Japan’s Foreign Trade and Direct Foreign Investment in Recent Years
Putting the Relations with the US and China in the Center

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Foreword

There is a severe situation of the world economy in which the national economy that cannot keep up with the dynamism of globalization cannot help being delayed or being ruined. In recent years East Asia has been just one of the areas which have generated such dynamism in the global economy and also have represented it at the same time.

When focusing on such trends in the development of the Japanese economy and its external development, in particular foreign trade and direct foreign investment, we discover some interesting facts and changes: a) in 2002, China became the main source of Japanese imports (7.7 trillion yen), overtaking the US (7.2 trillion yen). b) In 2003, by customs clearance basis, the total value of exports from Japan to the Chinese area (13.7 trillion yen/the ratio to the whole export value of Japan, 26.1%), i.e., to China, Hong Kong and Taiwan (respectively, 6.6 trillion yen/12.2%, 3.5 trillion yen/6.3%, 3.6 trillion yen/6.6%) exceeded the value of exports from Japan to the US (13.4 trillion yen/24.6%) for the first time. c) In the same year, the ratio of the dollar-based export value as a proportion of Japanese exports fell to 48%, less than half, for the first time in the ratio according to the currency (on the yen base, 39.3%; euro base 8.9%; the others 3.8%). d) In the first half year of 2004, the value of Japan’s trade surplus with Asia (3.7 trillion yen) exceeded the surplus with the US (3.3 trillion yen). These changes seem to present a basic problem for analysts of the current state of the Japanese economy and its development direction.

The aim of this paper is to consider the characteristics of Japanese foreign economic relations (especially as concerns foreign trade and direct foreign investment) and its change in recent years, focusing on Japan’s relations with the US and China and putting several fundamental statistical materials about this problem in order.

（問い合わせ）
I. The trends in Japanese trade

1.1. Survey

The change in Japanese export value, import value and trade balance from 1999 to 2003 is due to the international payments base as follows: firstly, export value was respectively 45.8, 49.5, 46.6, 49.5 and 51.9 trillion yen; next import value was 31.8, 37.0, 38.1, 37.7 and 39.7 trillion yen; and the trade surplus value was 14.0, 12.6, 8.5, 11.7 and 12.3 trillion yen.4)

Japan's share of world export value dropped to 7.6% in 2000, after peaking at 10.2% in 1986. Japan's share of world import value also fell to 5.8% in 2000, after peaking at 6.7% in 1990. Although Japan was the largest trade balance creditor nation in the world from 1997 to 2000, this status was assumed by Germany in 2001.5)

Next I will consider the structure of Japan's exports and imports in 2002. The composition of exports by commodity was as follows: of the total amount of 52.1 trillion yen (customs basis), general machinery accounted for 20.3%, electric & electronic equipment for 22.9%, transportation equipment 24.9%, precision instruments 3.9%, metal and metal products 6.2%, chemicals 8.0%, etc. As we see, mechanical industrial goods accounted for the greater part of Japanese exports.6)

In the case of imports: of the total amount of 42.2 trillion yen (customs base), foods accounted for 12.5%, raw materials 6.0%, fossil fuels 19.4%, chemicals 7.7%, textile products 6.5%, metal and metal products 4.0%, machinery and equipment 31.8%, etc. Thus, the primary commodities, foods and raw materials, occupied still a little more than 30%.7) Incidentally, the ratio of imports of manufactured goods was 62.2% in this year (2002).8)

On the composition of exports and imports by region and country in 2002. The distribution of Japanese exports by region was as follows: Asia 43.1% (of which, Asian NIEs 22.7% and ASEAN 13.4%), North America 30.3%, Western Europe 15.7% (of which, EU14.7%), Eastern Europe/Russia 0.7%, Latin America 3.9%, Middle East 2.7%, Oceania 2.5%, Africa 1.2%. By country, mainly as follows: US 28.5%, China 9.6%, Korea 6.9%, Taiwan 6.3%, Hong Kong 6.1%, Singapore 3.4%, Germany 3.4%, Thailand 3.2%, UK 2.9%, Malaysia 2.6% and the Netherlands 2.5%.

In the case of imports by region: Asia 43.5% (of which, Asian NIEs 10.5% and ASEAN 15.3%), North America 19.3%, Western Europe 14.4% (of which, EU13.0%), Eastern Europe/Russia 1.3%, the Middle East 12.1%, Oceania 4.9%, Latin America 2.8%, and Africa 1.7%. By country, mainly as follows: China 18.3%, the US 17.1%, Korea 4.6%, Australia 4.2%, Indonesia 4.2%, Taiwan 4.0%, Germany 3.7%, Saudi Arabia 3.4%, United Arab Emirates 3.4%, Malaysia 3.3%, and Thailand 3.1%.9)

1.2. Characteristics of the trade between Japan and the US

The export value of the US to Japan in 2002 (customs basis) was $ 51.45 billion (down 10.4% from the previous year), and import value from Japan was $ 121.43 billion (down 4.0% from the previous year). Both decreased consecutively for two years. The value of
imports from Japan was the fourth place following Canada, Mexico and China (which passed Japan in 2002). The value of the US trade deficit with Japan was $70 billion, also in second place to China since 2000.

The composition of Japan’s imports from the US by commodity in 2002 was as follows: the largest share, 49.4%, was accounted for by machinery and equipment, of which, similarly, general machinery 14.8% (this figure is the percentage of the whole, down 21.4% from the previous year), electric & electronic equipment 12.5% (down 23.1%), precision instruments 10.6% (down 10.9%).

Reflecting the reduction of demand in Japan, imports of IT-related products (ratio of compositions to the whole by this classification, 20.0%), also decreased by 26.1% compared with the previous year, of which imports of computers and the relevant apparatus decreased by 34.8%, semiconductors and other electronic components by 22.0%, and communication equipment by 15.3%. Foods accounting for 21.1% of all imports also decreased by 3.4% from the previous year. The commodities for which imports increased by the comparison with previous year were only the negligible kind, such as airplanes and their components, and automobiles and auto parts.

Regarding Japan’s exports to the US in 2002, supported by consumer spending in the US, exports of automobiles and auto parts which accounted for 37.4% of exports, increased by 10.5% compared with the previous year; similarly visual devices (4.5% of all exports; digital cameras, DV camcorders, digital TVs etc.) were up 13.9%. On the other hand, exports of commodities related deeply with trends in the US equipment investment decreased in comparison with the previous year, such as general machinery (which made up 20.5% of the total was down 10.9% compared with the previous year), electric & electronic equipment (16.4% of total exports; down 12.5%), precision instruments (5.5%; down 17.0%) and IT-related products (by this classification, 21.4%; down 14.3%).

1.3. Characteristics of the trade between Japan and China

For some time now, world trade has been expanding almost every year. At the same time the rate of expansion in foreign trade within the East Asia area has been ahead of that in world trade. For example, between 1981 and 1991, the value of world trade increased 1.8 times and that of the East Asian trade 3.2 times, between 1991 and 2001, the expansion rates were 1.8 times and 2.1 times respectively.

The details of East Asia trade over the last 10 years, were as follows: between Japan and China, 4.0 times (from $18.9 billion to $75.9 billion; unit, similarly below); Japan-ASEAN4[Thailand, Malaysia, Indonesia and Philippines], 1.6 times (from 48.5 to 77.8); Japan-NIEs, 1.4 times (98.9 to 137.4); NIEs-ASEAN4, 2.3 times (51.1 to 117.4); NIEs-China, 7.8 times (6.6 to 51.6); ASEAN4-China, 4.8 times (4.4 to 21.0). Thus, we find out that China is leading the expansion of trade within the East Asia area.

This expansion of Chinese trade was also seen clearly in 2002. The value of exports increased by 22.3% compared with the previous year to $325.6 billion (world-ranking 4th following US, Germany and Japan) and the value of imports increased by 21.2% to $295.2 billion (6th following US, Germany, UK, Japan and France), thus the high growth rate and
a large volume of trade were recorded.12) The total value of Japan-China trade reached $101.5 billion in 2002 with China accounting for the largest proportion of Japan's overseas trade (13.5%). But, because the value of Japanese exports to China was $39.9 billion and the value of imports from China was $61.7 billion, Japan's trade deficit with China rose to $21.8 billion, the largest trade deficit with any country (however, considering the re-export to China of some of Japan's exports to Hong Kong, the Japan's trade deficit value with China reduced to $12.6 billion).

China's share of total Japanese exports was 9.6% in 2002, in second place to the US (28.5%). However, in 2003, the total value of Japan's exports to the greater Chinese area, i.e., China, Hong Kong and Taiwan, became 13.7 trillion yen (respectively, 6.6 trillion yen, 3.5 trillion yen and 3.6 trillion yen) and this exceeded the value of Japan's exports to the US (13.4 trillion yen). Because the value of Japan's exports to the Chinese area was 11.4 trillion yen (respectively, 5.0 trillion yen, 3.2 trillion yen, 3.6 trillion yen) and the value of exports to the US was 14.9 trillion yen in 2002, the growth rate of Japan's exports to China has been remarkable in recent years.13)

When looking at the breakdown of and the changes in the value of Japan's exports to China ($39.9 billion) by commodity in 2002, they were as follows: electric & electronic equipment (26.9% of all exports, up 31.2% from the previous year); general machinery (20.9%, up 32.5%); chemicals (12.4%, up 26.0%); metal and metal products (10.5%, up 24.6%); transportation equipment (6.1%, up 82.0%); textiles and textile products (7.0%, down 2.0%).

We can point to the following factors as having brought about the remarkable growth rate of Japan's exports to China: a) the large demand in China for semiconductors and other key components from Japanese companies which went into China, b) demand for capital goods from Japanese-affiliated firms, c) the expansion of construction demand due to increased public investment by the Chinese government, d) the effect of the reduction of import duties and the reduction in import license certificate management items after China joined the WTO in December 2001.14)

The value of Japan's imports from China increased steadily to 7.7 trillion yen in 2002 from 7.0 trillion yen in the previous year. In 2002, the share of imports from China in the total value of Japan's imports was 18.3%, exceeding that from the US, because the Japan's imports from the US had decreased continuously for two years (7.8 trillion yen in 2000, 7.7 trillion yen in 2001 and 7.2 trillion yen in 2002). In 2003, imports from China accounted for 19.7% (8.7 trillion yen) of Japan's total imports, and those from the US for 15.4% (6.8 trillion yen). As a result, China became more firmly established as the largest source of Japan's imports.15)

Regarding the composition of Japan's imports from China by commodity in 2002, the value of imports of machinery and equipment (33.5% of all imports) increased markedly by 24.9% from the previous year, while imports of textile products (25.7% of all imports) decreased by 6.5% compared with the previous year. As a result, machinery and equipment became the largest item in Japan's imports from China, surpassing textile products which had accounted for the largest share of imports up to then (in 2001, the share of machinery and equipment was 28.5% and that of textile products was 29.1%).16)
factor behind this change was the fact that many companies in electric & electronic equipment sector in Japan were competing with others in transferring their production base to China, which meant imports of machinery and equipment from Japanese-affiliated enterprises in China to Japan increased. Particularly, important were, imports of IT-related equipment, specifically personal computers and related equipment, office machines inclusive of copying apparatus (up 75.4% from the previous year), cellular phones, and telecommunications apparatus including PHS (up 48.0%). On the other hand, affected by concerns about Chinese use of agricultural chemicals, Japan's imports of food from China (9.5% of all imports) decreased by 1.6% from the previous year.17)

II. Recent trends in Japanese direct foreign investment

Japan's surplus value of current balance was 13.1 trillion yen in 1999, 12.9 trillion yen in 2000, 10.7 trillion yen in 2001, 14.1 trillion yen in 2002 and 15.8 trillion yen in 2003. During this period it reached a huge amount every year.18)

Particularly, the value of the surplus in 2003 was the maximum value since 1996 when the current statistics started and the ratio to GDP was 3.2%. The increase of this surplus was due mainly to the following factors: the increase of the trade surplus from the previous year, the reduction in the deficit value of the travel balance due to the influence of SARS and the first profitability turnaround of loyalties and license fees.19)

It is well known that this surplus amount of current balance has become a principal fund for Japanese capital exports, i.e., of direct investment and portfolio investment.

2.1. Japan's capital exports and imports

2.1.1. Survey

The business operations of Japanese enterprises have also expanded consistently in recent years, especially those of Japanese manufacturing industries in foreign countries. For example, the number of overseas subsidiaries of Japanese companies increased approximately 1.9 times to 14,991 in FY 2000 from 7,986 companies in FY 1990 (of which, the proportion of manufacturing companies increased to 49.8% from 42.7%).

The overseas production of the manufacturing industry (the sales of the overseas affiliated firm / total domestic sales x 100) increased from 5.7% in FY 1989 to 13.4% in FY 2000 and to 17.1% in 2002.20) This share has been particularly high in the transport equipment industry and in the electrical machinery industry, respectively 31.1% and 21.9% in FY 2000.

Since FY 1996, the foreign sales of the overseas subsidiaries in the manufacturing industry (the sales in the investment partner country + the sales in other countries) have exceeded or been equal to the export value from Japan (the exports from the headquarters of the enterprise). For example, the former was 50 trillion yen and the latter was 52 trillion yen in FY 2000.

Regarding employment, the number of overseas subsidiary employees in the
manufacturing industry increased dramatically from 920,000 persons in FY 1989 to 2.81 million persons in FY 2000 (of which, the proportion of employees in the transport equipment industry and in the electrical machinery industry was about 60%).

Thus the business activities of Japanese enterprises have expanded. Nevertheless, Japan's share of international direct foreign investment has fallen since the second half of the 1990's. Though the value of Japan's direct foreign investment was in the largest in the world by flow in 1990 (21.5%), it dropped to the 12th place (2.3%) in 2000 (7th place [6.2%] in 2001). The outstanding value by stock of Japan's direct foreign investment was 3rd largest in the world (11.7%) in 1990, but in 8th largest (4.7%) in 2000.

Regarding direct domestic investment, Japan's position in the world has been traditionally very low. By flow, it was in 22nd place (0.9%) in 1990 and in the 24th place (0.6%) in 2000. Of course, by stock, it remained in the 22nd place (0.9%) in 2000. Looking at the ratio of the outstanding value of direct domestic investment to GDP in the same year, that of the US was 27.7%, that of the EU was 30.2%, but that of Japan was only 1.1%.

Also the Japanese banking business which has suffered from the bad loan problem has had a dwindling presence in foreign countries. The outstanding value of the assets held by the overseas branches of Japanese banks decreases from 195 trillion yen in 1990 to 38 trillion yen in 2004, namely to 20 percent of the peak value in 1990.

2.1.2. Japanese direct foreign investment

Here I will first present statistical figures based on a report from the Ministry of Finance. The flow value of Japanese direct foreign investment was $66.7 billion in FY 1999, $48.6 billion in FY 2000 and $31.6 billion in FY 2001. Its composition classified by country in each fiscal year was as follows: in 1999, US 33.4%, UK 17.6%, Netherlands 15.5%, Asian NIEs 4.8%, ASEAN-4 4.3%, China 1.1%; in 2000, UK 39.4%, US 25.0%, Netherlands 5.7%, Asian NIEs 5.5%, ASEAN-4 4.2%, China 2.0% and; in 2001, US 20.2%, Netherlands 14.3%, UK 12.5%, ASEAN-4 7.4%, Asian NIEs 6.8% and China 4.6%.

The outstanding total value (stock) from 1951 to 2001 was $803.9 billion and its composition by country was as follows: US 38.6%, UK 11.1%, Netherlands 5.6%, ASEAN-4 7.3%, Asian NIEs 6.5%, China 2.7%. It is clear that Japanese direct foreign investment has been focused on the US and Europe (North America 40.3% and Europe 23.8%) and that it has just started in earnest in China.

Because the trends in Japanese direct foreign investment classified by industry vary greatly from year to year, I would like to focus on the outstanding value from FY 1951 to FY 2001. Non-manufacturing industries and manufacturing industries account for 65.4% and 33.3% of this total respectively (branch offices, 1.3%). In detail, the breakdown was as follows: in the case of non-manufacturing, finance and insurance 19.7%, real estate 11.8%, services 10.9%, commerce 9.7%, and transportation 7.6%; in the case of manufacturing industries, electrical equipment 9.3%, transportation 4.9%, chemicals 4.2%, foodstuffs 3.3%, iron and steel and non-ferrous metals 2.9%, and machinery 2.8%.

Now, we must emphasize the fact that the outstanding value of this direct foreign investment was $300.9 billion at the end of 2001 and a little less than 40% of the figure
based on report (Ministry of Finance) if we refer to the actual statistics based on practice (the balance of payments, Ministry of Finance/Bank of Japan). Apart from the literal difference between “notification” and “execution”, there are important differences between the two statistics: a) the figures of the former are a numerical value for the fiscal year, while those of the latter are for the calendar year. b) The figures of the former are the gross value which does not take a collection part of investment into account, while those of the latter are the net value which deducts a collection part of investment. c) In the former a case of item at more than 100 million yen is added up, in the latter a case of item at more than 30 million yen is added up. d) In the former the value of investment by foreign affiliates is included, while in the latter it is not. e) Regarding re-investment by Japanese enterprises, the former does not include it, while the latter does.27)

2.1.3. Japanese direct domestic investment.

It has been pointed out for several decades that the amount of Japanese direct domestic investment is always at a low level. For example, when we look at the ratio of the outstanding value of direct domestic investment as a part of GDP in the main advanced countries, the figures for 2001 were as follows: US 25.1%, UK 38.6%, Germany 24.2%, Canada 28.6% and Australia 29.5%, while Japan only 1.2%. And the share of Japan in the world direct domestic investment by flow in the same year was only 0.9%.28) Regarding the ratio of direct domestic investment (flow) in the gross domestic fixed capital formation as of 2000, the average figure in the EU was 50.1%, that of the advanced countries 25.0% and that of the world 22.0%, while the figure in Japan stayed at 0.7%. As a result, regarding the employment by foreign affiliates, in 1998, the production and the sales, and the expenditure for research and development also, the ratio of Japanese direct domestic investment value stayed at a low level at 1.8%, 0.5% and 3.9%, and 1.7% respectively.29) Furthermore, when we look at the ratio of the outstanding value of direct domestic investment to the outstanding value of direct foreign investment in the selected countries, that of the US was 98.6% in 2002, UK 59.5% in 2003, Germany 77.9% in 2002 and France 62.7% in 2002, while Japan 26.7% in 2003.30)

The flow values based on reported direct domestic investments from foreign countries to Japan from FY 1997 to FY 2002 were as follows: 0.68 trillion yen, 1.3 trillion yen, 2.4 trillion yen, 3.1 trillion yen, 2.2 trillion yen and 2.2 trillion yen.31) While, the values based on practice in the same period were 0.39 trillion yen, 0.42 trillion yen, 1.5 trillion yen, 0.9 trillion yen, 0.75 trillion yen and 1.2 trillion yen. There were large differences between the two sets of statistics.32)

Unlike the case with Japanese direct foreign investment, we cannot find similar figures for the outstanding value of Japanese direct domestic investments in the statistics reported by the Ministry of Finance (because the numerical values of statistics were published in dollars until FY 1994 and in yen after FY 1995, it seems to me that this made the calculation and the settlement of the outstanding value difficult). Therefore, here I would like to present a part of present situation of Japanese direct domestic investment by referring to different statistics. According to the balance of payments, the outstanding value of Japanese direct domestic investment at the end of 2003 was 9.6 trillion yen and

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the composition by country was mainly as follows: US 40.8%, Netherlands 15.1%, France 13.7%, Germany 5.5% and Asia only 5.5% in total.34)

Regarding the composition by industry, I refer to the results of a survey of 3,383 foreign affiliates in Japan, which was published in the Toyo Keizai Monthly Statistics in July 2004 (we must pay special attention not to the investment values but the numbers of foreign affiliates). The results were as follows: non-manufacturing industry 75.7% and manufacturing industry 24.3%; within non-manufacturing industry, information service and software, 11.6% of the total, finance 8.3%, services 6.4%, wholesale of machinery and parts 6.0%, wholesale of electric machinery and parts 5.8%, and wholesale of chemicals 3.5%; within manufacturing industry, chemicals 4.8%, electric machinery and parts 4.0%, machinery and parts 3.6%, and medical supplies 1.8%.35)

2.1.4. The Expansion of Japanese foreign net assets and increase of investment income
The value of Japanese foreign net assets at the end of 2003 was, total assets 386 trillion yen minus total liabilities 213 trillion yen, so 173 trillion yen and this was ranked 1st in the world consecutively for 13 years after 1991 (2nd Switzerland 52 trillion yen, 3rd Germany 28 trillion yen at the end of 2002. Incidentally, as is well-known, the US was the country with the largest foreign net liabilities valued at 312 trillion yen).

As we saw in the previous paragraph, the outstanding value of Japanese direct foreign investment at the end of 2003 was 35.9 trillion yen, and the outstanding value of Japanese direct domestic investment was 9.6 trillion yen. Thus, the latter value has been much less than the former value. Comparing the outstanding value of Japanese direct foreign investment with the outstanding value of Japanese securities investment in the same year, both values were respectively 35.9 trillion yen and 184.4 trillion yen. Thus, one feature of Japanese capital export is that it has been developed mainly on the basis of securities investment.36)

It is because of this foreign property, especially the foreign net assets, that a large amount of investment income flows back to Japan every year. Its net value represents a huge excess of receipts over payments in recent years: 5.8 trillion yen in 1996, 7.1 trillion yen in 1998, 6.5 trillion yen in 2000, 8.3 trillion yen in 2002 and 8.3 trillion yen in 2003 (incidentally, in 2003, receipts stood at 11 trillion yen and payments at 2.7 trillion yen; of 8.3 trillion yen in this year, receipts from direct investment were 0.9 trillion yen, from securities investment 6.8 trillion yen and from other investments 0.5 trillion yen). The fruit of these investments flows back to Japan on a large scale every year.37) With the amount of 1 trillion yen, 1 million yen can be distributed to each of 1 million persons. The effect of such investment income which helps to stabilize social relations in Japan seems to be very considerable.

2.2. Several features of Japanese direct foreign investment in the US
The amount of Japanese direct foreign investment value based on report to the US were by flow: 1.3 trillion yen in FY 1998, 2.5 trillion yen in 1999, 1.3 trillion yen in 2000, 0.8 trillion yen in 2001 and 1 trillion yen in 2002. Its outstanding value from 1951 to 2002 was 43.4
trillion yen, with the distribution by industry as follows: manufacturing industry 34.0% and non-manufacturing industry 65.2% (the remainder is accounted for by the opening and expansion of branch offices); of manufacturing industries, electric & electronic equipment accounted for 13.1% of the total, chemicals 4.3%, transportation equipment 3.8%, machinery 3.0%, iron & steel, and non-ferrous metals 2.5%; of non-manufacturing industries, real estate 18.3%, services 16.0%, finance and insurance 13.0%, and commerce 12.5%.38)

When looking at the same Japanese direct foreign investment to the US according to the figures for the balance of payments of the Department of Commerce in the US, the net amount of 2000 by flow was $ 7.77 billion and that of 2001 was minus $ 1.55 billion (withdrawal excess). The outstanding value (stock) in 2001 was $ 158.99 billion and by industry this was distributed mainly as follows: in manufacturing industry, machinery 13.3% of the total, chemicals 3.4%; in non-manufacturing industry, wholesale 30.6%, finance (other than banking) 10.3%, banking 4.7%.39)

2.3. Several features of Japanese direct foreign investment in China

The value of Japanese direct foreign investment based on report to China in recent years was as follows: 243.8 billion yen in FY 1997 (units: similarly below), 137.7 in 1998, 84.9 in 1999, 111.2 in 2000, 180.8 in 2001 and 215.2 in 2002. The decrease of investment at the end of 1990’s was caused by the decline in the investment zeal of Japanese enterprises because of the risk of yuan devaluation after the Asian monetary crisis in 1997 and because of the financial panic caused by the bankruptcy of Guangdong International Investment Trust in 1998. That investment began to increase after 1999 was caused largely by the progress of China’s ongoing efforts to join the WTO (China reached an agreement with the US at the end of 1999, and joined formally in December 2001). The outstanding value of Japanese direct foreign investment in FY 2002 was 2.82 trillion yen (of which, 1.89 trillion yen was in manufacturing industry, and 0.84 trillion yen in non-manufacturing industry). However, according to the statistics of actual balance of payments, the outstanding value at the end of 2002 was 1.48 trillion yen (incidentally, the outstanding value of Chinese direct foreign investment to Japan in this year was 9.6 billion yen).40)

Let us compare the scale of this Japanese direct foreign investment to China with that from other countries or areas. They were as follows [each numerical value is figure by flow in 2000, 2001 and 2002; not contract base but execution base, unit: US$ billion]: the total amount: 40.7-46.9-52.7, Hong Kong 15.5-16.7-17.9, British Virgin Islands 3.8-5.0-6.1, US 4.4-4.4-5.4, Japan 2.9-4.3-4.2, Taiwan 2.3-3.0-4.0, Korea 1.5-2.1-2.7, Singapore 2.2-2.1-2.3, British Cayman Islands 0.6-1.1-1.2, Germany 1.0-1.2-0.9, UK 1.2-1.1-0.9. The ratio of the investment value from Japan was about 7% to 9%.41)

The composition of the outstanding value of Japanese direct foreign investment to China by industry in FY 2001 was as follows [based on the figures converted to dollars by JETRO (Japan External Trade Organization)]: the total amount $ 21.9 billion, of which, investment in manufacturing industry, accounted for $ 15.1 billion (68.7%); in non-
manufacturing industry, $6.3 billion (28.9%). As is shown, the focus of these investments is in the manufacturing industry. The distribution by industry was as follows: in manufacturing industries, electric & electronic equipment accounted for 19.0%, machinery 8.4%, textiles 8.3%, transportation equipment 7.4%, iron & steel, and non-ferrous metals 5.9%, chemicals 4.8%, and foods 4.0% in non-manufacturing industry, services 10.9%, commerce 4.7%, and real estate 4.5%. Hereafter, investment in transportation equipment industry and investment in financial and insurance business (which accounted for only 0.56% in 2001) and their relative share of total investment can be expected to increase rapidly.42)

Table 1 compares this Japanese direct foreign investment to China with that to other East Asian countries, and illustrates an important and interesting point. Though Japanese direct foreign investment to China has increased remarkably in recent years in view of the low cost of wages and the large growth potential in the Chinese market, it has not developed in an overconcentrated way. Japanese direct foreign investment in China has been added to that in ASEAN (and Asian NIEs), economies in which Japan had already invested heavily. This suggests that Japan is groping after the most suitable location system for production in Asia.

Japanese enterprises have utilized cheap Chinese labor, to develop contract manufacturing production and have established production places as export bases. Hereafter, they will try to improve their sales in the Chinese domestic market, while expanding those production bases.43)

Lastly I would like to add a word. The share of foreign capital in the value of Chinese industrial production rose to 27.4% in 2000, especially to 71.6% in the electronic and telecommunication equipment sector, i.e., in the representative growth industry. The share of the foreign affiliates in Chinese exports and imports was very high, relatively 50.1% and 51.7% in 2001. We can say that foreign capital plays a very important role in the growth and development of the Chinese economy.44)
Final Remarks

There is no question that the economic presence of China in East Asia (and in the world) has risen rapidly in recent years. And there is, of course, a correlation between this fact and the strengthening and deepening of the Japan-China’s economic relationship.

However, it would be neither right nor desirable to view these developments replacing an American-centered Japanese policy with an centered on China. Instead, it is both possible and desirable that we see the current trend as a chance to correct the excessive Japanese focus on the US. [Anyway, there are unlikely to be any major changes that relations between Japan and the US continue to be of such political, economic and strategic importance. But, of course, this idea and the evaluation of the present Japan-US Security Treaty are another question.]

Generally speaking, for today’s Japanese economy which became a great economic power after the period of high economic growth, any plan that centers on a certain special relationship, for example, the Japan-US relationship or the Japan-China relationship, is unreasonable in itself and would reveal a lack of ideas. The Japanese economy has already formed actual indivisible organic links with the whole world, and it is essential for the existence of the Japanese economy to form relations universally with countries and peoples in the globalized world.

However, there is a positive significance in Japan’s efforts to form a special relation with the community of East Asian nations (Korea, China, ASEAN etc.), if we are sufficiently conscious of the above-mentioned. But we have to distinguish firstly between “economic community” and “community” in order to consider this problem in East Asia.

Actually, there have been various attempts to conclude the bilateral and multilateral FTA (Free Trade Agreements) in East Asia. ASEAN has already moved towards the final abolition of custom duties within the region in a multistage way (in the first phase, less than 5% during the first 15 years) since 1991 and has gotten good results in this field. In November 2001 China agreed on starting the negotiations with ASEAN for a comprehensive FTA within 10 years. And the Chinese Ministry of Foreign Affairs issued an internal report which was optimistic about the possibility of concluding an FTA among China, Korea and Japan as of May 2003. Japan also concluded an EPA (Economic Partnership Agreement, FTA including person’s movement, investment and intellectual property right etc.) with Singapore in January 2002 and is now negotiating to make EPA with Korea, Thailand, Philippines and Malaysia.45

It may be that, based on those bilateral and multilateral FTA/EPA conclusions, a community forms with mainly economic objectives, i.e., an economic community in East Asia. And it will be desirable for East Asian people.

But I have to say that large historical difficulties still exist today in East Asia regarding the shift from an economic community to a comprehensive community. Why? It is not possible for different communities to form a comprehensive community based solely on profits. In addition, a certain agreement and understanding about common values is necessary. Only this can mediate politically disagreements, opposition and confusion among the countries concerned, awaken the attitude of compromise and cooperation, and
encourage them to see themselves as members of a community. Without such common values, a community cannot help disintegrating in sooner or later. (We can say that generally the formation and the management of an economic community is easier and more stable when there is directionality with the community, but were difficult when this directionality is absent.)

However, it is easy for us to argue about “common profit” in East Asia but difficult to argue about “common values”. A common feature of East Asian cultures is their this-worldly character and a relatively weak sensitivity to the universality of values. There have also been voices which have pointed to Confucianism cultural sphere as a common characteristic, but this is a kind of orientalism. Furthermore, there are outstanding wartime problems that still need to be settled (for example, the unsolved personal compensation problem, the differences between countries concerning war responsibility and the recognition of history, the existence of divided countries and ongoing border disputes).

To form an East Asia community of ASEAN + 3 (China, Korea and Japan), we have to note the following points: a) in Japan, it is important to reach an agreement on the issue of the prime minister’s visit to Yasukuni Shrine, to open the way to the postwar compensation of individuals in East Asian countries and to overcome disagreements with relevant countries concerning war responsibility and the accurate depiction of history (inclusive of making a common school textbook). b) To gain the understanding of the US and Russia with regard to this community formation, at least their understanding that it does not stand against the framework of APEC. c) That China will recognize the problems posed by the fact that it has an overwhelming share of the population in this community (the danger of virtually falling into the Sinocentrism) and will respect actually the equal rights of other neighboring countries. d) Additionally, a basic consensus about the respect of the following values is necessary among community members, namely, peace, respect of fundamental human rights, constitutional government, justice, prosperity and advancement of life, respect for basic labor rights and basic social rights, obeying of contract, substantiality of a social welfare system, resource conservation and environmental protection, symbiosis and tolerance.

Note

[J] indicates that the book or the article was written and published in Japanese.
All publication places are Tokyo.

Japan’s Foreign Trade and Direct Foreign Investment in Recent Years (Matsuba)

7) Ibid., p.72.
13) The Summary Report on Trade of Japan, [J] February 2004, pp. 8f., 15. Because of the rounding off of the numerical values, the total value is not identical with the sum of individual value.
22) Ibid., pp. 77f.
25) Ibid., p. 510.
Explanatory Note

I cannot agree that we should view East Asia in general and Japan in particular as a predominantly Confucian cultural sphere. (This is not to deny that the doctrine of Confucianism has had a considerable influence on cultures right across East Asia.)

The reason is as follows: firstly, not only Confucianism but also Buddhism and Taoism have had a similar important cultural influence in East Asia. Secondly, it is important to consider the case of each country separately and estimate how widely and how deeply Confucianism influenced the society concerned (in particular, the ruling layer). Thirdly, in the case of Japan, we can assume that a foreign doctrine such as Confucianism with a highly sophisticated system, influenced only the surface of the Japanese mentality, and had little effect on its substantial core part.

To be sure, we may be able to point out the common characteristics of Confucian cultural sphere in East Asia, for example regarding the unity of the family, the respect for the elderly, the emphasis placed on education, diligence and thrift and the patriarchal obligations and responsibility of the rulers to the people (Helmut Schmidt, Die Mächte der Zukunft, München, 2004, S.143.), but, on the other hand, Confucianism also has the following essential attributes: a contemptuous view of the common people and women, vocational discrimination (a contemptuous view of commerce), and a tendency towards nepotism. Therefore, it is unreasonable from the beginning to try to understand East Asia, which has undergone remarkable development through modernization and the growth of capitalism, in terms of a theory of a “Confucian cultural sphere”.

The doctrine of Confucianism is primarily a comprehensive system comprising six aspects: the courtesy system, the philosophic thought, the political and economic ideas, the responsibility of middle ruling layer, the collective ethics, and the personal ethics (Yuzou Mizoguchi). In Japan, only the useful and harmless secular virtues (or ethics) for the ruling layer were arbitrarily taken from the Confucian system and introduced to Japanese daily life. As historical features of the mental structure of the Japanese, the following can be pointed out: the indifference to transcendent and absolute values, the strong subordination of the individual to the group, the this-worldly character of the culture, and the overwhelming superiority of economic values over other social values (Shuichi Kato). These elements act inevitably so that they take and dissolve the transcendental principle and comprehensive systemicity away from the original foreign abstract and universal doctrine. This is what happened when the doctrine of Confucianism came to Japan. The doctrine of Confucianism did not reach and alter the core of such Japanese characteristics, but was japonized and played only a partial function on its foundation and surface. Therefore, neither the transcendental elements of Confucianism, such as “heaven”, “reason” and “revolution”, nor even the systems regulating society and community as the courtesy system, the unified entrance examination for ruling bureaucrats or the agreement of regional
collective villages, were embodied in Japan.

It is a fact that Confucianism had a considerably strong influence on rulers after the late medieval period, and, later, on educators and education administrators after the Meiji Restoration in Japan. However, it was not the whole system of Confucianism but only the part concerned with secular virtue in daily life that affected Japan. It is wrong, then, to try and explain the basic features of the mental world in the Japanese civilization as that of a "Confucian cultural sphere".

It is more realistic, if we realize that in terms of its mental and cultural features, East Asia is characterized more by its this-worldly character (Shuichi Kato) and in varying degrees of Sinocentrism, with Confucianism as a secondary element (Hiroshi Furuta).

[My English manuscript was proofread by a colleague at my faculty, associate professor Ian Hosack. For whose help I am very grateful. Of course, the responsibility for mistakes in this paper rests only with me.]
日本の貿易と直接投資の展開
□ 近年の対米・対中関係を中心として □

本稿の課題は、近年における日本の対外経済関係（とくに貿易と直接投資）とその変化の諸特徴を、対米・対中関係を中心にしつつ、基礎的資料を整理しながら少しく検討することにある。

昭和30年には、米国に替って中国が日本にとって最大の輸入国となった。昭和34年には、通関ベースでの日本から中国・香港・台湾への輸出合計額が初めて対米輸出額を上回った。また、この年に日本の輸出に占める通商別比率で初めてドル建てが5割を下回った。そして、昭和40年上半期には、対アジア貿易出超黒字額が対米黒字額を超回った。

こうした現状を日米基軸関係から日中基軸関係への移行過程と捉えることは、正しくもないし、また望ましくもないだろう。そうではなくて、現状を過度な日米基軸関係一辺倒（日米間の単線的関係）を是正するチャンスと捉えることは、可能でもあり、また望ましいことでもあるだろう。そもそも、高度経済成長期を経て経済大国化した今日の日本経済にとって、日米関係や日中関係のみを基軸化するという構想自体に無理がある。

ただし、そのことを充分認識した上でなり、日本が韓国、中国、オーストリアなど東アジア諸国と特殊な共同体（的）関係を形成することには、もちろん積極的な意義があるだろう。しかし、東アジアにおいてこの問題を考えるためには、まずもって「経済共同体」と「共同体」とを区別しなければならない。現に、東アジアでもこの間、21国間・多国間アジアの経済連携国への多様な試みがなされてきた。そのような21国間・多国間の経済連携国の締結を sourceMappingとして、東アジアで主として経済領域に問題を限定した共同体、つまり経済共同体を模索し結成することは可能かもしれない。そして、それは望ましいことでもある。

しかし、経済共同体から包括的な共同体への移行については、東アジアでは今日なお大きな歴史的困難が横たわっている。異なる国々が共同体という制度のもとに結集することを現実に可能とするためには、利益の共通性だけではなく、価値の共通性についての一定の合意と理解がなければ必要である。ところが、まさにここ東アジアでは、「共通の利益」について議論することは容易だが、「共通の価値」について議論することは難しい。本稿では、この問題についても「儒教文化圏」論にも言及しつつ論じた。

友人の中村福治氏が惜しくも昭和40年秋に早逝し、数ヶ月が経過した。日韓の社会科学者間の共同研究を企画し推進するという有意義で困難な課題に取り組んできた研究活動を私は高く評価し、同時に彼のそのような研究姿勢を心から深く尊敬もしてきたのである。今回は、私たちの共通の友人である文京洙教授と本誌編集部から中村福治教授追悼号に寄稿するように勤}(昭和40年)
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められ、有難くそれをお受けした所以である。中村福治の高潔な志に少しでも応え報いることを念じつつ、私は本稿を執筆した。

（ 目 定 正 増 本 学 産 業 社 会 学 部 教 授 ）