

Analysis of Trade and Investment Cooperation between Fujian Province and Japan

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Abstract:

As the starting point of the Maritime Silk Road and an important connection point of the Maritime Silk Road and the Land Silk Road, Fujian Province has obvious geographical advantages. Guided by the consensus of leaders of China and Japan, it is necessary to strengthen exchanges and cooperation with Japan in the fields of economy, trade, science and technology, pension industry, and environmental protection technology to promote complementary advantages. This paper carries out in-depth analysis of the problems existing in the trade and investment cooperation between Fujian Province and Japan, with the aim of seeking a deeper and higher-level cooperation strategy for building Fujian Province into a model area for Sino-Japanese cooperation in "the belt and road initiative".

Keywords: Fujian Province, Japan, Trade, Investment, Cooperation index

I. INTRODUCTION

China and Japan have a long history of economic and trade exchanges. The two countries are highly complementary in terms of resource endowments and industrial development, and the economic and trade exchanges between the two sides enjoy a good momentum. Fujian Province, with obvious geographical advantages, has established long-term, extensive and in-depth economic and trade cooperation with Japan, and has become an important trading partner of Japan, which has also become the eighth largest source of foreign investment and the fifth largest trading partner of Fujian Province. Japan is listed as one of the key countries for deep cooperation in the Action Plan for Fujian Province's Comprehensive Connection with the Regional Comprehensive Economic Partnership Agreement.

Scholars from different countries in academic circles have analyzed the bilateral trade and investment between China and Japan from different perspectives. Guan Xueling and Xiao Ping (2008) think that there are obvious differences in comparative advantages between China and Japan, and there are complementarities in export and import[1]; Ding Jie (2018) believes that Sino-Japanese trade and investment cooperation is increasingly diversified, and the integration of industrial chains between the two countries is deepening [2]; Hu Yuting (2019) believes that the areas of cooperation between China and Japan are expanding day by day, and the two countries should take active measures to realize mutually

beneficial cooperation and common development of economy and trade [3]; Chen Zhiguo (2021) analyzed that the trade and investment cooperation between China and Japan under the RCEP framework has much room for improvement [4].

Many scholars at home and abroad have carried out a great deal of researches on the bilateral trade and investment between China and Japan, but there is still insufficient literature on the trade and investment between Fujian Province and Japan, especially the cooperation index between Fujian Province and Japan. What are the problems in the trade between Fujian Province and Japan? What is the current situation of investment between Fujian Province and Japan? This paper makes an in-depth and detailed discussion on these issues.

II. ANALYSIS OF TRADE BETWEEN FUJIAN PROVINCE AND JAPAN

2.1 Total trade volume

Fujian Province's import from and export to Japan has remained stable as a whole. In 2020, Fujian Province's import and export grew steadily. The trade structure was optimized, and the quality of import and export was further improved. Overall, Fujian Province's import from and export to Japan showed a relatively stable trend. From 2011 to 2020, Fujian Province's import from and export to Japan showed a fluctuating trend (Table 1), which decreased year-on-year from 2011 to 2012, increased year-on-year from 2012 to 2013, slightly decreased year-on-year from 2013 to 2015, increased year-on-year from 2015 to 2018 and decreased year-on-year from 2018 to 2020. From the perspective of the balance of import trade and export trade, it had been in a state of trade surplus from 2010 to 2020, and the overall trade surplus is expanding. In 2020, Fujian Province's foreign trade balance reached 41.457 billion US dollars, of which Fujian Province's trade balance with Japan reached 2.732 billion US dollars. Both of them are trade surpluses.

TABLE 1. Fujian Province's total import and export volume and trade balance with Japan (unit: 100 million US dollars)

Year	Total volume of export and import between Fujian Province and Japan	Year-on-year growth	Proportion in total trade between Fujian Province and Japan	Fujian-Japan trade balance	Year-on-year growth
2010	90.42		8.31%	17.75	
2011	100.31	10.93%	6.99%	30.89	74.03%
2012	96.71	-3.59%	6.20%	28.40	-8.05%
2013	96.28	-0.44%	5.69%	33.04	16.33%
2014	94.99	-1.34%	5.35%	35.58	7.68%
2015	85.82	-9.65%	5.08%	31.00	-12.87%
2016	91.87	7.05%	5.86%	20.78	-32.96%
2017	98.20	6.90%	5.74%	16.27	-21.72%
2018	100.85	2.69%	5.38%	28.89	77.56%
2019	94.76	-6.03%	4.91%	33.08	14.52%
2020	97.32	2.70%	4.79%	27.32	-17.41%

Source: Fujian Statistical Yearbook

2.2 Trade mode

The import and export of general trade accounts for over 60%. From 2017 to 2020, the proportion of Fujian Province's general trade with Japan to the total import and export value of Fujian Province to Japan in the same period exceeded or approached 60% (Figure 1). The foreign trade enterprises in Fujian Province have seized the opportunity to attract orders and exports, and actively explored the Japanese market. Among it, foreign-invested enterprises take the lead, and state-owned enterprises show a strong growth trend.

For example, Fujian Jianhao Aquaculture Co., Ltd., founded in 2012, is a key marine enterprise in Fujian Province. It is engaged in the aquaculture and marine biotechnology project. This project is a Sino-Japanese cooperation project in which Japan Fujian Economic and Cultural Promotion Association introduces the technology and processing line of deep-water kelp, laver, aonori and seaweed seafood products in Japan. The high-tech extraction and refining technologies and extracted original ecological condiments of this project have filled the gap in current domestic market.

2.3 Trade structure

With the growth of trade between Fujian Province and Japan, the composition of trade commodities has also undergone structural changes. In the early days, the export products of Fujian Province to Japan were mainly primary industry products, and the current export products include capital-intensive products. Japan's export products to Fujian Province have changed from the early steel industry products to the present automobile, mechanical and electrical products.

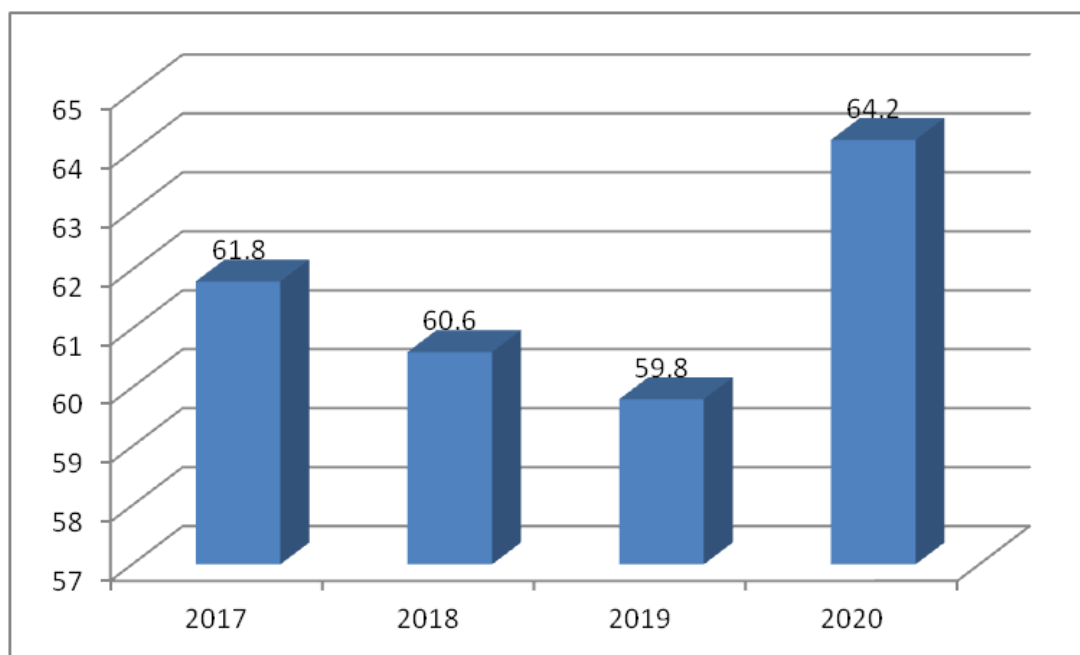


Figure 1: Proportion of Fujian Province's general trade import and export (%) from 2017 to 2020
Source: General Administration of Customs of the People's Republic of China

From the structure of main import and export commodities, mechanical and electrical products are the main commodities of import and export between Fujian Province and Japan. From 2017 to 2020, Fujian Province's exports of mechanical and electrical products to Japan showed a steady trend (Table 2). In 2017, the export was the highest, reaching 162.06, and it had a slight decrease in 2018. In 2019, there was a slight increase compared with 2018. In 2020, it was 125.62 billion yuan, a year-on-year decrease of 9.65%, accounting for 3.93% of Fujian Province's exports of mechanical and electrical products and accounting for 29.06% of Fujian Province's total exports to Japan. In the same period, Fujian imported 9.963 billion yuan of mechanical and electrical products from Japan, an increase of 11.79%, accounting for 23.05% of the total imports of Fujian Province from Japan in the same period.

TABLE 2 Trade of mechanical and electrical products between Fujian Province and Japan from 2017 to 2020

Year	Exports (100 million yuan)	Proportion in Fujian Province's total exports to Japan	Import amount (100 million yuan)	Proportion in Fujian Province's total imports from Japan
2017	162.06	41.76%	111.9	40.35%
2018	124.65	29.13%	121.25	50.99%
2019	139.04	31.58%	89.12	41.92%
2020	125.62	29.06%	99.63	41.15%

Source: General Administration of Customs of the People's Republic of China

From 2017 to 2020, Fujian Province had not imported Japanese tea products since 2018. Its export of tea products to Japan showed a steady growth trend (Table 3), accounting for an increasing proportion in Fujian Province's trade of tea products with Japan. It accounted for 0.51% in 2017 and 2018, and accounted for 0.52% in 2019, with a slight upward trend. It had a faster growth rate in 2020, accounting for 0.52%. The increase of Fujian Province's export of tea products to Japan mainly has the following factors: first, in recent years, Japan's demand for Fujian tea products has increased year by year, which has promoted the increase of tea export; second, the Japanese market has an increasing demand for high-end tea products. Fujian tea enterprises have refined all aspects in the production process. The quality of their products has reached a new level. They are increasingly recognized and praised by Japanese customers, which effectively inspires tea enterprises in Fujian Province.

TABLE 3 Fujian Province's tea products trade with Japan

Year	Export volume (unit: 100 million yuan)	Proportion in Fujian Province's total exports to Japan (%)	Import amount (unit: 100 million yuan)
2017	1.99	0.51%	603060
2018	2.19	0.51%	0
2019	2.28	0.52%	0
2020	2.49	0.58%	0

Source: General Administration of Customs of the People's Republic of China

III. ANALYSIS OF INVESTMENT OF FUJIAN PROVINCE AND JAPAN

3.1 Total investment

The main way of investment cooperation between Fujian Province and Japan is foreign direct investment. From the total point of view, Japan's investment in Fujian Province is relatively large, while Fujian Province's investment flow to Japan is maintained at around 39 million US dollars. From 2007 to 2020, Japan's investment in Fujian showed a fluctuating state (Figure 2). Among it, there was an increasing trend in 2009-2011, a decrease trend from 2012 and 2013, a sharp increase in 2014, a decrease in 2015 compared with the previous year, an obvious increase in 2016 compared with the previous year, and a slight decrease in 2017 and 2018. In 2019, the investment reached the highest level in recent years. Affected by the epidemic situation, the decline in 2020 was obvious. By the end of 2020, Japan has invested a total of 1,422 projects in Fujian Province, with the actual investment of 2.86 billion US dollars. Among them, 14 projects have an investment exceeding 100 million US dollars. Japan's Fortune 500 Toyota, Mitsubishi Corporation and other 17 companies have settled in Fujian Province. RCEP will guide the refinement of regional trade division and enrich Fujian Province's role in the global value chain. Electronics, automobiles and spare parts are expected to introduce Japanese capital, technology, equipment and products to promote the high-quality development of related industries. In addition, Fujian Province has a deep relationship with Japan's service industry. For example, the Japanese tea ceremony is closely related to the tea products of Fujian Province, and RCEP will further promote exchanges and cooperation in the service industry [5].

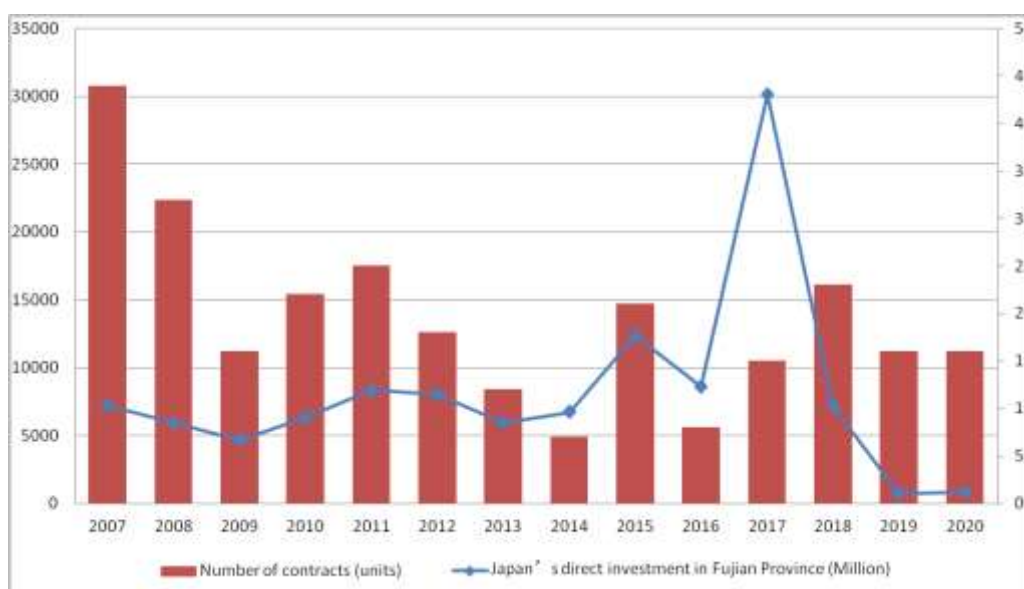


Figure 2:2007-2020 investment amount and contracts signed by Japan to Fujian

Source: Fujian Statistical Yearbook

3.2 Fujian Province's direct investment in Japan's prefectures and counties

From 2015 to 2019, from the perspective of investor, Fujian Province established 12 new enterprises in Japan, accounting for 4.5% of China's newly established enterprises in Japan, of which 6 were registered in Kanagawa Prefecture, mostly small and medium-sized enterprises. From the perspective of investment industry structure, Fujian Province has extensive investment cooperation with Tokyo, Saitama and Kanagawa in the "wholesale and retail" industry, and close cooperation with Tokyo and Kanagawa in the "manufacturing" industry. In the post-epidemic era, under the framework of RCEP (Regional Comprehensive Economic Partnership Agreement), the regional free trade agreement between China and Japan is beneficial to expanding the economic and trade cooperation between Fujian Province and Japanese enterprises, and greatly promotes the investment of Japanese enterprises in Fujian.

3.3 Japanese prefectures and counties' direct investment in Fujian Province

From 2015 to 2019, from the perspective of the investee, Japan established 24 new enterprises in Fujian Province, accounting for 3.8% of the newly established Japanese enterprises in China. The newly established enterprises are mainly in the form of Sino-foreign joint ventures. In terms of investment amount, the amount of investment in Fujian Province is 39.05 million US dollars, accounting for 3% of the investment of newly established Japanese enterprises in China, with an average investment of 1.63 million US dollars, which is lower than the national average of 1.85 million US dollars. From the perspective of invested industry, the core industries of newly established Japanese enterprises in Fujian Province from 2015 to 2019 are manufacturing (accounting for 29%) and wholesale and retail trade (accounting for 29%).

IV. FUJIAN-JAPAN COOPERATION INDEX

From 2016 to 2019, although the comprehensive score of Fujian-Japan cooperation index showed a fluctuating downward trend (see Figure 3), it remained stable overall; the trade cooperation index reached the highest level (75.31) in 2017, declined from 2017 to 2018 and rose slightly from 2018 to 2019. Although the comprehensive cooperation index declined slightly in 2017, it showed a growth trend on the whole.

In 2019, Fujian Province ranked 8th among all provinces, municipalities, and autonomous regions in terms of index of cooperation with Japan, up 3 places from 2018. Its trade index ranked 13th, and its comprehensive cooperation index ranked 8th. Among them, its sub-indexes, such as goods trade scale, exports to Japan, imports from Japan, trade balance, direct investment in Japan, investment from Japan, number of personnel exchanges, number of sister cities, number of Japanese products sold, number of Japanese restaurants and public opinion of Sino-Japanese cooperation, all ranked at the national upper-middle level [6].

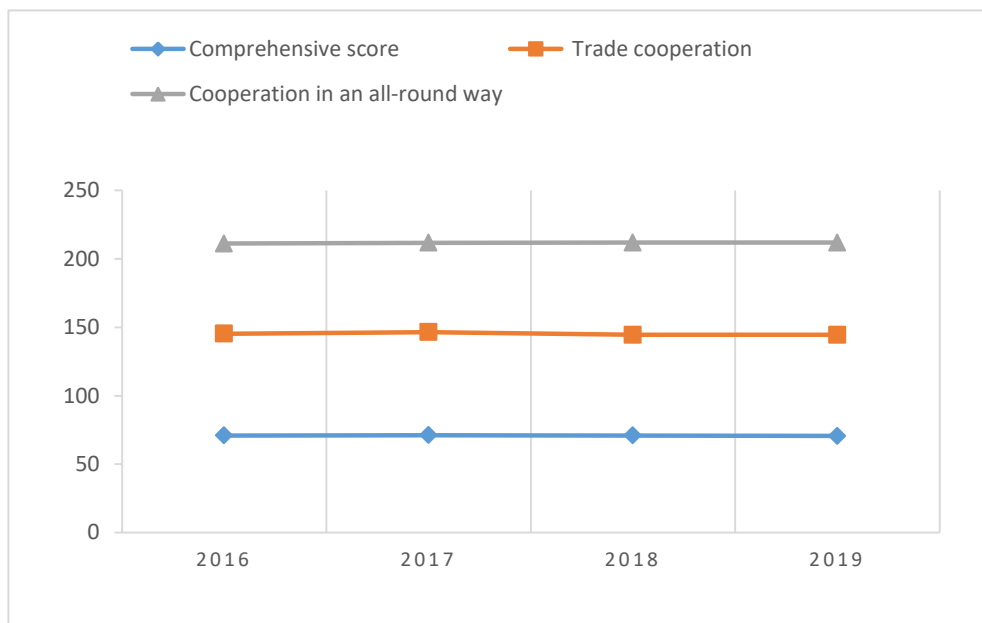


Figure 3: Fujian-Japan cooperation index from 2016 to 2019

Source: Sino-Japanese Trade and Investment Cooperation Report

V. CONCLUSION

5.1 Promoting the cooperation between Fujian Province and Japan in the field of innovation

In the process of economic globalization, there is significant complementarity between China and Japan in trade. The Chinese and Japanese enterprises have their own advantages in the field of innovation. Therefore, we should give full play to the advantages of the two countries in the transformation of new technology industries, pay attention to the frontier cooperation between industries and technologies, and apply new technologies to the field of innovative production and transform them into new products as far as possible. Cooperation between the two sides can not only promote the high-quality development of national economy, but also promote the process of economic globalization [7].

In recent years, the trade cooperation between Fujian Province and Japan covers biopharmaceuticals, health care for the aged, cold chain logistics, dismantling of used cars, recycling of used batteries, hydrogen energy, semiconductors and other industries. In the future, we should vigorously promote the deep integration in fields such as the Internet, artificial intelligence, digital economy and innovative medical care, and strengthen the cooperation between Fujian Province and Japan in the field of innovation. In recent years, environmental protection, tourism, culture, entertainment and other fields have gradually become important areas for close cooperation between Fujian Province and Japan. In the first half of 2021, the central kitchen project of Toyota Tsusho, the cold chain logistics project of Panasonic, and the pension cooperation project of Japan-Malaysia Group have reached preliminary cooperation intentions with Fujian enterprises. With the development of technology and the increase of consumer demand of both sides, the fields of trade and investment cooperation between Fujian Province and Japan will be more extensive.

5.2 Creating a favorable environment for trade and investment

The Chinese government and Fujian provincial government should increase support, enhance the cooperation between the two sides, explore the potential of investment enterprises of Fujian Province and Japan, especially small and medium-sized enterprises, constantly improve the investment system environment, and strengthen all-round cooperation in environmental protection technology, standards and talents between Fujian Province and Japan. We should promote Japanese enterprises to invest and set up factories in Fujian Province, and deepen the investment fields of both sides. We should set up support funds for the construction of trade facilitation infrastructure platform, and give key support to new formats such as import trading centers and cross-border e-commerce industrial parks.

5.3 Carrying out in-depth economic and trade cooperation in tea industry

Fujian Province is a famous special tea producing area in China, with abundant tea tree species resources. The output value of the whole industrial chain of tea industry has exceeded 100 million yuan. Fujian tea industry has formed a modern tea industry system. Fujian Province and Japan have established a long-term, extensive and in-depth tea industry cooperation relationship.

In recent years, China and Japan have held several Sino-Japanese tea industry economic and trade cooperation matchmaking meetings, and signed the Framework Agreement for Cooperation in Developing Jianyang Jianzhan (a kind of porcelain) Market of Nanping Tea Industry. In the agreement, Fujian Province and Japan have agreed to establish mutual visits and communication mechanisms and information resources and scientific and technological resources sharing mechanisms to jointly promote the sales and development of Nanping tea industry and Jianzhan industry in Japan, support and promote innovative and comprehensive cooperation between the two sides in the tea industry and Jianzhan cultural innovation, and continuously improve the cooperation between two sides.

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