce panels for the latter's clients including Apple Inc's iPhone.

Also in March, Haier wrapped up

the deal of buying Panasonic Corp's Sanyo Electric washing machine and refrigerator units in Japan and Southeast Asia for about \$130 million.

But Chinese businesses are all well aware of Japan's weaknesses, as well as its strengths.

The country's economy has been troubled by deflation and an aging population for years, and the appreciation of the yen, the tsunami and earthquake, and Europe's debt woes have all provided challenges to the highly export-reliant economy.

Amid fragile economy conditions home and abroad, Japanese companies of all size have suffered.

Statistics released by Tokyo Shoko Research showed that in 2010, a total of 13,321 Japanese companies went into bankruptcy, owing more than 7.1 trillion yen, including 10 listed enterprises.

"This wave of bankruptcies has created great opportunities for Chinese investors hunting for assets in Japan," said Jiang Xiaosong, secretary-general of New China-Japan Friendship 21 Century Committee.

Experts also pointed out that the Japanese government has committed itself to widespread economic investment in both reconstruction and economic development and post-earthquake, again providing excellent opportunities for cash-rich Chinese companies.

In July, the Japanese government also revealed its mid- to long-term growth strategy for the country, entitled "Japan Revitalization Strategy", targeting average annual growth of 3 percent until 2020, from last year's earthquake, tsunami and nuclear accident.

The government will focus on a total of 38 policies in 11 key sectors, including environment, finance, medical, tourism and international trade.

"The Japanese market itself is not attractive for us, but we could certainly partner with our Japanese counterparts to seek new business opportunities for our engines worldwide, for instance," said Zhao on the CSR.

"Partnerships like those are wins-wins for both sides."

Wei Jiufu, chairman of the board of China Ocean Shipping (Group) Co, is of the same opinion.

"East and Northeast Asia are busy regions for shipping from all over the globe," he said.

"COSCO would certainly like to partner with Japanese counterparts to improve infrastructure in the region, in a bid to make the industry more efficient, more competitive, and more integrated."

Fifteen years ago, COSCO set up a joint venture with Kawasaki Heavy Industries, producing high-end ships, and in the same year, COSCO also joined K-Line, a major Japanese transportation company with two other companies to form the world's largest container transportation service alliance.

Akira Kojima, a member of the board of trustees of National Graduate Institute for Policy Studies of Japan, said that China and Japan must "take the responsibility of boosting the Asian economy and expanding domestic consumption in Asia, through the marriage of their companies."

Bank of China has already announced plans to open a branch in Fukuoka, and increase its workforce in Japan to help Chinese major exporters and manufacturers with the financial services they need to operate successfully between the two countries.

The aim, said Xiao Gang, its chairman, is that Chinese companies "require commercial banks to provide more credible and convenient services overseas to satisfy client demand."

Since June 1, China and Japan have started direct trading of their currencies, the first time that China has allowed a major currency apart from the US dollar to trade directly with the yuan, in a move that is expected to boost their bilateral economic ties.

So far, transactions between the two currencies are "smooth and sound", according to Xiao, operating at an average daily volume of about 30 billion yen.

Not easy

According to Wei Jiufu, many Chinese companies complained the Japanese government is still too cautious about allowing foreign investors to enter the market.

"There are many restrictions. I would appeal on behalf of many other Chinese companies, that the Japanese government should open the market wider to us," he said.

Du Jingguo from Haier said that acquisitions can often simply be just the start.

In Japan, Haier employs more than 800 staff, the majority of which are local people, and during the past five years, he and his managers have worked hard at building relationships with local workforce.

He said he has ambitious plans for the company over the next five years, which he hopes can create even greater opportunities.