

USJI Seminar

Recent Structural Change of the Chinese Economy and the Japan-China Relation

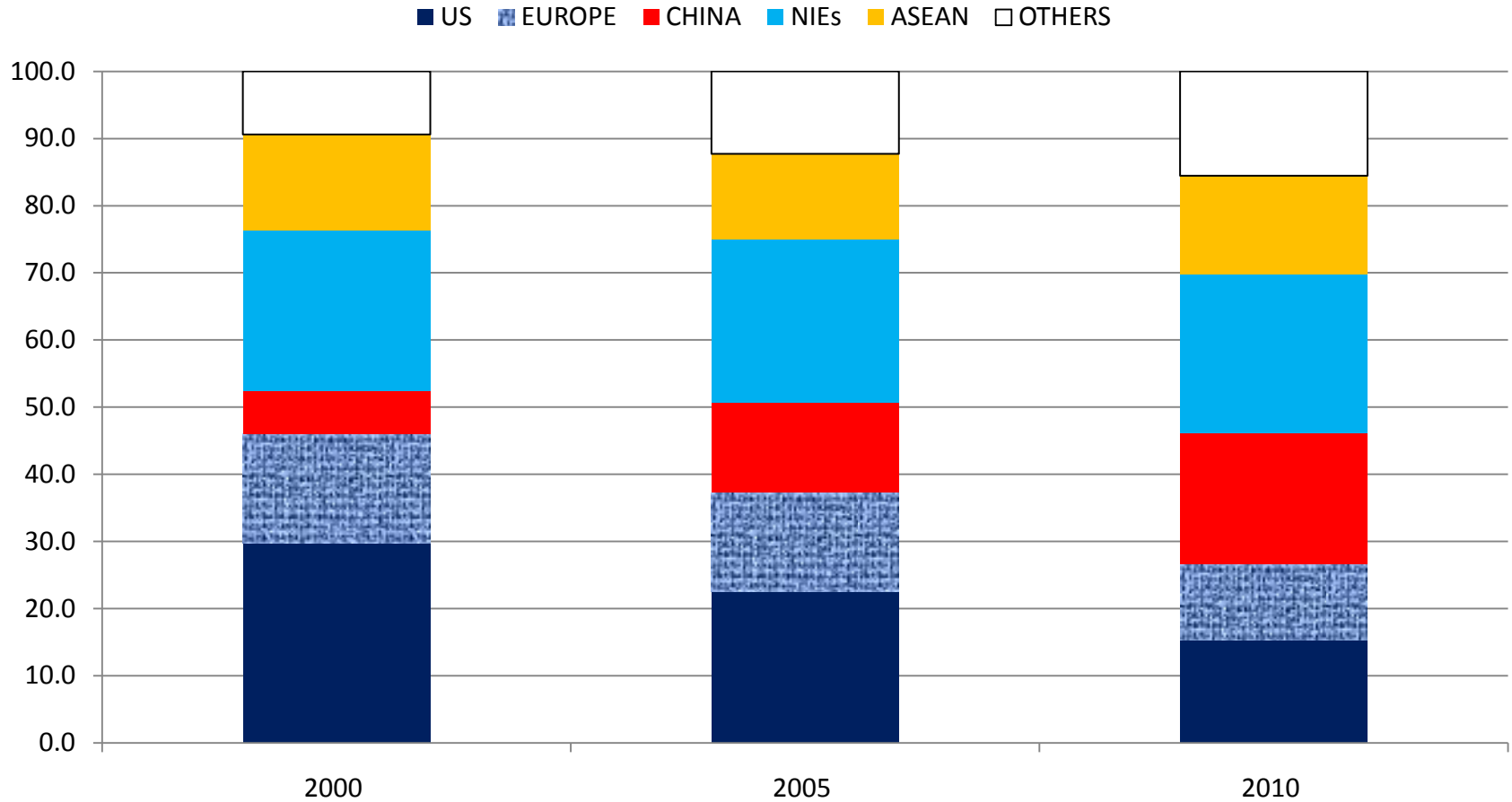
~ Foreseeing the Recovery of the Japanese Economy after 3.11 ~

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The Canon Institute for Global Studies

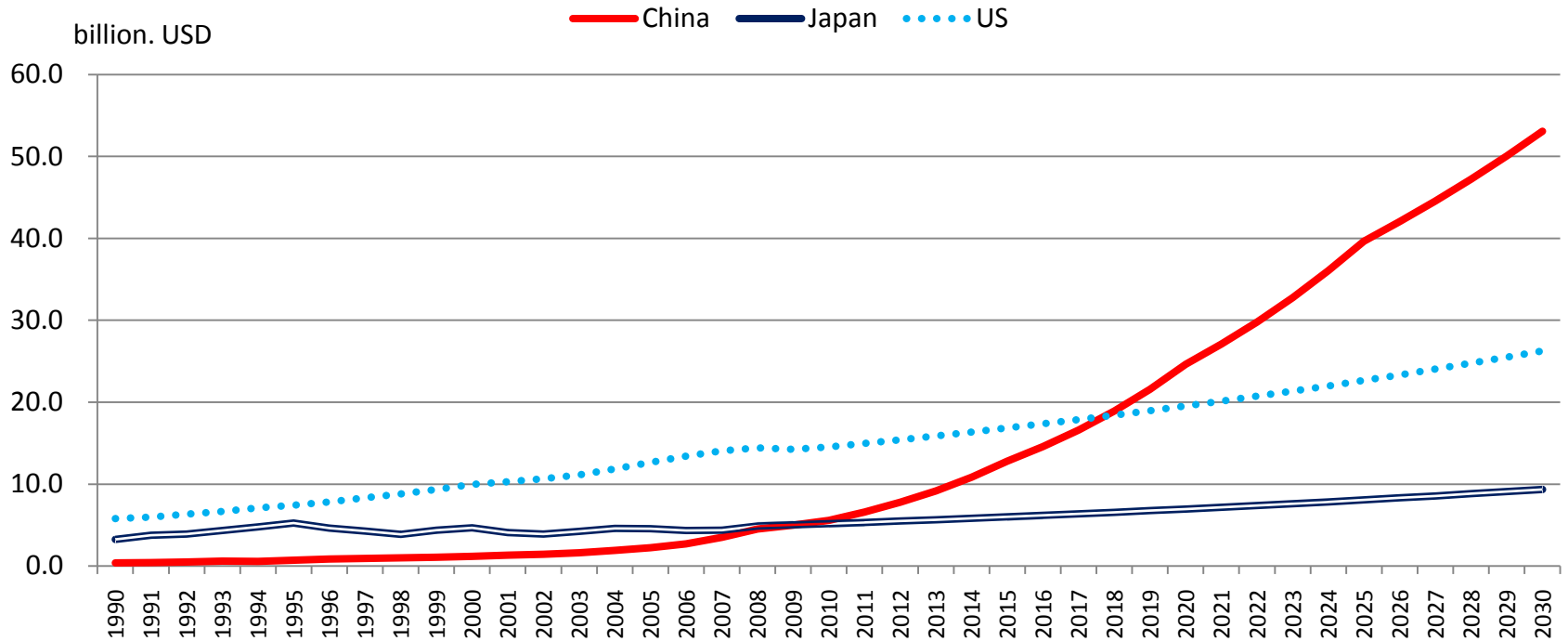
September 20, 2011

Japan's Export : Weight by Regions



Source : CEIC

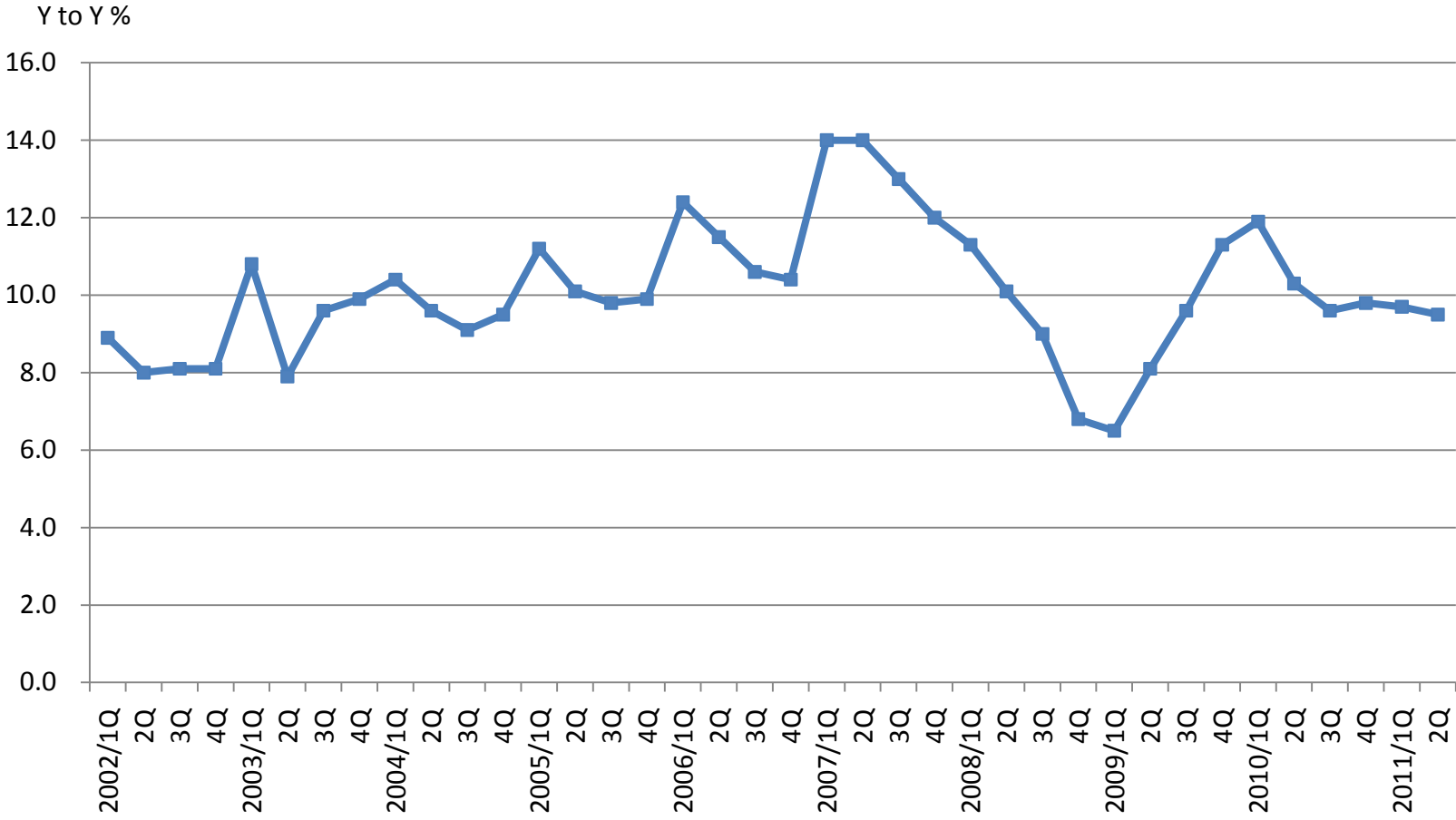
Long Term View of the Chinese Market (est.)



<Prerequisite Condition of the estimation of nominal GDPs (Y to Y %)>

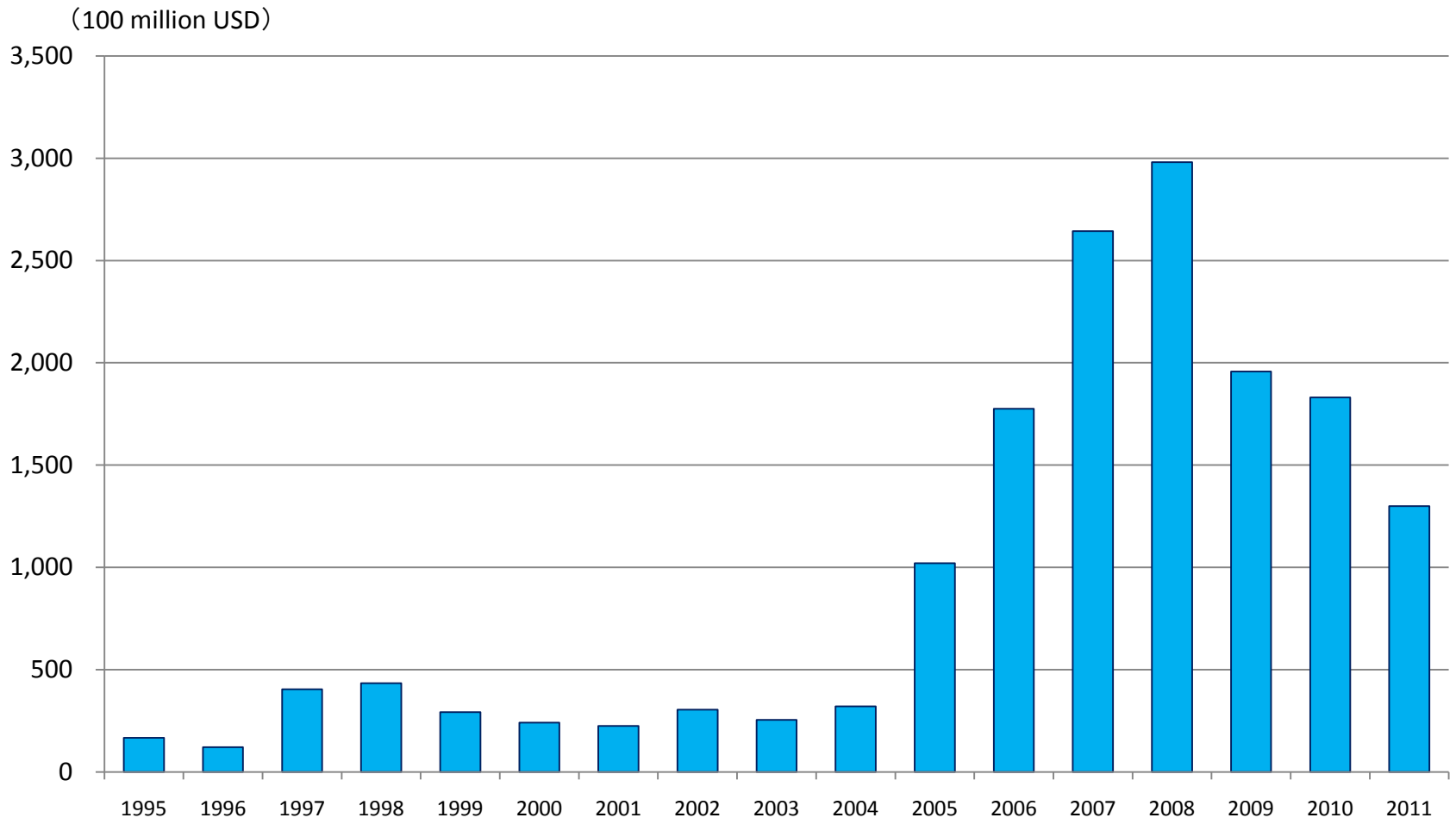
	China	Japan	US	China's real GDP	Deflator	RMB Appreciation
2011-15	18.0	3	3	8	5	5
2016-20	14.0	3	3	6	4	4
2021-25	10.0	3	3	5	3	2
2026-30	6.0	3	3	4	2	0

Real GDP Growth



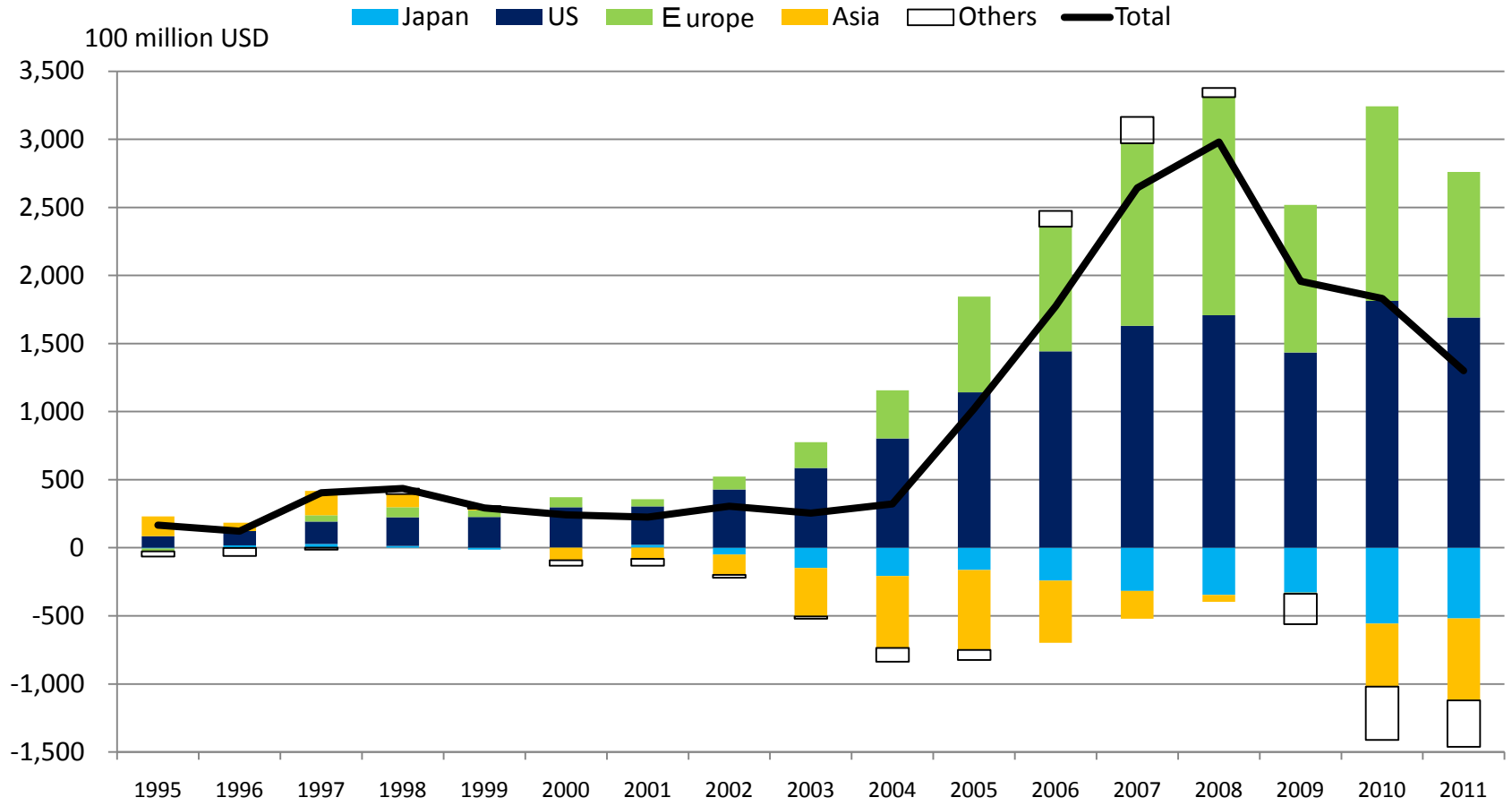
Source: CEIC

Balance of Trade



Source : CEIC

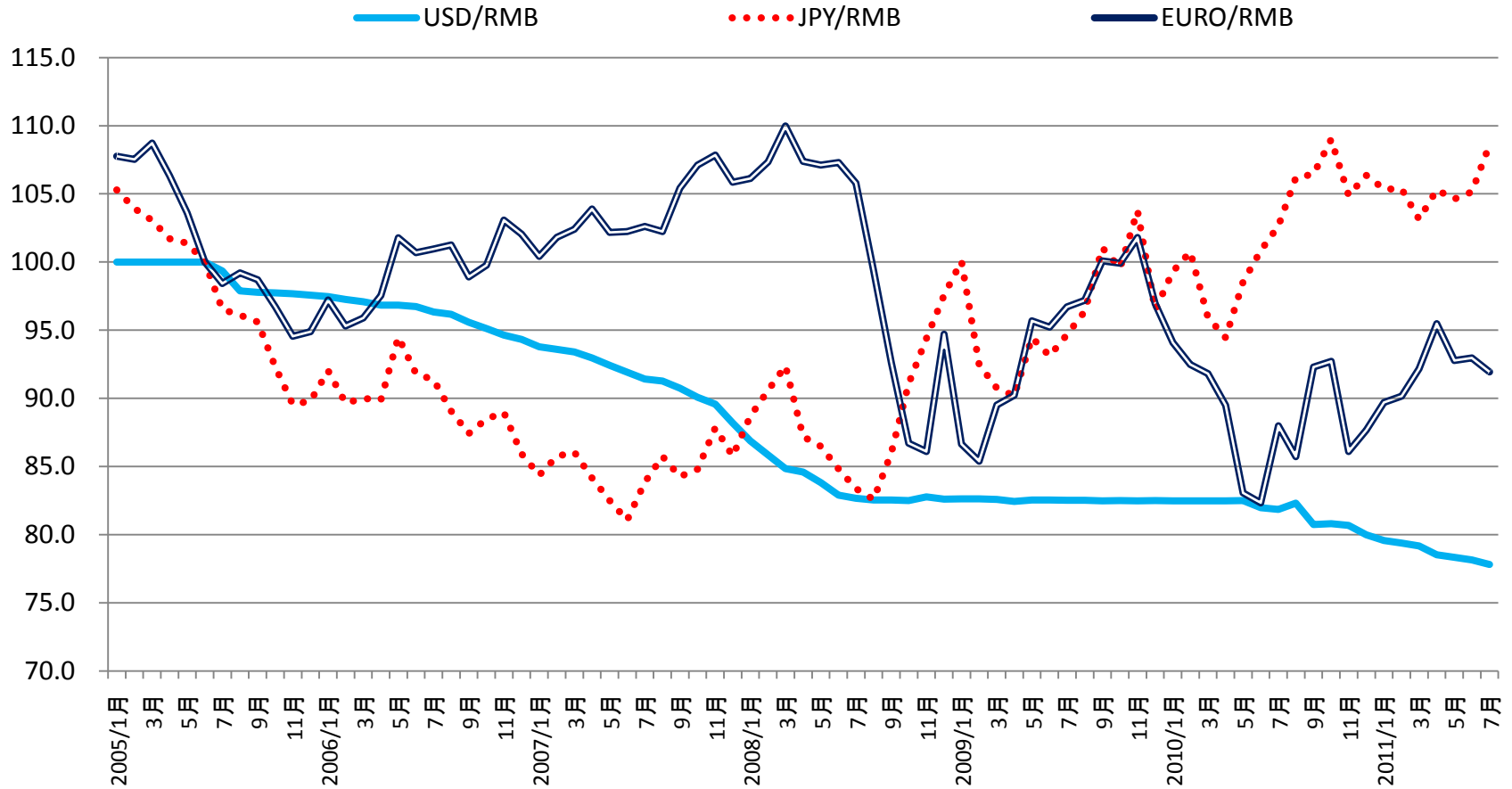
Balance of Trade by Regions



Source : CEIC

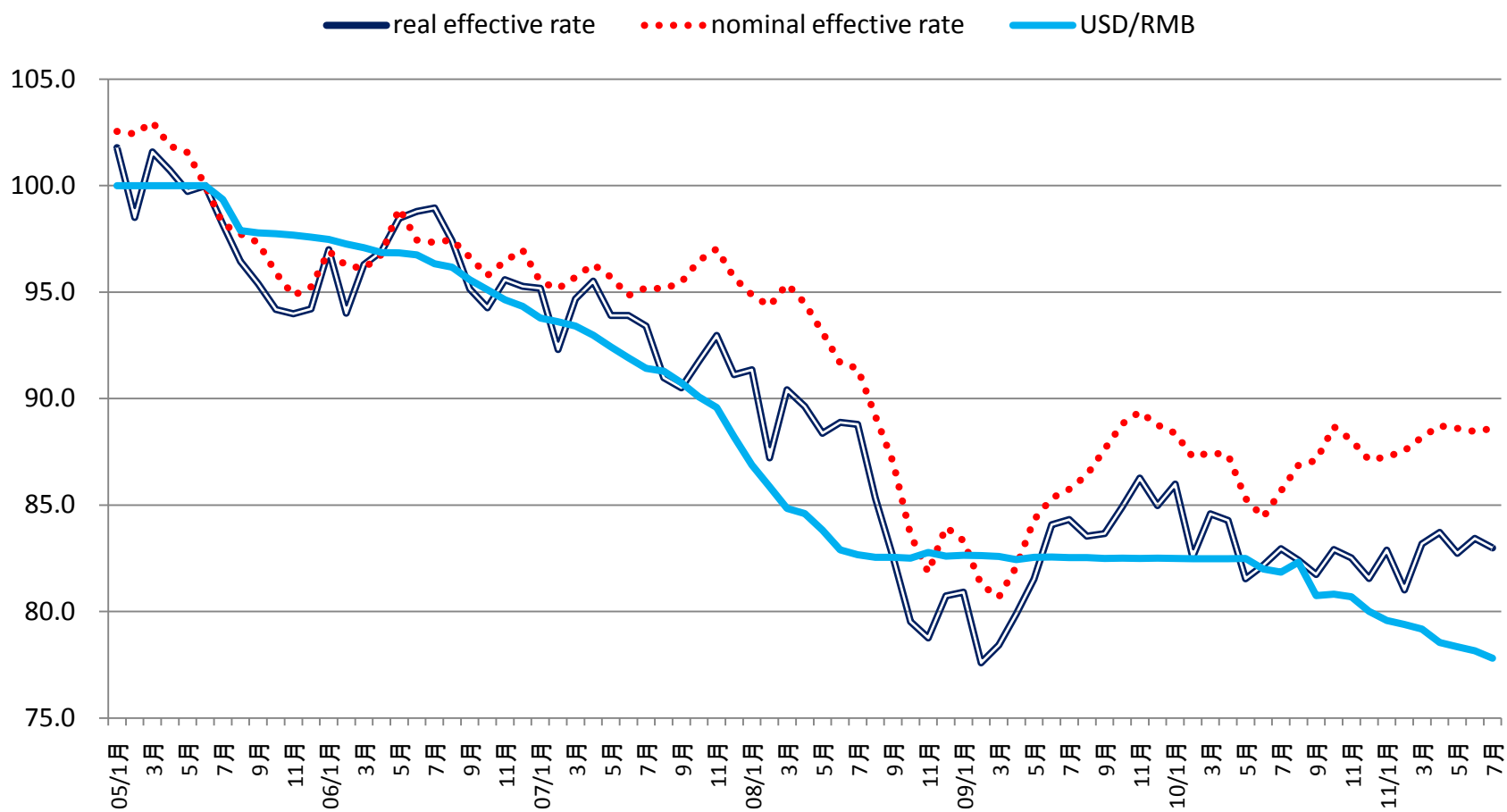
RMB Exchange Rate

(June 2005 = 100)



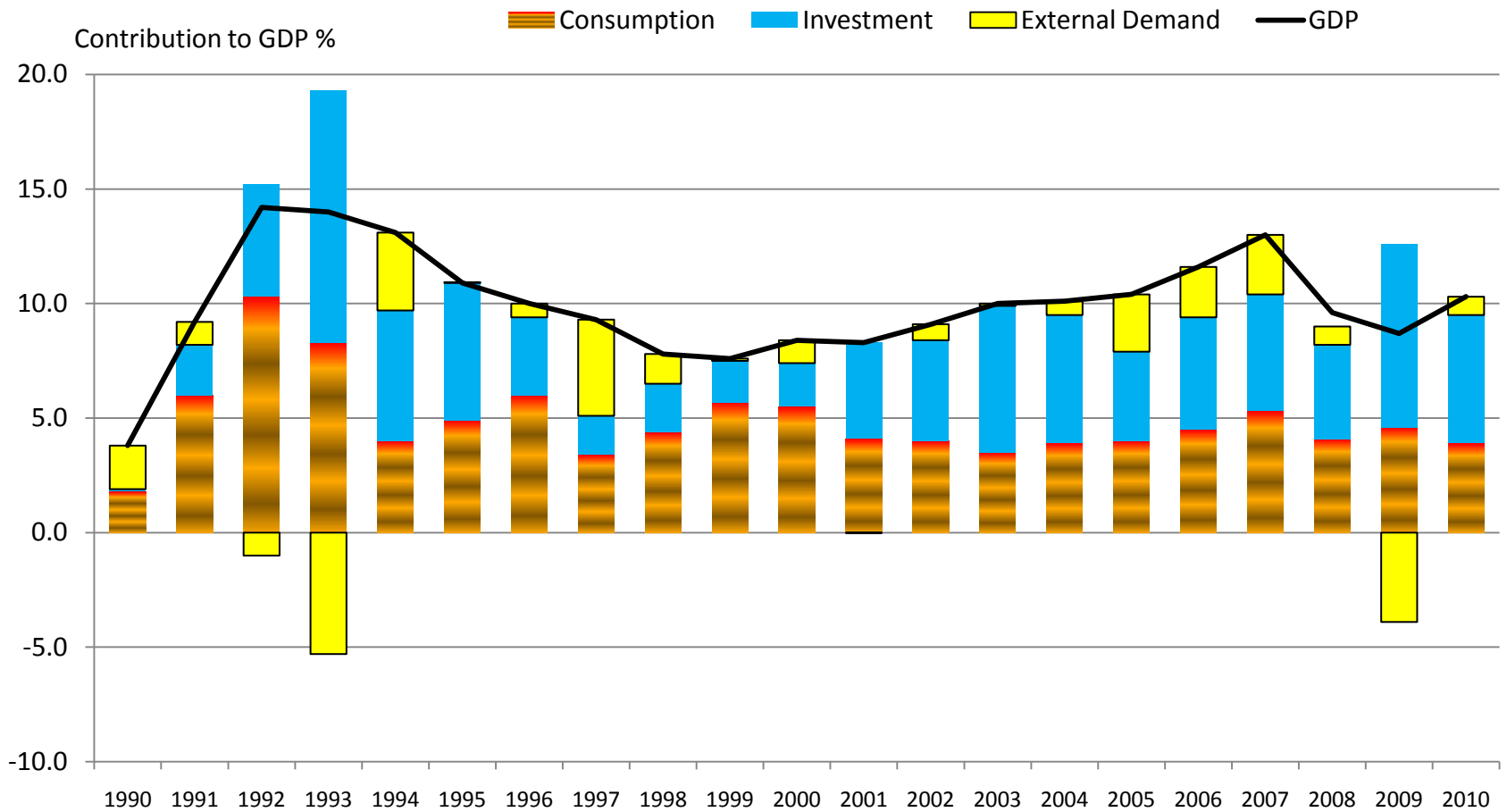
Source : CEIC

Real Effective Rate and Nominal Effective Rate of RMB (June 2005 = 100)



Source : CEIC

Each Component's Contribution to GDP



Source : CEIC

Two Engines for Expansion of Domestic Demand

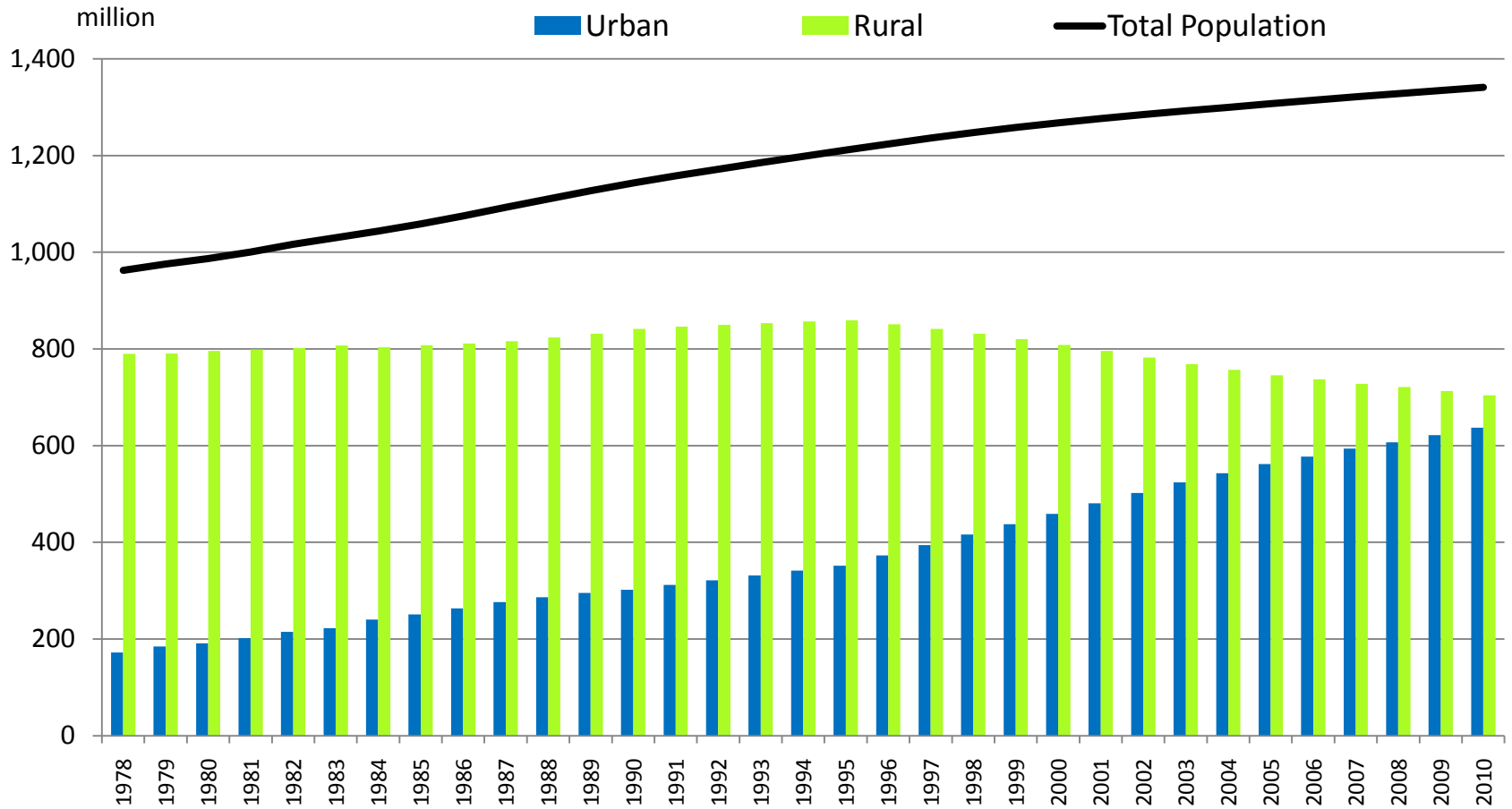
(1) Urbanization

- ◇ Inducing Housing Investment
- ◇ Inducing Demand for Durable Goods
- ◇ Inducing Demand for Service (Food Service, Medical Service, Education, Leisure, etc.)

(2) Building the Infrastructure

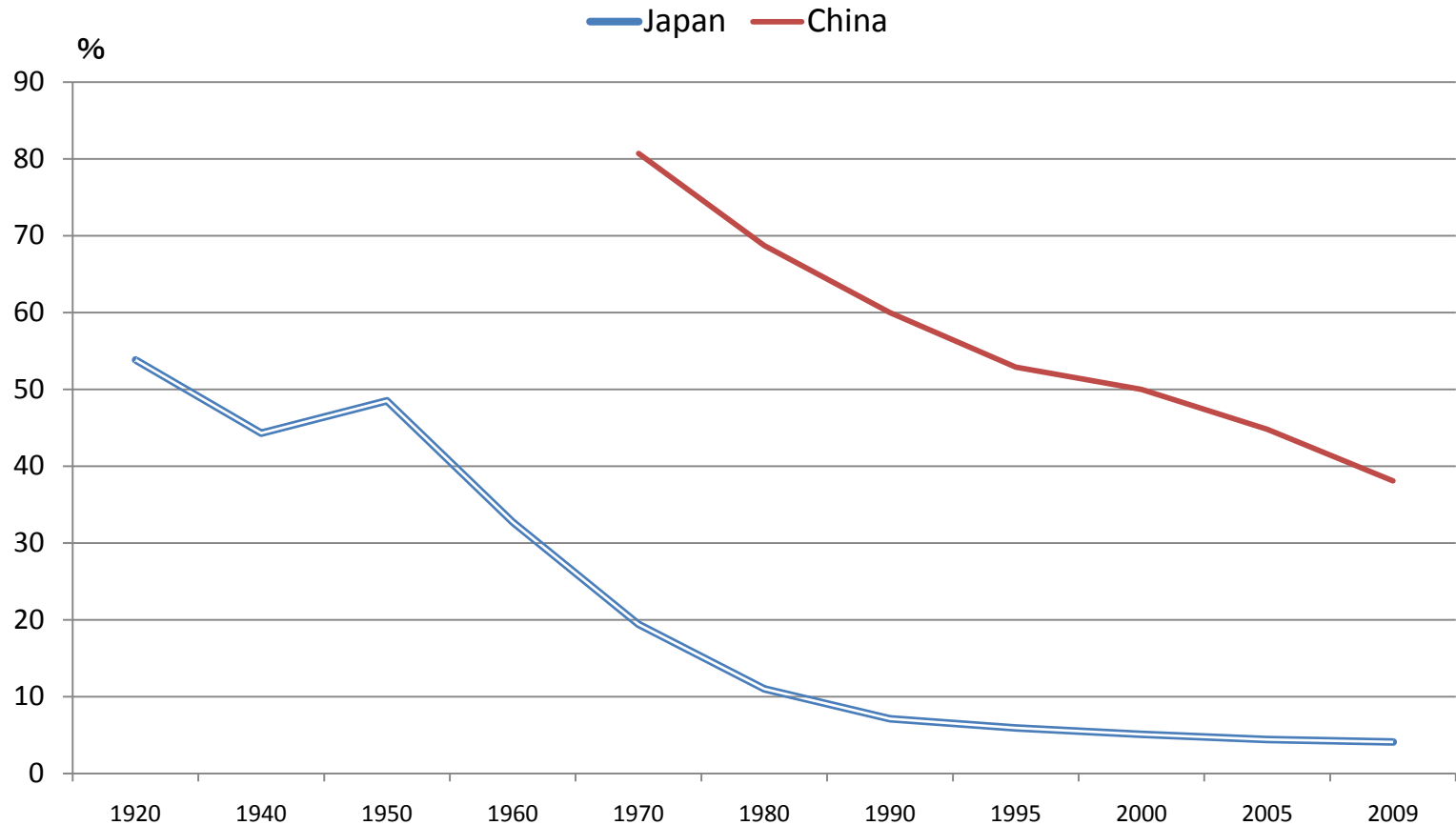
- ◇ Remarkably Improving the Transportation and Distribution
- ◇ Forming Industrial Clusters

Urbanization : Population of Urban and Rural Area



Source : CEIC

Weight of Primary Industry Labor Force of the Total Labor Force



Source : Statistics Bureau (Japan), National Bureau of Statistics of China

Wide Country Area and High Population Density

Nation	Country Area (million km ²)	Population Density (population per km ²)
Russia	17.08	8
Canada	9.98	3
The United States	9.83	31
China	9.60	138
Brazil	8.51	23
Australia	7.69	3
India	3.29	356
Japan	0.38	339

Source : IFS (Data is on 2007 basis)

Wide Country Area and High Population Density

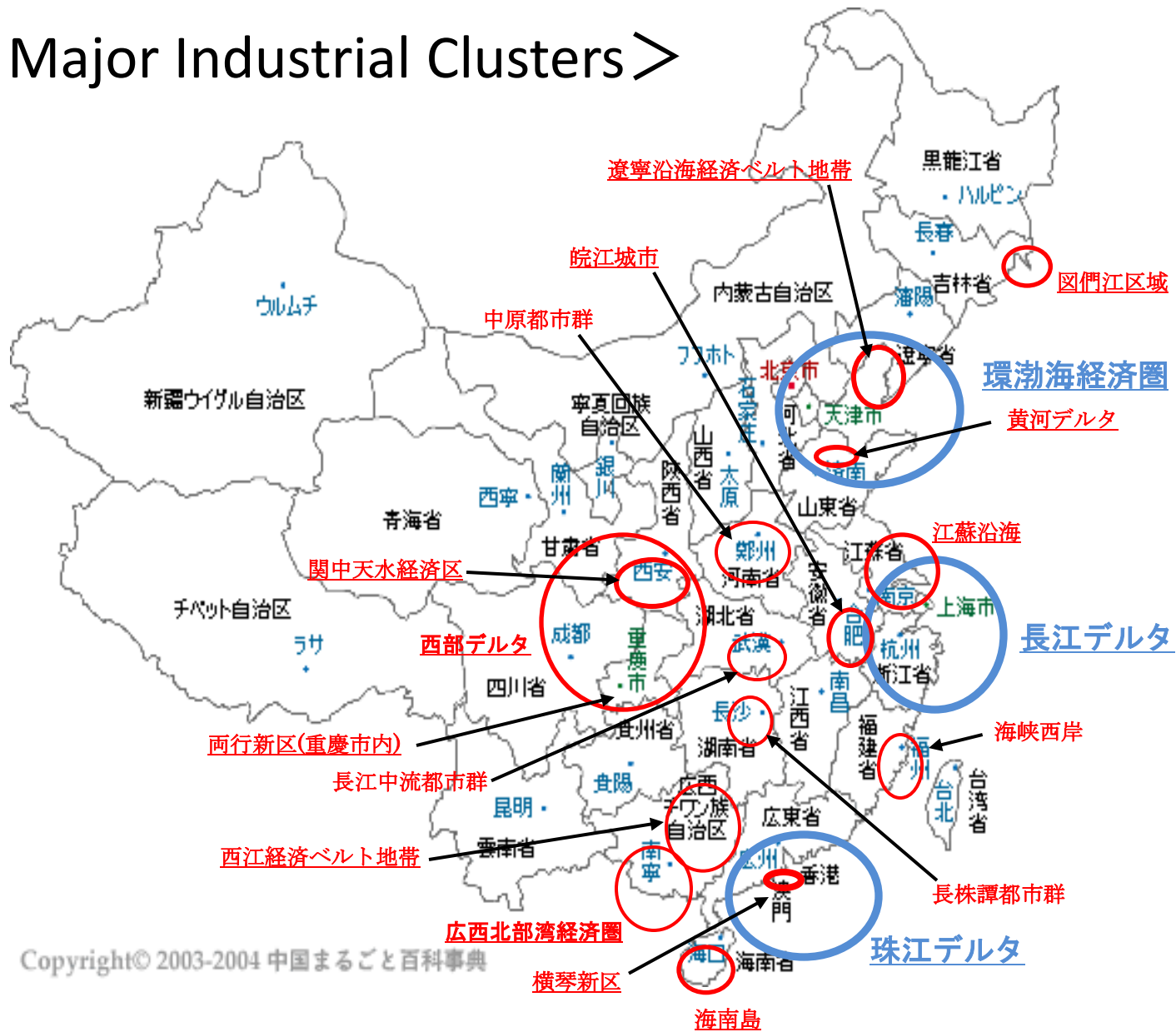
Except for especially low population density area
population density is 266 person/km²

<low population density area> (2009 basis)

Xinjiang 新疆	21.6 million person	1.66 million km ²
Tibet 西藏	2.9	1.23
Nei Mongol 内蒙古	24.2	1.18
Qinghai 青海	5.6	0.72
Sub total	54.3	4.79
The other area	1280.5	4.81
(China Total	1334.7	9.60)

Source : CEIC, National Bureau of Statistics of China

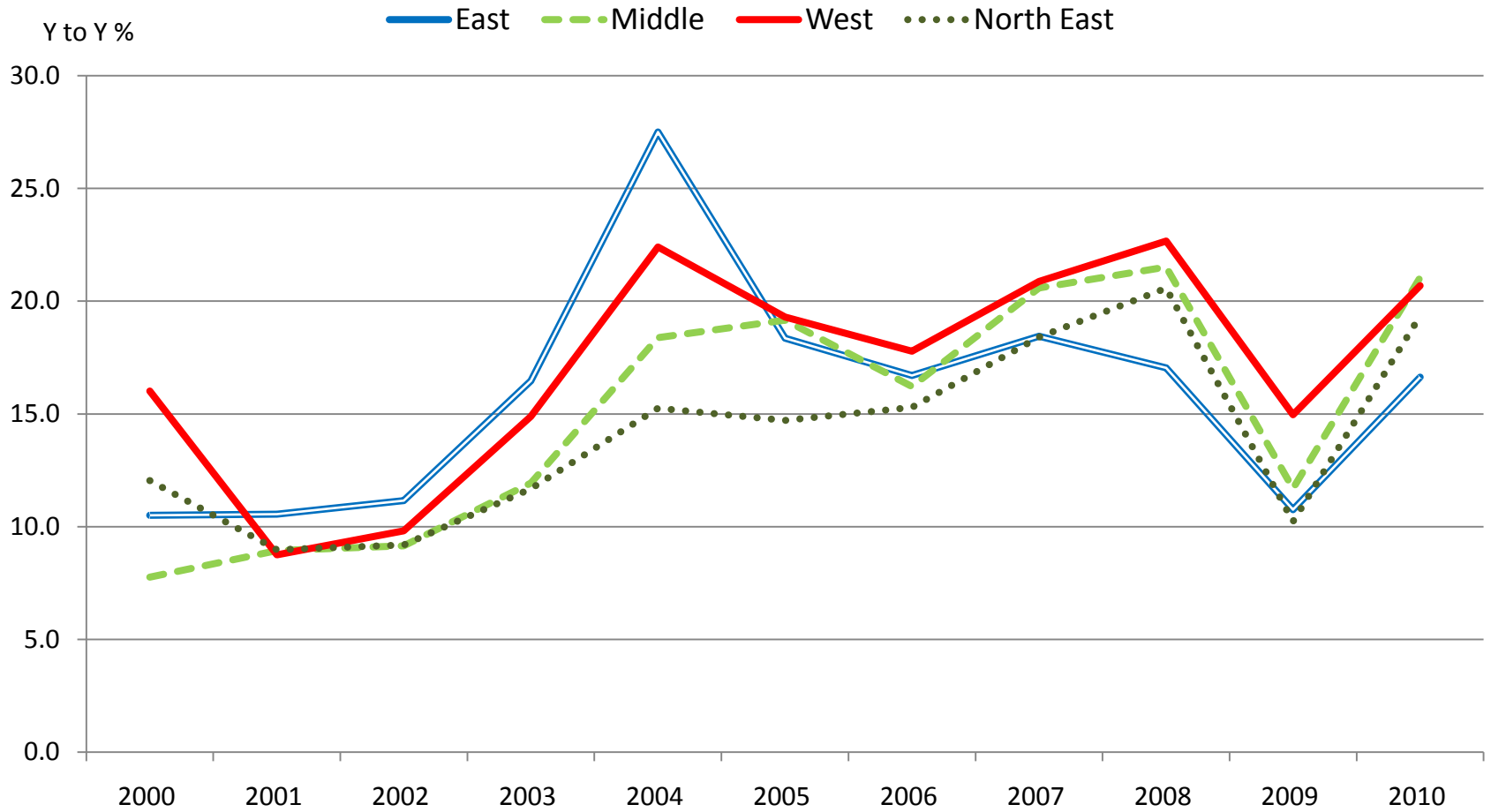
<Major Industrial Clusters>



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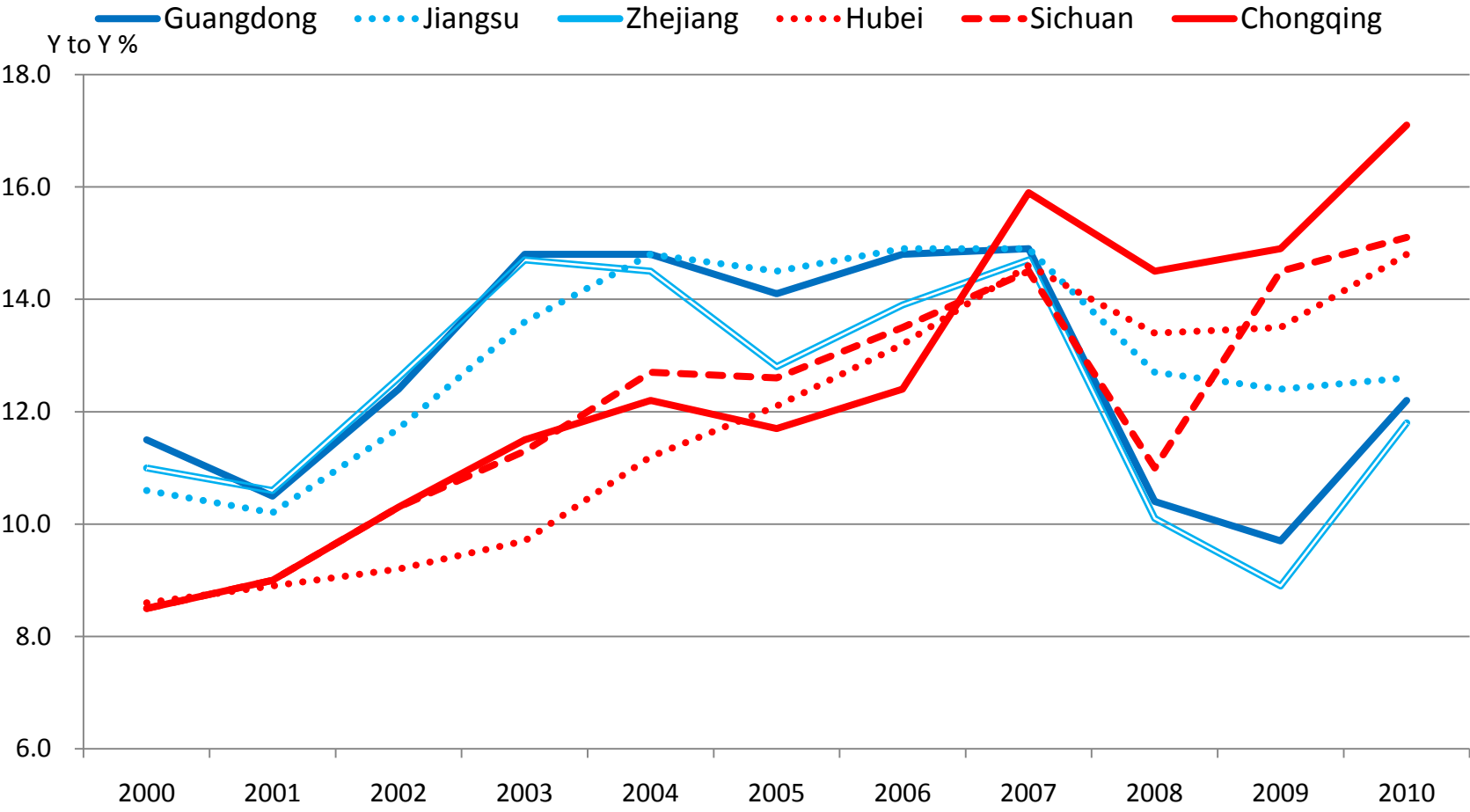
(資料) 肖金成、袁朱等編著「中国十大城市群」等

Real Growth Rate by Area



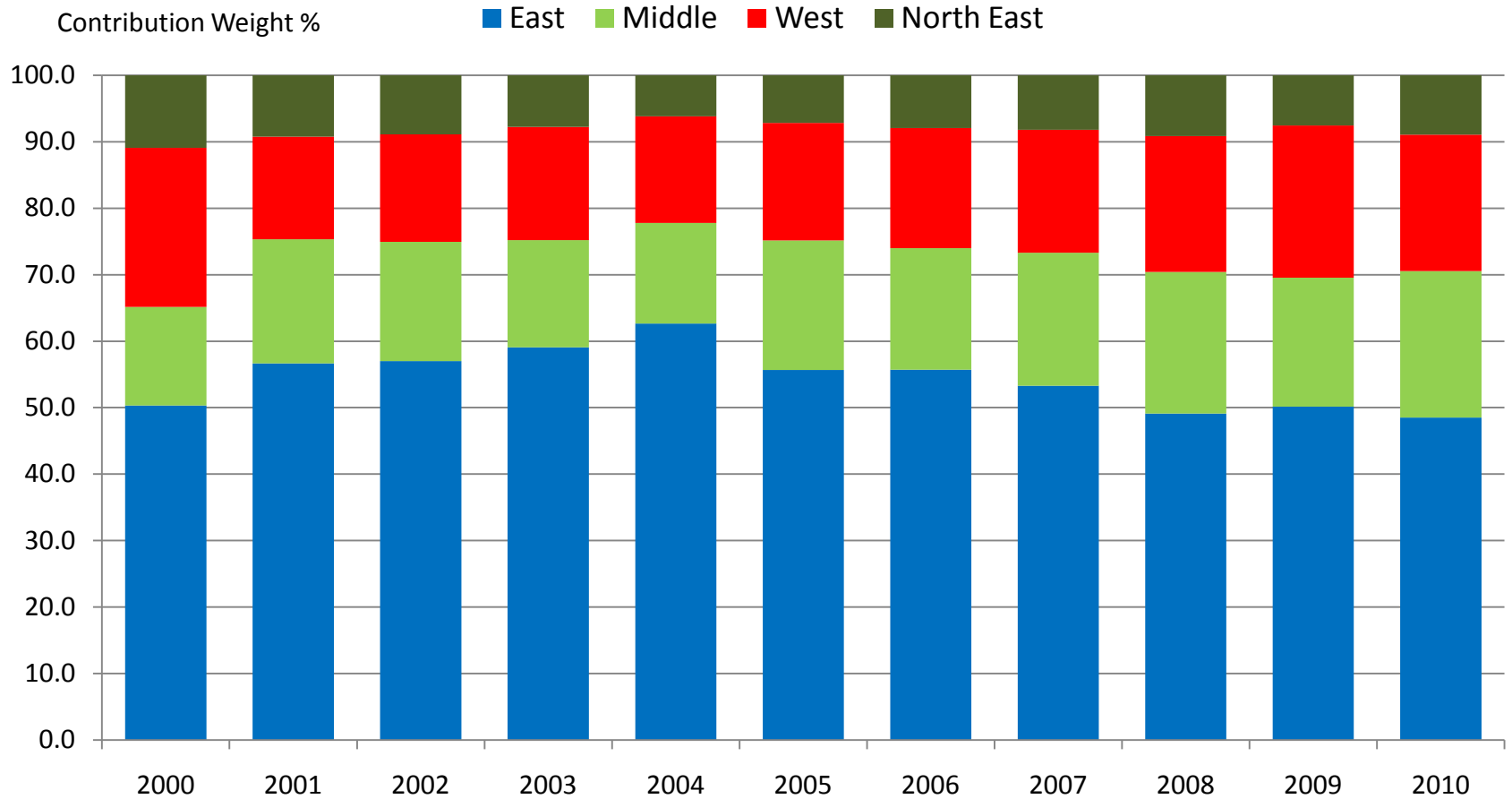
Source : CEIC

Real Growth Rate by Major Provinces



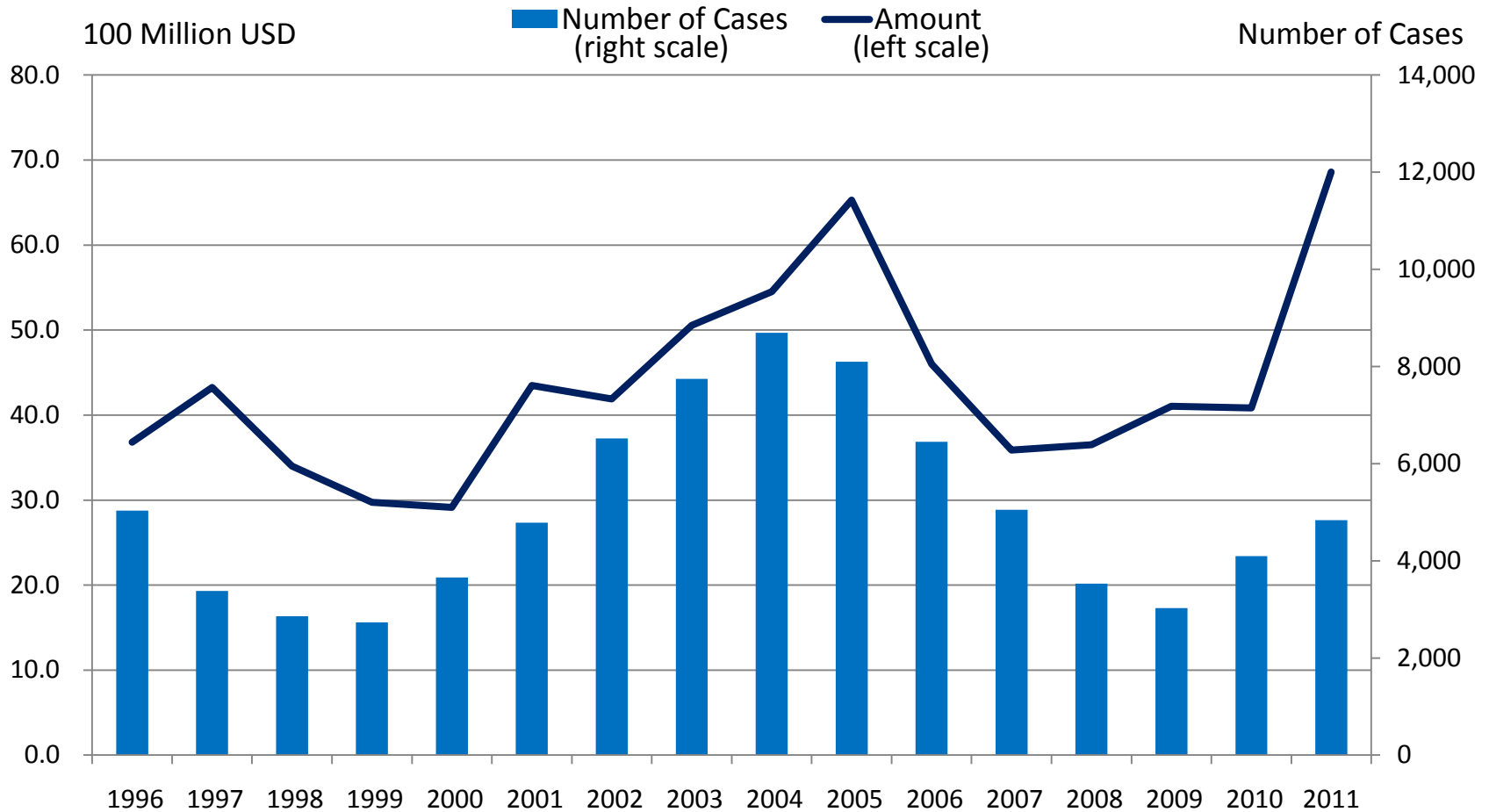
Source : CEIC

Contribution Weight to GDP by Area



Source : CEIC

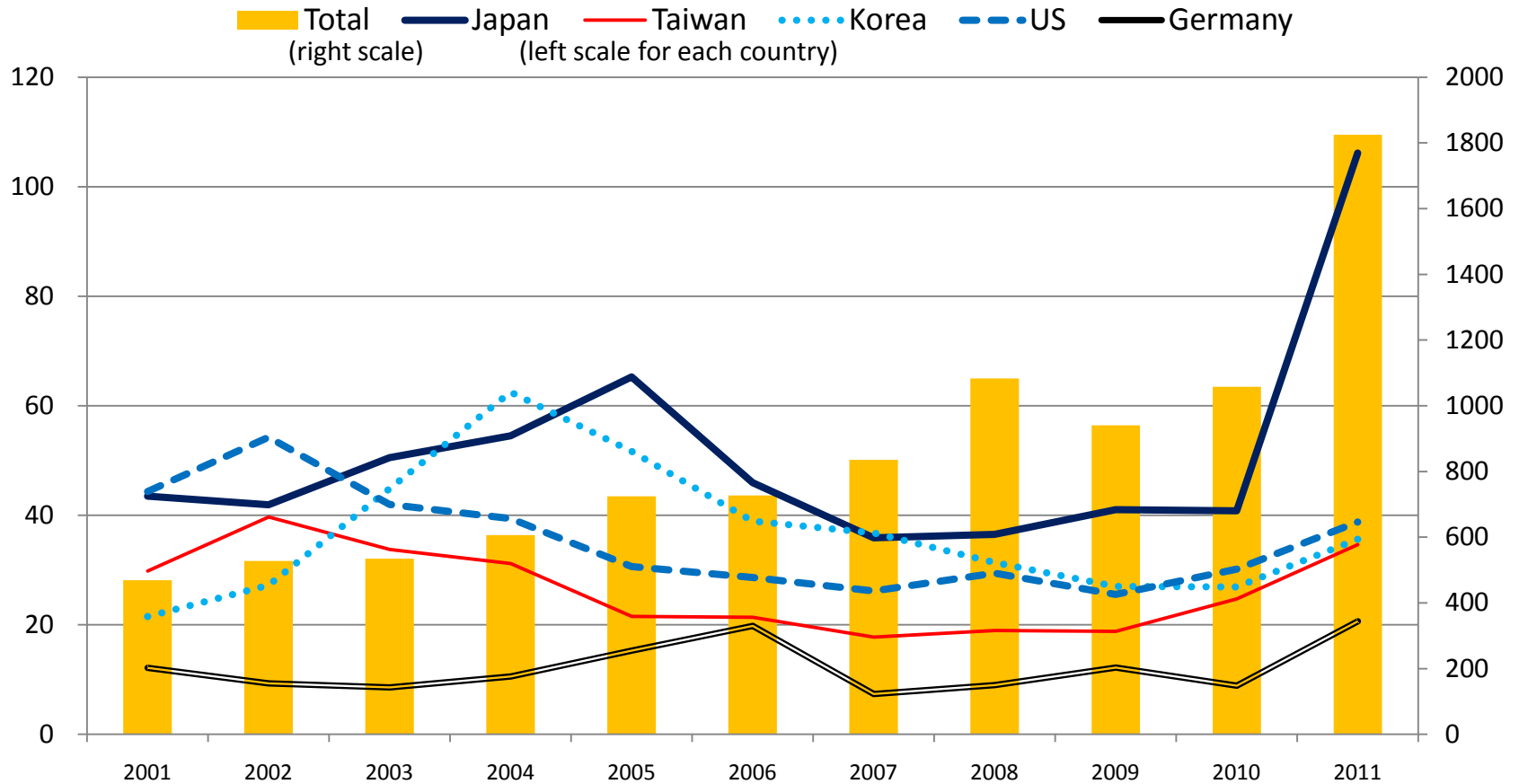
Japan's FDI to China



Note : Data of 2011 is calculated by Y to Y growth rate of accumulated data from January to July.

Source : CEIC

FDI to China by countries (100 million USD)



Note : Data of 2011 is calculated by Y to Y growth rate of the first half of the year.

Source : CEIC

Feature of the 4th boom of Japan's FDI to China

① Aiming at Domestic Market
(Focusing Inland Area)

② Increase of Service Sector

③ Increase of Reinvestment of Return in China

Increasing Income level of the Major Cities in the Coastal Area

After GDP per capita reaches 10 thousand USD, Consumer's Behavior change.

▽ Major cities of which GDP per capita reached 10 thousand USD

The year when GDP per capita Reached 10,000 USD	Major cities and their population (10,000 person, on 2009 basis)	Sub total of each city's population
2007	Suzhou (633)、Wuxi (466)、Shenzhen (891)	1,990
2008	Guangzhou (795)、Shanghai (1,921)、Hangzhou (683)、Ninbo (571)、Erdos (149)、Baotou (220)	4,339
2009	Beijing (1,755)、Dalian (585)	2,340
2010	Nanjing (630)、Changzhou (360)	990
2011(est.)	Tianjin (1,228)、Wuhan (836)、Shenyang (717)、Qingdao (763)、Changsha (652)、Dongguan (179)、	4,375
2007~11 Total	Total population of the all cities	14,034

Enrichment of Consumer's Needs

- ◇ What Chinese consumers and companies respect is not “made in China” but “made in Japan” in the domestic market.
- ◇ As the Chinese income level rapidly increase, the judgment of the consumers and companies become severe and so the estimation to Japanese goods and services is improving.

Enrichment of Consumer's Needs

◇ "Japan" is a synonym for security and safe, or high quality in China.

◁ Shanghai IFC Shopping Mall selected "Japan's food" as a champion among various kinds of food in the world. ▷

◇ Number of the middle-class Japanese restaurant is rapidly increasing in Beijing.

◇ Japanese food area in supermarket becomes crowded recently.

Enrichment of Consumer's Needs

- ◇ Ordinary people also buy Japanese goods in Shanghai.
 < Metro City Building (美羅城) in Xujiahui 徐家匯 opened “5th Street” 「五番街」 on B1 floor which has more than 30 Japanese shops. >
 - Living goods, pharmacy, women's underwear, clothing, socks and stocking, cosmetics, Japanese noodle, etc.
- ◇ Average consumers coming there are young and their monthly income level is 5000 RMB around (800 USD).
- ◇ Such a situation will be seen in major cities all over China in several years.

Enrichment of Consumer's Needs

◇ Chinese domestic automobile companies started to use Japanese supplier's parts for their flagship model.

< audio, GPS, transmission, floor carpet, interior cloth, etc. >

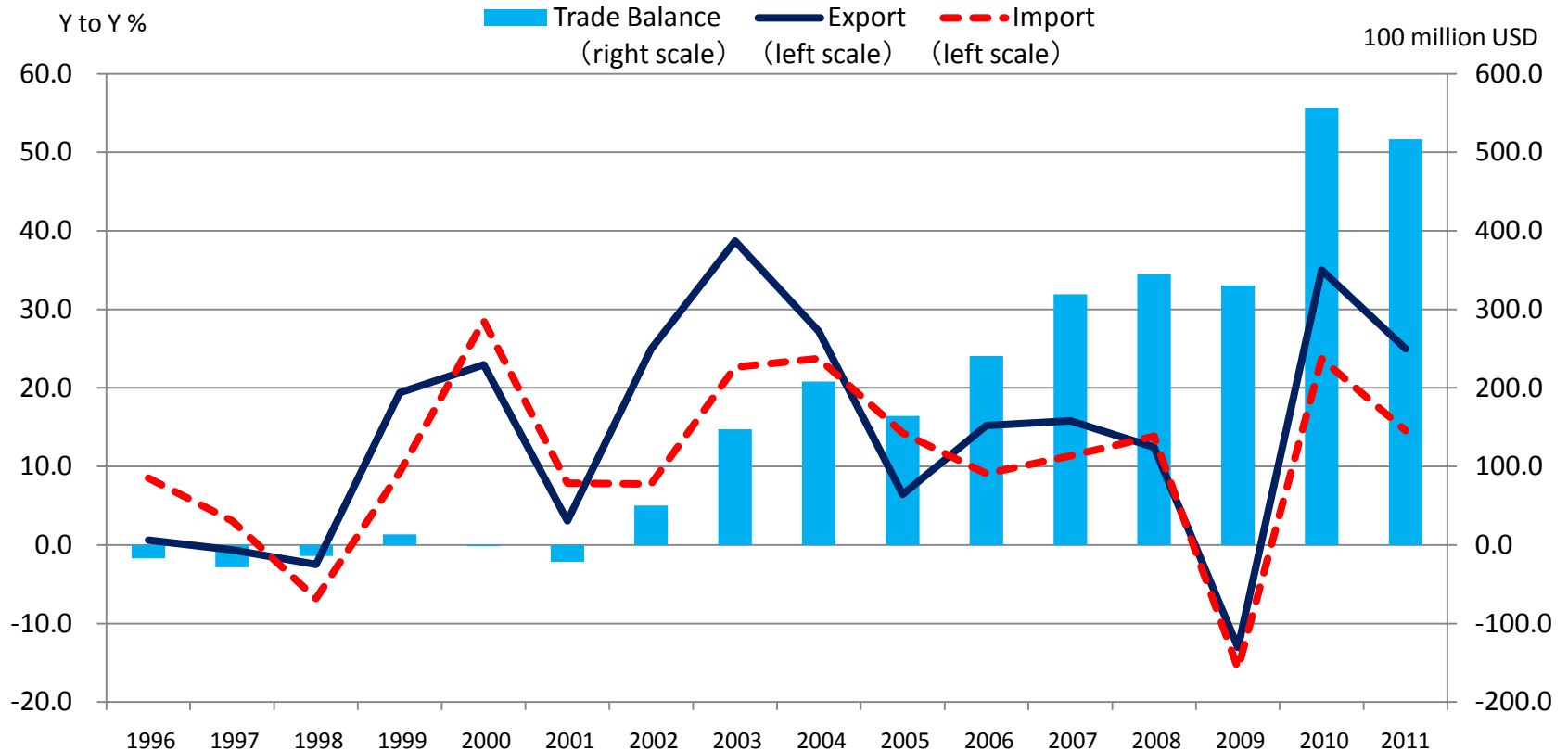
China needs cooperation with Japanese companies more than before

Chinese companies are lacking in advanced technology and sophisticated service.



They will need cooperation with Japanese companies further more from now on.

Japan's Trade with China



Note : Growth rate of export and import in 2011 is that of the accumulated data from January to July.
 Trade balance of 2011 is calculated by Y to Y growth rate of the accumulated data from January to July.

Source : CEIC

Impact of the Increase of Japan's FDI to China to the Japanese Economy

◇ Role of China : **Factory in the past, Market at present**

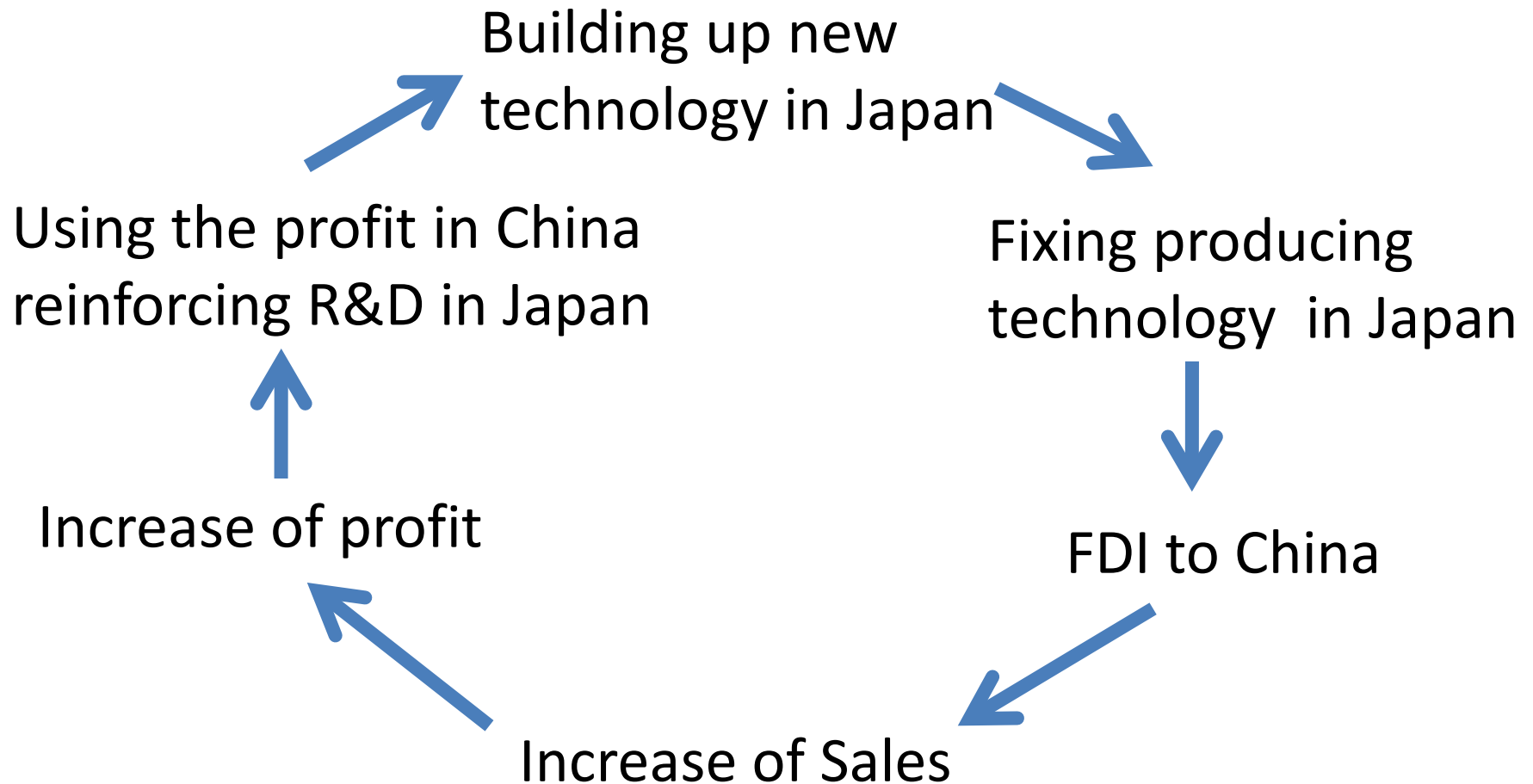
- Because of the increase of producing cost caused by high rise of wage level, the merit of cheap labor in China passed away.
- Main purpose of Japanese companies' FDI to China has become expansion of sales in the Chinese domestic market especially since 2010.

Impact of the Increase of Japan's FDI to China to the Japanese Economy

- ◇ It is more risky to stick to the long-term stagnant Japanese market than expanding FDI to China.
 - New market equal to 60% of the US domestic market will be born in China in ten years from now.
 - If Japanese companies don't enter the huge market in China, US, European, Korean, Taiwanese companies will get the big pie in place of the Japanese companies. Then, they will aim at Japanese domestic market on the basis of the success in the Chinese market. (Attack is the best form of defense.)

Impact of the Increase of Japan's FDI to China to the Japanese Economy

<A cycle of the development of Japanese company>



Perspective on the win-win development between Japan and China

- ◇ China is lacking in advanced technology and sophisticated service. Japan is lacking in vigor of the domestic market.
- ◇ If Japan and China cooperate each other complementally, both countries can enjoy sustainable and harmonious development.

THANK YOU

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