The revival of Sino-Japan Economic Ties

What is the issue?

\n\n

China-Japan has begun to improve their strained relations in response to the unpredictability created by the US administration.

\n\n

What were the disruptions in Sino-Japan trade?

\n\n

\n
- China-Japan relations became strained in the new millennium over territorial and security-related issues.
\n
- They reached a low point in 2012 over the disputed Senkaku islands.
\n
- Japanese FDI into China reached a recent peak of $7.4 billion in 2012 but declined over the next several years to a level of $ 3.1 billion in 2016.
\n
- In annual surveys, more Japanese companies were expressing their intention to exit China than those who wished to expand operations.
\n
- The increasingly tense relations between the two countries had led the Japanese business to adopt the “China Plus One” strategy, or diversifying investment away from China.
\n

\n\n

What is the recent trend in Sino-Japan trade?

\n\n

\n
- Japanese FDI into China revived to a level of $ 3.2 billion in 2017 and is expected to maintain an upward trajectory.
\n

\n\n

\n
- Japan-China trade has also resumed an upward trajectory, after declines registered post 2012, and was about $300 billion in 2017.
\n
- Japanese business considers China’s “Made in China 2025” initiative as a major opportunity.
\n
- The initiative has identified 10 sectors, including Artificial Intelligence, Robotics, Electronic Vehicles and Quantum Computing, where China plans to emerge in the ranks of the most advanced countries by 2025.
\n
- These are precisely the areas where Japan has significant capabilities.
\n
- Unlike the US and western European countries, which see the Made in China initiative as a threat to their technological dominance, Japan appears to have taken a different tack. India does not present a comparable opportunity.
\n

\n\n

What are the challenges before India in this regard?

\n\n

\n
- For Japan a rapidly growing Indian economy began to be seen as offering a scale and market comparable to China.
\n
- While Japanese FDI into India has increased significantly from about $85 million in 2006-7 to $4.7 billion in 2016-17, the anticipated surge in Japanese FDI has not materialized.
\n
- The accumulated stock of Japanese capital in China is over $100 billion. For India, the figure is only $25 billion.
\n
- With China once again emerging as an attractive destination for Japanese investment, India may be pushed to the margins.
\n

\n\n

\n
- Apart from this India-Japan trade has been declining in recent years from $18.5 billion in 2012-3 to $13.5 billion in 2016-17.
\n

- Indian exports halved from $6.1 billion to $3.8 billion in the same period.
  \n
- Japanese business continues to have reservations about the investment climate in India.
  \n
- But Japan continues to retain a higher comfort level doing business with China and South-East Asia than with India.
  \n

\n\n

\n\n

Source: Business Standard

\n

