

Can China and Japan join hands to leverage economic strengths?

By Chen Yang Source:Global Times Published: 2017/11/27 20:38:39



Illustration: Liu Rui/GT

According to Jiji Press, Chinese Premier Li Keqiang met the Japanese business delegation including members of the Japan Business Federation last Tuesday. The Japanese delegates said they look forward to strengthening economic cooperation with China on the **Belt and Road** initiative and are willing to take part in building infrastructure of the surrounding countries along the route. The meeting, in which the 250-strong Japanese delegation participated, was the first in two years. The size of the delegation reflects the desire of Japan to enhance bilateral economic relations.

Economic activity needs a calm and rational approach. Compared to Japanese politicians who spout rhetoric on historical and territorial issues, those in the economic field see Sino-Japanese ties objectively and work toward improving bilateral relations. For instance in November 1962, well-known Japanese industrialist Tatsunosuke Takasaki led an economic group to China and signed the Memorandum Concerning Sino-Japanese Long Term Comprehensive Trade with Chinese representatives. Although the normalization of China-Japan diplomatic relations came about with the efforts of people from both sides, Japanese businessmen have always tried to help consolidate relations between the two countries. Hence, the Japanese business community's visit to China this time does not only encompass economic interests, but also inherits the tradition of history.

A few days ago, Japanese Foreign Minister Taro Kono praised the Belt and Road initiative in a public speech. In the meeting this time, Japanese business leaders also showed their appreciation for the same. Even if what Kono said may not have a deeper meaning, the business delegates are pragmatic in their approach.

As the Shinzo Abe administration still tries to promote the Trans-Pacific Partnership (TPP) agreement which is now called Trans-Pacific Strategic Economic Partnership (CPTTP) and will cooperate with US President Donald Trump on his "free and open Indo-Pacific" strategy, the Japanese government is not likely to participate in the Belt and Road initiative. Kono was aiming at creating a suitable atmosphere for his planned visit to China at the end of the year.

Although the Japanese government may not take part in the initiative, Japanese enterprises are expected to. Compared to the Chinese market and the **Silk Road** Economic Belt through Eurasia, the Japanese domestic market is limited. The CPTTP which Abe is trying to promote and the Asia-Africa Growth Corridor which Japan and India work together to bring up need time for implementation. Hence, the Japanese economy is eager for a free ride on the Belt and Road initiative.

Trump raised the issue of the trade deficit with Japan during his recent visit, which means Washington will pressure Japan on the issue in the future. Therefore, the Japanese economy can reduce the risk by putting eggs in different baskets.

As Sino-Japanese political and economic ties thaw, the Chinese business community should try to create an impact. For a long time, Japanese companies' ideas have been a source of inspiration and have been replicated by Chinese firms. But in recent years, fake-data scandals and other crises in Japanese corporations have made them lose reputation.

Meanwhile, in the past few years, from the Double Eleven Shopping Festival on China's e-commerce platforms to the bike-sharing boom, Chinese enterprises have not only offered new economic growth opportunities, but also created new management methods. Especially with more and more Chinese visiting Japan, Alipay and WeChat Payment gradually became popular in Japan where people largely use cash. It not only shows that Chinese companies are innovative but also that they have successful management models.

Hence, with China's rising strength and growing management ideas, Chinese companies can acquire more Japanese businesses. What's more, using a mature Japanese market, Chinese companies can spread their management ideas across borders to advance their internationalization. Although the Japanese market is not big, it can act as a touchstone for Chinese companies to go abroad.

I expect 2018 to be a good year for Chinese companies to enter Japan. Compared to Japanese enterprises investing in building factories in China, Chinese companies mainly buy Japanese firms without having many factories inside Japan. This is due to intense competition in the Japanese market and domestic policy constraints.

2017 marks the 45th anniversary of the normalization of China-Japan diplomatic relations. Next year marks the 40th anniversary of the signing of the China-Japan Treaty of Peace and Friendship. The Chinese economic community can learn from its Japanese counterpart. After all, only deepening bilateral trade relations can lay the foundation of the Sino-Japanese friendship.

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