

Eurasia Foundation International Lectures, Fall 2020 Semester

“The Construction and Transformation of East Asiaology” Lecture Series (14)

**Title: The Current Situation and Prospect of Taiwan-Japan Trade/
Industrial Exchanges**

For the 14th Eurasia Foundation International Lecture, we invite Professor Lih-Ren Li, who had worked at Mitsubishi Corporation and now is the Associate Professor of NUTC Department of Japanese Studies and Director of Center for Japanese Studies at the National Taichung University of Science and Technology. Professor Li analyzes the current situation and prospect of Taiwan-Japan trade/ industrial exchanges and the content of the lecture is as following:

1. Important Trading Partners and Horizontal Division of Labor

Japan and Taiwan are both island countries. Taiwan’s foreign trade dependence is high and it remained above 100% since 2000. Because of its comparative large land area and large market, Japan is self-sufficient and its foreign trade dependence is about 20% to 30%. Taiwan and Japan have horizontal trade relations, but Taiwan’s trade deficit with Japan has reached 20 billion. The main reason is that Taiwan’s imports from Japan are high value-added equipment and key components. In addition, according to statistics (cumulated from 1952 to 2018), the number of Japanese companies investing in Taiwan ranks first in the world, there are 1,200 investment cases at the time of 2019.

2. The Role and Function of General Trading Company

General trading company is Japan’s unique corporation organization and it makes good use of transactions, logistics, finance, information and business development. In regards to Taiwan-Japan trade, general trading companies have very important position in Taiwan for it have made contribution to Taiwan’s import and export, international market development, and technology introduction, especially when Taiwan’s economy entered the take-off stage in the 1960s. The resources of the general trading company are (1) human resources (2) capitals (3) information (4) brands.

In the 1980s, the total revenue of nine general trading companies, including Mitsubishi Corporation, Mitsui & Co., Itochu Corporation, Sumitomo Corporation, Marubeni Corporation, Kanematsu, Nissho Iwai Corporation, Nichimen Corporation, and Tomen Corporation, accounted for more than 30% of Japan’s GDP. Due to the popularization of the Internet, on the one hand, the number of small and medium-sized enterprises, who imports and exports by their own without depending on trading companies, has increased. On the other, under the wave of globalization,

the general trading companies have been reorganized to seven largest general trading companies now (Mitsubishi Corporation, Mitsui & Co., Itochu Corporation, Sumitomo Corporation, Toyota Tsusho, Marubeni, Sojitz). The imports and exports of the seven general trading companies account for about 20% of Japan's GDP and the proportion dropped 10% comparing to 1980s.

In addition to the representative functions of general trading companies, like business investment, business agency, and business information, other functions are mainly related to service function to the industry and customers like commodity trading.

3. Changes in Major Industries in Japan in Recent Years

In recent years, the Japanese semiconductor industry has given emerging countries such as South Korea, Taiwan, and China, opportunities to surpass them, due to excessive self-confidence and neglect of "selection and concentration." On the contrary, the Japanese automobile industry continued to strengthen its competitiveness after the Second World War, surpassing the United States to become the world's number one in the late 1980s.

Toyota Motor is committed to the development of environmentally friendly vehicles and took the lead in releasing the iconic "Prius" hybrid electric vehicle in 1997 (the year when the Kyoto Protocol was signed). Toyota's production system is called "Toyota Production System (TPS)." The central concept of TPS is "to eliminate waste completely." "Just In Time (JIT) Manufacturing" and "*Jidoka* (自動化, Autonomation)" are its two pillars of the TPS. The goals of these systems are to reduce costs and ensure quality. In addition, Toyota also advocates "Mobility as a Service (MaaS)," a new concept of transportation integration services, which uses APP to integrate trains, taxis, buses, and car rentals to satisfy the needs of people's mobility.

4. New trends and Prospects of Industrial Exchanges between Taiwan and Japan: Southward Development in the Post-pandemic Era

In addition to the automobile industry, Taiwan and Japan also exchange views in industries such as LCD, optical industry, logistics, and retail. We may expect that there will be further cooperation in industries such as robotics, aviation, green energy, Internet of Things, long-term care systems, and service industries in the future. The companies of the two countries have complementary advantages (technical power, brand power, and quality management capabilities of Japanese companies; language ability, global networks of Chinese diaspora, rapid decision-making, and low-cost mass production system of Taiwanese companies) and thus companies of two

countries should form strategic alliances.

Due to the COVID-19 pandemic and the deterioration of Sino-US relations, Japanese companies will increase production in Southeast Asia, which is the first step in the supply chain flexibility project. The goal is to reduce dependence on a country (such as China). The feasibility of southbound cooperation between Taiwan and Japan in the commercial service industry is twofold:

(1) Cooperate with Japanese General Trading Company

Both Taiwanese and Japanese general companies can utilize the unique trading company functions of Japanese general trading company such as trade, logistics, information, etc., and especially use their global network to promote strategic alliances between Taiwan and Japan companies, develop joint ventures in third countries, or use the international network of trading companies to develop international businesses.

(2) Geographical extension of Japan-Taiwan business alliance

Most Japanese companies use Taiwan as their initial base for external development. After testing the Taiwan market and constructing the SOP, it will then develop other markets, especially global Chinese market. Based on the trust relationship and cooperation experience between Taiwan and Japan, and with the assistance of the government, we look forward to extending the cooperation to all parts of the ASEAN countries in the future.

5. Discussion on Japanese-style Management and Workplace

The components of Japanese business can be classified to the following four types:

① Employment habits (enterprise labor union, lifetime employment and the seniority-wage system)

② “*Genba Shugi* (The Actual Part Philosophy)” (small group activities, *Kanban* (Dashboard) method, etc.)

③ Decision-making system (participative decision-making from bottom-up)

④ A series of business deals (long-term continuous trade system)

Japanese-style management has changed with the times. Under globalization, “a series of deals” have collapsed to a certain degree and performance and ability are more important than “seniority-wage system.”

Finally, Director Li analyzed the differences between Japanese and American companies and the differences between Japanese and Taiwanese companies in cultivating talents. Japanese companies value long-term thinking, while American companies value short-term thinking. Japanese companies value group decisions and

group responsibilities, while American companies value individual decisions and individual responsibilities. The difference between Japanese companies and Taiwanese companies in cultivating talents: Japanese corporate education emphasizes loyalty to companies, while Taiwanese companies emphasize the cultivation of elites.

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