

Business with China: **— A Japanese Perspective That Tries to** **Examine Perceptions and Misperceptions —**

**Presentation Material prepared for
the Conference**

“The Perception of China and Foreign Policy Options for Germany and Japan”

Organized by

**Japanese-German Center Berlin (Japanisch-Deutsches Zentrum Berlin (JDZB)) and
Friedrich-Ebert-Stiftung (FES)**

in cooperation with

**Japan Association for Asian Studies (JAAS) and
German Association for Asian Studies (Deutsche Gesellschaft für Asienkunde (DGA))**

Jun KURIHARA

Research Director, Canon Institute for Global Studies (CIGS)

Kurihara.Jun@gmail.com

June 5, 2013

Japanisch-Deutsches Zentrum Berlin (JDZB)

©2013 Jun KURIHARA

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, without the prior permission in writing of the author.

Disclaimer: The views expressed in this presentation are those of the author and do not necessarily reflect those of CIGS.

Structure of Today's Talk

1. Introduction: All Quiet in Continental China?

A Mixed Picture of China's Economic Environment

2. Business with China: Letters from Continental China

A Bird's-Eye View of Japan's Multinational Enterprises (MNEs) in China

3. Challenges Facing Japanese MNEs

A Rising China, Struggling Internally and Externally

1. Introduction: All Quiet in Continental China?

A Mixed Picture of China's Economic Environment

Co-Existence of Optimism and Pessimism

Danger of Over-generalization through Focusing on Anecdotal Evidence

2. Business with China: Letters from Continental China

A Bird's-Eye View of Japan's Multinational Enterprises (MNEs) in China

China Is Indispensable like the United States and the EU for Japanese MNEs

China's Markets Contribute Significantly to Profitability for Japanese MNEs

Japanese MNEs Contribute Significantly to Job Creation in China

3. Challenges Facing Japanese MNEs

A Rising China, Struggling Internally and Externally

Intensified Competition and the Rule of Law: Challenges Facing Japanese MNEs in China

Internal Struggle: China's *Wirtschaftswunder* Is Over?: Setting Sail into Uncharted Waters?

External (Global/Bilateral) Struggle: Can Economic Interdependence Bring about Peace?

Global Challenge: Nuclear Energy Is Still Aspired in Asia

Regarding China's Future Development

Development is no panacea. Indeed it is very dangerous.

It is growth; and growth is never orderly.

It is also change. And change in society and culture is dislocation.

The period during which a society takes off in sustained development is at most dangerous time.

Peter F. Drucker, *The Age of Discontinuity* (1992)

Regarding the Rule of Law:

Differences in *Modus Operandi* between China and the Rest of the World

Whereas Puritanism objectified everything and transformed it into rational “enterprise,” dissolved everything into the purely impersonal “business” relation, and substitute rational law and agreement for tradition, in China, the pervasive factors were tradition, local custom, and the concrete personal favor of the official.

[Während dagegen der Puritanismus alles versachlichte, in rationale „Betriebe“ und rein sachlich „geschäftliche“ Beziehungen auflöste, rationales Recht und rationale Vereinbarung an die Stelle der in China prinzipiell allmächtigen Tradition, lockalen Gepflogenheit und konkreten persönlichen Beamtengnade setzte.]

Max Weber, *The Religion of China: Confucianism and Taoism*
[*Die Wirtschaftsethik der Weltreligionen:
Konfuzianismus und Taoismus*] (1915~1920)

The Importance of Candid Dialogue To Nurture Mutually Beneficial and Trustworthy Relations

But though you may be an Occidental and I a Chinese, though we may speak different languages, if we are men of good will we shall have a great deal to say to each other, and beyond what is precisely communicable we can guess and sense a great deal about each other. At any rate let us try.

[Magst du ein Abendländer, ich ein Chinese sein, mögen wir verschiedene Sprachen reden, so werden wir dennoch, wenn wir guten Willens sind, einander sehr viel mitteilen und über das exakt Mitteilbare hinaus sehr viel voneinander erraten und ahnen können. Jedenfalls wollen wir es versuchen.]

Hermann Hesse, *The Glass Bead Game* [*Das Glasperlenspiel*] (1943)

Activities of Japanese Multinational Enterprises (MNEs)

A Source of Pessimism:

Challenges Facing Japanese Automobile Makers in China (2012)

	Year 2008	Share (%)
1	FAW-Volkswagen (一汽-大众)	9.9
2	Shanghai Volkswagen (上海大众)	9.5
3	Shanghai GM (上海通用)	7.9
4	FAW-Toyota (一汽丰田)	6.9
5	Dongfeng-Nissan (东风日产)	6.3
6	Chery (奇瑞)	5.7
7	Guangzhou Honda (广汽本田)	5.5
8	Beijing Hyundai (北京现代)	5.0
9	Geely (吉利)	4.4
10	Changan Ford Mazda (长安福特马)	4.0



Japan-China Political Friction

	Year 2012	Share (%)
1	Shanghai GM (上海通用)	11.8
2	FAW-Volkswagen (一汽-大众)	11.5
3	Shanghai Volkswagen (上海大众)	10.0
4	Beijing Hyundai (北京现代)	6.4
5	Dongfeng-Nissan (东风日产)	6.0
6	Changan Ford (长安福特)	4.6
7	Geely (吉利)	4.3
8	Dongfeng Citroën (东风雪铁龙)	4.1
9	Chery (奇瑞)	3.8
10	FAW-Toyota (一汽丰田)	3.5

Source: Zhōngguó Qìchē Gōngyè Xiéhuì (China Association of Automobile Manufacturers (CAAM)/中国汽车工业协会).

Activities of Japanese Multinational Enterprises (MNEs)
A Source of Optimism:
Business Objectives and Achievements (2012)

Business Objectives	Number of Respondents	Evaluation of Achievement (%)		
		Total	Completely	Almost
Enter the Chinese Market	215 (208)	47.1	11.8	35.3
Reduce Production Costs	205 (212)	70.3	22.0	48.3
Roundabout Exports through China	144 (148)	61.8	27.1	34.7
Division of Labor in the Production Process	127 (130)	73.2	25.2	48.0
Supply to Japan's Home Markets	125 (128)	56.0	9.6	46.4
Supply to New Customers in China	109 (115)	46.7	7.3	39.4
Supply to Existing Customers	96 (105)	71.7	32.3	39.4

Note 1: The number of sample companies is 283 (The questionnaire survey was conducted in February 2013).

Note 2: The figures in the parentheses are the number of respondents for the year of 2011 (The sample size was 275).

Source: Mizuho Research Institute, "Chugoku-kara ASEAN ni Shifuto ni Kaji wo Kiridasu Nippon Kigyo [Japanese Companies Are Beginning to Refocus Their Target onto ASEAN from China]," Tokyo, May 2013, p. 20.

Activities of Japanese Multinational Enterprises (MNEs)

Co-Existence of Pessimistic and Optimistic Views: A Large Number of Affiliates in China (as of July 2012)

	Total	Holding Companies		Others	
		Pure	Operating		
Total	5,878	678	148	530	5,200
Manufacturing	3,219	321	61	260	2,898
Food	173	16	3	13	157
Textiles	249	32	7	25	217
Pulp & Wood Products	48	6	1	5	42
Chemical	292	22	3	19	270
Oil and Coal	13	3	-	3	10
Glass and Concrete	79	7	3	4	72
Steel	97	8	2	6	89
Non-ferrous Metal	102	6	1	5	96
Metal Products	174	16	2	14	158
General Machinery	99	10	4	6	89
Production Machinery	211	26	8	18	185
Business Machinery	108	14	4	10	94
Electric Machinery	252	24	3	21	228
Information Machinery	415	39	8	31	376
Transport Equipment	461	31	3	28	430
Other MFG Sectors	446	61	9	52	385

Non-	Total	Holding Companies		Others	
		Pure	Op.		
Manufacturing	2,659	357	87	270	2,302
Agribusiness	6	1	-	1	5
Mining	3	1	-	1	2
Construction	46	6	2	4	40
Information	213	21	8	13	192
Transport	243	27	1	26	216
Wholesale	1,485	200	28	172	1,285
Retail	164	23	5	18	141
Services	366	61	37	24	305
Others	133	17	6	11	116

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Tables 2-2 and 2-8.

Recent Development of Japanese Multinational Enterprises (MNEs)

A Growing Number of Overseas Affiliates in China: — Danger of Over-generalization through Focusing Narrowly on Anecdotal Evidence —

(Unit: Number of Subsidiaries: 1,000, %)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World	13.3	13.9	15.0	15.9	16.4	16.7	17.7	18.2	18.6	19.3
China	2.6	3.0	3.6	4.1	4.4	4.7	5.1	5.5	5.6	5.9
Share (%)										
China	19.6	21.4	23.8	25.6	27.0	27.9	29.1	30.0	29.9	30.5
US	18.5	17.5	17.0	16.5	16.0	15.6	15.1	14.6	14.2	13.8
EU	15.3	15.0	15.0	14.2	13.9	13.7	13.4	13.0	12.7	12.6

Source: Ministry of Economy, Trade and Industry (METI),
Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa [The 42nd Basic Survey of
 Overseas Business Activities of Japanese Companies] (conducted in July 2012),
 Tokyo: April 2013, Table 4-1.

Future of Japanese Multinational Enterprises (MNEs)

China's Kaleidoscopic Automobile Markets: — Customers Are Incessantly Looking for Upgraded Products with Regional Characteristics —



SOURCE: McKinsey China Premium Car Research (2012)

Source: McKinsey & Company, McKinsey Automotive & Assembly Practice in Greater China, "Upward Mobility:

The Future of China's Premium Car Market," Shanghai, March 2013, p. 10. Jun KURIHARA, Canon Institute for Global Studies (CIGS)

Recent Developments of Japanese Multinational Enterprises (MNEs)

China Is Indispensable like the United States and the EU for Japanese MNEs

Sales Figures of Overseas Affiliates

(Unit: Trillion Yen)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World	138.0	145.2	162.8	185.0	214.2	236.2	201.7	164.5	183.2	182.2
China	13.1	14.6	18.5	23.2	27.1	33.1	32.6	30.5	34.7	34.8
Share (%)										
China	9.5	10.1	11.4	12.6	12.6	14.0	16.1	18.6	19.0	19.1
(US)	39.8	37.6	34.3	32.9	31.9	31.2	28.6	29.5	26.7	26.0
(EU)	19.3	21.2	22.2	20.2	20.8	20.3	19.0	17.4	16.0	15.1

Source: Ministry of Economy, Trade and Industry (METI),
Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa [The 42nd Basic Survey of
 Overseas Business Activities of Japanese Companies] (conducted in July 2012),
 Tokyo: April 2013, Table 4-3.

Activities of Japanese Multinational Enterprises (MNEs)

Ordinary Profit of Affiliates in China (2012) (Billion Yen, %)

	Total	China	Share (%)
Total	10,624.8	1,811.3	17.0
Manufacturing	4,071.3	1,165.1	28.6
Food	181.5	59.8	32.9
Textiles	45.0	16.7	37.1
Pulp & Wood Products	24.7	-0.1	-0.3
Chemical	983.5	68.0	6.9
Oil and Coal	5.2	1.5	28.1
Glass and Concrete	27.8	12.0	43.1
Steel	51.2	23.9	46.7
Non-ferrous Metal	42.2	10.4	24.6
Metal Products	24.5	12.0	49.0
General Machinery	94.0	43.2	46.0
Production Machinery	172.6	35.6	20.6
Business Machinery	76.9	31.8	41.4
Electric Machinery	165.0	88.9	53.9
Information Machinery	166.7	73.4	44.0
Transport Equipment	1,860.7	625.3	33.6
Other MFG Sectors	149.7	62.5	41.8

	Total	China	Share (%)
Non-Manufacturing	6,553.4	646.2	9.9
Agribuisness	3.8	0.6	14.8
Mining	1,212.5	0.2	0.0
Construction	33.1	2.9	8.9
Information	69.3	7.1	10.2
Transport	67.0	22.8	34.1
Wholesale	1,708.2	573.9	33.6
Retail	151.5	10.1	6.6
Services	619.5	15.5	2.5
Others	2,688.6	13.1	0.5

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-18.

Activities of Japanese Multinational Enterprises (MNEs)

Sales Figures of Affiliates in China (2012) (Trillion Yen, %)

	Total (T. Yen)	Exports to Japan (%)	Parent MNE (%)	Local Sales (%)	Japanese MNEs (%)	Others (%)
Total	34.8	18.3	16.7	66.8	25.7	41.0
Manufacturing	21.3	22.4	20.8	64.7	28.6	36.1
Food	0.8	4.5	4.1	94.1	2.3	91.8
Textiles	0.3	39.2	35.2	50.4	23.5	26.9
Pulp & Wood Products	0.1	n.a.	18.5	n.a.	n.a.	n.a.
Chemical	1.0	8.3	7.5	80.2	32.3	47.9
Oil and Coal	0.1	4.1	4.1	95.8	49.0	46.7
Glass and Concrete	0.2	29.5	29.4	63.5	22.7	40.8
Steel	0.8	n.a.	1.3	n.a.	n.a.	0.0
Non-ferrous Metal	0.9	12.0	10.8	77.3	17.8	59.6
Metal Products	0.3	25.3	20.2	66.8	25.9	40.9
General Machinery	0.7	n.a.	36.4	n.a.	n.a.	n.a.
Production Machinery	0.6	13.9	12.2	79.9	62.2	17.8
Business Machinery	1.0	54.1	51.7	12.4	8.7	3.7
Electric Machinery	1.8	32.0	31.3	47.8	23.3	24.5
Information Machinery	4.4	44.8	41.2	33.8	22.1	11.7
Transport Equipment	7.4	8.0	7.4	86.3	38.3	48.0
Other MFG Sectors	0.9	n.a.	23.2	n.a.	n.a.	0.0

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa*

[The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-14.

Activities of Japanese Multinational Enterprises (MNEs)

Sales Figures of Affiliates in China (2012) (Trillion Yen, %)

	Total (T. Yen)	Exports to Japan (%)	Parent MNE (%)	Local Sales (%)	Japanese MNEs (%)	Others (%)
Non-Manufacturing	13.5	11.7	10.3	70.1	21.3	48.8
Agribusiness	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Mining	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Construction	0.1	0.8	0.8	94.9	61.2	33.7
Information	0.1	43.4	38.3	49.5	26.8	22.6
Transport	0.4	14.1	13.7	79.5	30.6	48.9
Wholesale	11.5	11.6	10.0	68.2	20.7	47.6
Retail	0.6	1.7	1.5	88.5	3.4	85.1
Services	0.5	24.1	23.1	69.2	48.0	21.2
Others	0.2	0.5	0.5	99.2	3.0	96.3

Source: Ministry of Economy, Trade and Industry (METI),
Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa [The 42nd Basic Survey of
 Overseas Business Activities of Japanese Companies] (conducted in July 2012),
 Tokyo: April 2013, Table 2-14.

Activities of Japanese Multinational Enterprises (MNEs)

Industrial Characteristics:

Sales of Overseas Affiliates (2012) (Trillion Yen, %)

	Total	China	Share (%)
Total	182.2	34.8	19.1
Manufacturing	88.3	21.3	24.1
Food	2.6	0.8	32.0
Textiles	0.9	0.3	37.7
Pulp & Wood Products	0.6	0.1	9.0
Chemical	8.8	1.0	11.6
Oil and Coal	1.1	0.1	5.4
Glass and Concrete	1.2	0.2	13.5
Steel	2.1	0.8	38.8
Non-ferrous Metal	2.0	0.9	44.1
Metal Products	0.8	0.3	39.3
General Machinery	1.9	0.7	37.4
Production Machinery	2.8	0.6	22.5
Business Machinery	2.4	1.0	41.8
Electric Machinery	4.3	1.8	41.1
Information Machinery	12.0	4.4	36.8
Transport Equipment	39.0	7.4	18.9
Other MFG Sectors	5.9	0.9	15.3

	Total	China	Share (%)
Non-Manufacturing	94.0	13.5	14.4
Agribusiness	0.2		
Mining	2.8		
Construction	1.0	0.1	12.6
Information	2.0	0.1	6.0
Transport	2.1	0.4	20.7
Wholesale	68.0	11.5	16.9
Retail	5.5	0.6	11.2
Services	4.9	0.5	9.7
Others	7.5	0.2	2.7

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-13.

Recent Developments of Japanese Multinational Enterprises (MNEs)

China's Markets Contribute Significantly to Profitability for Japanese MNEs

Ordinary Profit of Overseas Affiliates

(Unit: Billion Yen)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World	3,700	4,669	6,115	7,609	9,601	11,353	7,283	6,974	10,900	10,625
China	396	534	578	633	924	1,370	1,225	1,483	1,922	1,811
Share (%)										
China	10.7	11.4	9.4	8.3	9.6	12.1	16.8	21.3	17.6	17.0
(US)	38.8	34.9	31.3	28.5	26.4	19.5	7.8	13.4	13.7	16.0
(EU)	11.0	10.6	12.2	11.5	11.5	13.4	10.5	7.4	9.0	9.3

Source: Ministry of Economy, Trade and Industry (METI),
Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa [The 42nd Basic Survey of
 Overseas Business Activities of Japanese Companies] (conducted in July 2012),
 Tokyo: April 2013, Table 4-4.

Recent Developments of Japanese Multinational Enterprises (MNEs)

Japanese MNEs Contribute Significantly to Job Creation in China

Local Employees of Overseas Affiliates

(Unit: 1,000 Persons)

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
World	3,408	3,766	4,139	4,361	4,557	4,746	4,517	4,701	4,994	5,227
China	816	1,040	1,188	1,406	1,475	1,615	1,501	1,551	1,603	1,681
Share (%)										
China	24.0	27.6	28.7	32.2	32.4	34.0	33.2	33.0	32.1	32.2
(US)	18.6	16.9	15.0	13.6	13.4	13.3	13.2	12.3	11.0	10.9
(EU)	10.6	9.9	10.3	9.6	10.1	8.9	8.8	9.5	9.5	8.4

Source: Ministry of Economy, Trade and Industry (METI),
Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa [The 42nd Basic Survey of
 Overseas Business Activities of Japanese Companies] (conducted in July 2012),
 Tokyo: April 2013, Table 4-2.

Activities of Japanese Multinational Enterprises (MNEs)

Number of Local Employees in China (2012) (1000 persons, %)

	Total	China	Share (%)
Total	5,227.2	1,681.3	32.2
Manufacturing	4,109.5	1,443.1	35.1
Food	184.4	99.8	54.1
Textiles	134.9	67.1	49.8
Pulp & Wood Products	27.1	7.0	25.9
Chemical	197.5	50.3	25.5
Oil and Coal	2.8	1.4	50.7
Glass and Concrete	85.9	21.7	25.2
Steel	57.9	19.4	33.5
Non-ferrous Metal	77.8	27.1	34.8
Metal Products	87.6	38.2	43.6
General Machinery	94.4	44.0	46.7
Production Machinery	87.9	36.2	41.2
Business Machinery	192.8	74.7	38.7
Electric Machinery	315.5	156.5	49.6
Information Machinery	791.9	370.7	46.8
Transport Equipment	1,356.1	317.6	23.4
Other MFG Sectors	415.0	111.4	26.8

	Total	China	Share (%)
Non-Manufacturing	1,117.7	238.2	21.3
Agribusiness	15.7	2.7	17.2
Mining	13.1	0.4	3.1
Construction	34.1	4.9	14.3
Information	134.0	23.1	17.2
Transport	98.6	34.8	35.3
Wholesale	428.6	101.7	23.7
Retail	204.9	38.2	18.7
Services	105.2	15.9	15.2
Others	83.6	16.4	19.6

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-12.

Activities of Japanese Multinational Enterprises (MNEs)

Much Room to Be Improved?**Physical Investment by Affiliates in China (2012) (Billion Yen, %)**

	Total	China	Share (%)
Total	5,097	680.3	13.3
Manufacturing	3,082	618.7	20.1
Food	125	18.9	15.1
Textiles	33	8.6	26.5
Pulp & Wood Products	41	4.1	10.0
Chemical	324	46.6	14.4
Oil and Coal	2	0.6	24.2
Glass and Concrete	113	14.9	13.2
Steel	54	15.4	28.7
Non-ferrous Metal	64	24.1	37.7
Metal Products	54	17.6	32.4
General Machinery	49	15.2	31.0
Production Machinery	81	25.1	30.9
Business Machinery	96	20.9	21.8
Electric Machinery	191	70.0	36.6
Information Machinery	336	107.6	32.0
Transport Equipment	1,292	197.1	15.3
Other MFG Sectors	226	31.7	14.0

	Total	China	Share (%)
Non-Manufacturing	2,015	61.7	3.1
Agribusiness	9	0.2	2.3
Mining	328	n.a.	n.a.
Construction	14	1.3	9.1
Information	40	2.2	5.6
Transport	193	5.2	2.7
Wholesale	321	21.5	6.7
Retail	152	12.1	7.9
Services	141	16.6	11.8
Others	817	2.7	0.3

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-26.

Activities of Japanese Multinational Enterprises (MNEs)

Much Room to Be Improved?

R&D by Affiliates in China (2012) (Billion Yen, %)

	Total	China	Share (%)
Total	785.2	61.9	7.9
Manufacturing	393.4	56.8	14.4
Food	4.0	0.3	7.4
Textiles	5.5	0.4	6.6
Pulp & Wood Products	0.5	n.a.	n.a.
Chemical	119.2	3.2	2.7
Oil and Coal	n.a.	n.a.	n.a.
Glass and Concrete	3.7	0.3	8.8
Steel	1.0	0.6	54.9
Non-ferrous Metal	1.9	0.6	32.5
Metal Products	1.7	0.8	45.7
General Machinery	4.3	1.2	28.7
Production Machinery	17.8	1.2	6.5
Business Machinery	21.4	0.8	3.8
Electric Machinery	34.0	12.2	36.0
Information Machinery	75.2	17.5	23.2
Transport Equipment	81.8	16.0	19.5
Other MFG Sectors	n.a.	n.a.	n.a.

	Total	China	Share (%)
Non-Manufacturing	391.8	5.0	1.3
Agribusiness	1.8	n.a.	n.a.
Mining	0.2	n.a.	n.a.
Construction	0.1	n.a.	n.a.
Information	26.1	1.2	4.5
Transport	n.a.	n.a.	n.a.
Wholesale	29.6	1.2	4.2
Retail	0.1	n.a.	n.a.
Services	203.1	2.6	1.3
Others	n.a.	n.a.	n.a.

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-25.

Activities of Japanese Multinational Enterprises (MNEs)
Challenges Facing Japanese MNEs in China (2012)

Challenges	Prioritization (%)		
	Total	Top Priority	High Priority
Expand Market Share in China	76.7	44.5	32.2
Human Development in China	75.3	29.0	46.3
Cost Reduction by Productivity Enhancement	73.2	32.2	41.0
Cost Reduction by Increased Local Procurement	68.2	27.2	41.0
Monitor and Protect Intellectual Property Rights	69.2	25.4	43.8
Sophisticated Labor Management	44.5	8.5	36.0

Note: The number of sample companies is 283 (The questionnaire survey was conducted in February 2013).

Source: Mizuho Research Institute, "Chugoku-kara ASEAN ni Shifuto ni Kaji wo Kiridasu Nippon Kigyo [Japanese Companies Are Beginning to Refocus Their Target onto ASEAN from China]," Tokyo, May 2013, p. 22.

Activities of Japanese Multinational Enterprises (MNEs) Is China Unique? Withdrawal from China (2011-2012)

	Total	China	(US)	(EU)
Total	572	166	104	97
Manufacturing	215	93	20	21
Food	17	13	1	-
Textiles	13	12	-	1
Pulp & Wood Products	5	1	1	-
Chemical	11	4	1	-
Oil and Coal	-	-	-	-
Glass and Concrete	4	1	-	-
Steel	7	4	-	-
Non-ferrous Metal	4	3	-	-
Metal Products	18	6	3	-
General Machinery	5	1	1	-
Production Machinery	22	7	2	8
Business Machinery	5	4	-	1
Electric Machinery	31	17	2	-
Information Machinery	28	6	1	6
Transport Equipment	24	7	7	2
Other MFG Sectors	21	7	1	3

	Total	China	(US)	(EU)
Non-Manufacturing	357	73	84	80
Agribusiness	3	-	1	-
Mining	4	-	1	1
Construction	7	-	-	-
Information	50	15	17	10
Transport	62	7	9	28
Wholesale	127	35	27	25
Retail	11	3	3	1
Services	46	9	12	9
Others	47	4	14	6

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-10.

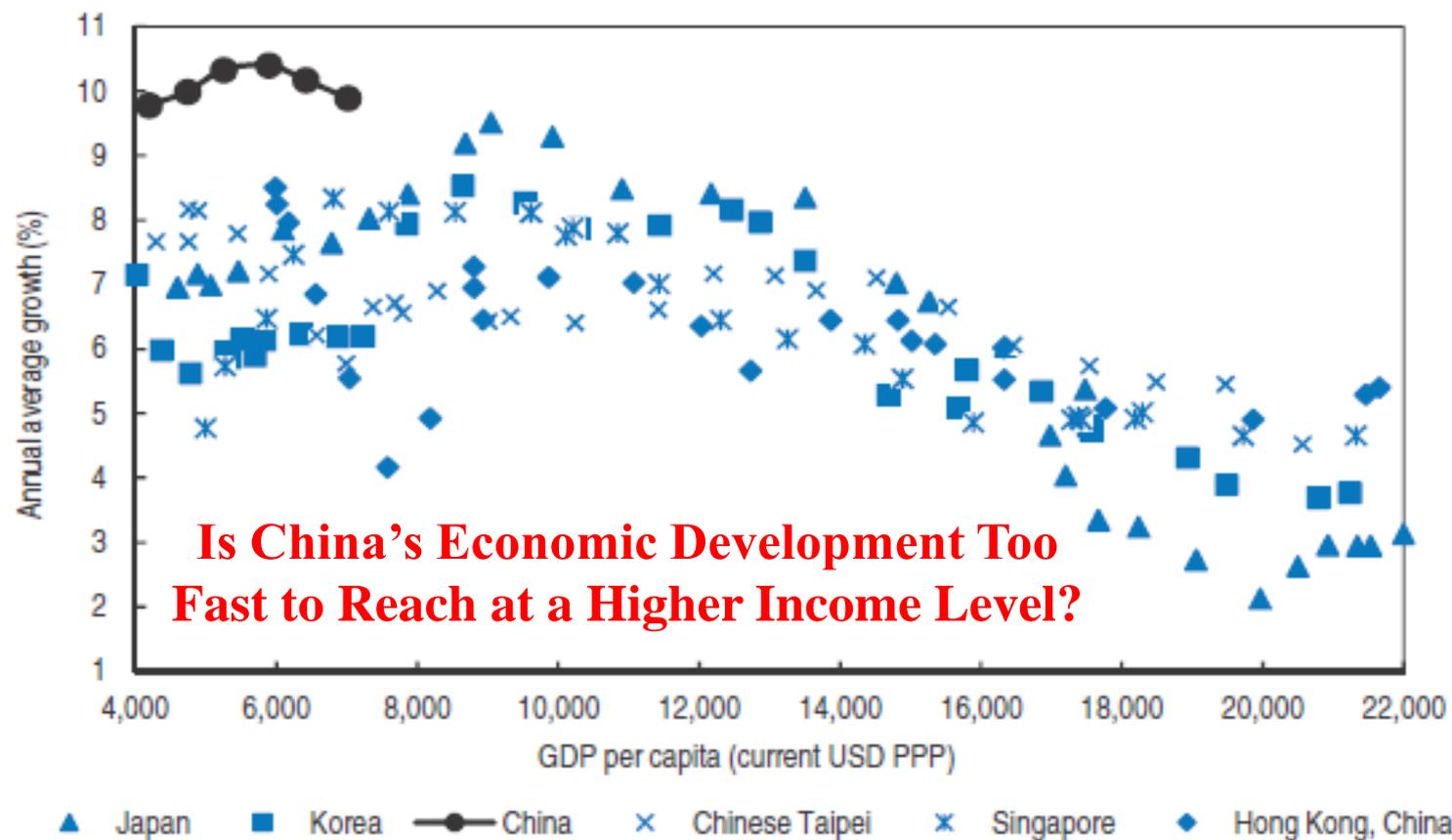
Activities of Japanese Multinational Enterprises (MNE) Withdrawal from China (2011-2012)

Reasons for Withdrawal	Number of Respondents	(%)
Total Number of the Withdrawal	166	100.0
Restructuring of Branches and Factories	71	42.8
Lackluster Performance: Insufficient Efforts	25	15.1
Lackluster Performance: Intensified Competition with Local Firms	4	2.4
Lack of Cooperation with Local Partner(s)	3	1.8
Lackluster Performance: Intensified Competition with Japanese Firms	2	1.2
Exchange Rate Fluctuations	1	0.6
Completion of the Business Operation with a Short-term Goals	1	0.6
Other Reasons	107	64.5

Source: Ministry of Economy, Trade and Industry (METI), *Dai-42-kai Kaigai Jigyo Katsudo Kihon Chosa* [The 42nd Basic Survey of Overseas Business Activities of Japanese Companies] (conducted in July 2012), Tokyo: April 2013, Table 2-29.

China's *Wirtschaftswunder* Is Over?: Setting Sail into Uncharted Waters?

Figure 12. Growth pathways in selected East Asian economies



Note: Growth rates calculated as ten-year moving averages of annual observations. Each point for a country advances the ten-year moving average of the growth rate by one year. The starting points for the ten-year averages are as follows: Japan (1951), Korea (1970), China, (1999), Chinese Taipei (1967), Singapore (1961), Hong Kong, China (1961). The income level for each point is the income level at the mid-point of the moving average.

Source: Penn World Tables and OECD calculations.

Can Economic Interdependence Bring about Peace?

Current Japan-China Relationship and
Historical Experience (Anglo-German Relationship in the Early 20th Century)

Japan's FDI amidst Difficult Japan-China Political Relations

“日本对华投资逆势增长/Japan's Growing Investment in China”
«新华网» [Xinhua], Sept. 7, 2012.

Learn the Historical Lessons

“Industry itself was divided: between 1904 and 1914 Britain was Germany's best overseas customer, and Germany was Britain's second best; twenty-two out of forty international producer cartels were Anglo-German organizations.”

(Hew Strachan, *The First World War, Volume I: To Arms*, New York: Oxford University Press, 2001, p. 23;
see also, Zara Steiner, *Britain and the Origins of the First World War*, London: Palgrave Macmillan, 1977, pp. 60-64.)

“The United States and China . . . are tied together as never before by flows of goods, services, capital, people, and ideas. . . . Unfortunately, there is little reason in theory or historical experience to believe that economic links alone are sufficient to create lasting stability.”

(Aaron L. Friedberg, *A Contest for Supremacy: China, America, and the Struggle for Mastery in Asia*, New York: W.W. Norton, p. 47; see also, Kenneth Waltz, *Theory of International Politics*, New York: McGraw-Hill, 1979, pp. 129-160.)

A Swiftly Modernizing PLA in Tandem with Other BRICS States?

“Китаю нужны авианосцы (China Needs Aircraft Carriers)”

Shenyang J-15/*Flying Shark* (歼-15/飞鲨)

(21 Nov. 2012, Взгляд.ру (vz.ru))

“China begins to convert its economic power into military one and building its own aircraft carriers is just one element of the program.”

(По мнению директора Центра мировой торговли оружием (ЦАМТО) Игоря Коротченко (According to the Director of the Centre for Analysis of World Arms Trade (CAWAT) Igor Korotchenko))

Source:

<http://chinadaily.com/2012/11/26/china-j-15-fighters-successful-take-off-and-landing-on-aircraft-carrier/>

the Brazilian NAe *São Paulo* (“圣保罗”号)



the *Liaoning* (“辽宁”号)



Source: <http://www.straitstimes.com/breaking-news/asia/story/china-navy-takes-delivery-first-aircraft-carrier-report-20120923>

Source: war.163.com/12/1030/08/8F25T6MJ00014OMD.html

Committee on Foreign Investment in the United States (CFIUS)

CFIUS notifications and investigations 1996-2011

	Notification	Investigations	Notices withdrawn	Presidential decision
1996	55	0	0	0
1997	62	0	0	0
1998	65	2	2	0
1999	79	0	0	0
2000	72	1	0	1
2001	55	1	1	0
2002	43	0	0	0
2003	41	2	1	1
2004	53	2	2	0
2005	64	1	1	0
2006	111	7	5	2
2007	138	6	5	0
2008	155	23	5	0
2009	65	25	2	0
2010	93	35	6	0
2011	111	40	5	0

Source: Edward M. Graham and David M. Marchick, *U.S. National Security and Foreign Direct Investment*, 2006, p. 57 and the CFIUS Annual Reports to Congress.

CFIUS: Though China Is 'NOT' Specifically Targeted . . .

CFIUS notifications 2009-2011

	Notification Total	Manu- facturing	Finance, Information, Services	Mining, Utility, and Services	Commerce and Transport
2009-2011 Total	269	106	95	48	20
United Kingdom	68	32	28	5	3
France	27	18	1	4	4
Canada	27	1	10	14	2
China	20	12	3	5	0
Japan	18	8	6	3	1
Israel	18	6	10	0	2
The Netherlands	14	2	8	2	1
Sweden	14	5	9	0	0
Australia	8	1	2	2	3
Spain	7	0	5	2	0
Germany	6	2	4	0	0
Russia	4	0	2	1	1
Singapore	3	0	0	3	0
U.A.E.	3	3	0	0	0

Nuclear Energy Is Still Aspired in Asia

Despite the Fukushima Tragedy, Asia Remains Enthusiastic about Nuclear Energy
The World's Nuclear Reactors (as of 1 June 2013)

Country	No. of Reactors				Electricity Generation
	Operable	Under Construction	Planned	Proposed	Billion kWh (2012)
World	434	67	159	318	2,346
United States	102	3	9	15	770.7
France	58	1	1	1	407.4
Germany	9	0	0	0	94.1
Asia					
Japan	50	3	9	3	17.2
South Korea	23	4	6	0	143.5
India	20	7	18	39	29.7
China	17	28	49	120	92.7
Saudi Arabia	0	0	0	16	0.0
Vietnam	0	0	4	6	0.0
Turkey	0	0	4	4	0.0
Indonesia	0	0	2	4	0.0
Kazakhstan	0	0	2	2	0.0
Bangladesh	0	0	2	0	0.0
Thailand	0	0	0	5	0.0
Malaysia	0	0	0	2	0.0
North Korea	0	0	0	1	0.0

Business with China:
— A Japanese Perspective That Tries to
Examine Perceptions and Misperceptions —

**Thank You!/Danke schön!/谢谢 大家!/
Arigato Gozai-masu!**

Jun KURIHARA
Research Director, Canon Institute for Global Studies (CIGS)
Kurihara.Jun@gmail.com