

Asian Community: Japanese Company and Asia and Cooperation between Taiwanese and Japanese Companies.

The First Semester 2018
Courses on Asian Community, One Asia Foundation

We invited Professor Lih-Ren Li, Associate Professor from Department of Japanese Studies and the graduate program of Japanese Market and Business Strategies and Director of Center of Japanese Studies, National Taichung University of Science and Technology for our 8th lecture. The theme of lecture is “Asian Community: Japanese Company and Asia and Cooperation between Taiwanese and Japanese Companies.” The summary of Professor Li's lecture is as below:

Post-War Japan led the development of Asia. After 21th century, Asia with China as center, became the engine of world economy development. Today ASEAN also pushes forward another wave of development. There are first wave of direct investment of Japanese companies in China around 1995. The investment of Japanese company in China increased rapidly after China entered WTO. However, the investment of Japanese company in ASEAN exceeded their investment in China after 2012.

Domestic demand market saturation due to low birth rate and aging society and Abeconomics strategy, including pursuing economic growth and energizing local company, led to the economic growth policies aiming at integrating into Asia. Moreover, factors like the labor cost growth in China and increasing political risks brought from Anti-Japanese nationalism in China resulted in the investment of Japanese companies turning to ASEAN. On the other hand, the income growth and rising of middle class in ASEAN countries and the establishment of ASEAN economic community (AEC) transformed ASEAN into third market in the world, in terms of population, after China and India. In addition, the commercial environment in ASEAN countries also improved. These are strong incentives for Taiwanese and Japanese companies to start business in ASEAN countries. There are several reasons that Japan became ODA great power. First, it started ODA because of its war compensation to Asia. Second, by 1968, Japan's GDP had risen to the world's second largest. In order to implement the international responsibilities of the Advanced country and exercise its international influence, Japan increased its ODA. Furthermore, through ODA on infrastructure in aid receiving countries, it facilitated investment and development of markets, particularly in Southeastern Asia region, for Japanese companies.

On the other hand, there are high complementary relationship between Taiwanese and Japanese companies. Long-term trust relations also form a good basis for organizing strategic alliance. Taiwanese companies have advantages in oversea Chinese personal relations network, negotiation abilities, flexibilities, rapid decision abilities, system of rapid and cheap production. Japanese companies have advantages in differentiation technology, research abilities, brand influence, quality, and production management abilities. Taiwanese and Japanese companies may utilize their advantages and cooperate together. This cooperation relations can expand to third places like China and Asia. Among

the direct investment in ASEAN countries of both Taiwanese and Japanese companies, the investment in commercial services grew largely.

Except for risk averse as responding to Taiwan's special relations with China, the background of Taiwan's "New Southbound Policy" are very similar to Japan. Taiwan also faced the problem of demand market saturation due to low birth rate and aging society and would like to pursue its foreign market in ASEAN countries. On the basis of Taiwan-Japan cooperation, here we will discuss primarily about the possibility of cooperating in commercial services industries for Taiwanese and Japanese companies in ASEAN countries.

1. Cooperation with Japanese Trading Companies

The advantage of Japanese extensive trading companies includes trading companies functions like trade, logistics, and information, international network of trading companies, and conglomerate network across different industries. As Taiwan promoted "New Southbound Policy" and extensive trading companies constructed entire layout of trading companies and strong retail channel network, Taiwanese service companies can cooperate with Japanese extensive trading companies to construct related channels and their business. Moreover, Taiwanese service companies has smaller scale; thus, they may establish cooperation with Japanese extensive trading companies through using their channel network and related E-commerce platforms, or entering their procurement supply chain.

2. The Extension of Taiwan-Japan Enterprise Cooperation

Among the joint venture project of Japan's investment in Taiwan's commercial service business, there are some projects viewing Taiwan as the first stop for expanding business in Asia and viewing Taiwan as test market. After they establish SOP and have a stable business in Taiwan, they will transform their successful experience in Taiwan to China and Southeastern market, especially oversea Chinese market. These kind of joint ventures can extend their joint venture to ASEAN through mutual trust relations and cooperation experience between Taiwan and Japan and government's assistance.

Professor Li introduced Taiwan and Japan's import and export layout and percentage in the world through accurate figures and tables. He continued to introduce the mutual investment between Taiwan and Japan and he found out that from 2011 to 2013, because of "2011 Tōhoku earthquake and tsunami," many Japanese companies invested foreign countries for risk averse. Taiwan became one of popular option; hence, the direct investment from Japan to Taiwan increased twice in these three years. From 2013 to 2016, because of "pendulum effect," the number of invest project did not increase but still higher than the investment before 2011. Besides, because Foxconn Technology Group acquired Sharp Corporation in 2016, the investment amounts from Taiwan to Japan increased 15 times than the previous year and investment growth rate was 1382.65%. It showed that the economic and trade tie between Taiwan and Japan have become closer since "2011 Tōhoku earthquake and tsunami" and Taiwanese citizens like Japanese products (particularly automobile) than other countries in the world.

Professor Li also analyzed Taiwan's "New Southbound Policy" and Japan's investment in ASEAN countries. He found that among Japan's investment in ASEAN, Japan investment most in Thailand, because there was no war in Thailand. For the investment rate ranking of Taiwan's investment in ASEAN until June 2017, the first place was Vietnam (5.6%), second place was Indonesia (18.6%), the third place was Thailand (15.1%) and then Singapore (13.9%), Malaysia (13.0%) and Philippine (2.4%). It was said that the reason that there were more investment in Vietnam was because there were more oversea Chinese in Vietnam.

At last, Professor Li analyzed the possibility of cooperating in commercial services industries for Taiwanese and Japanese companies in ASEAN countries. He pointed out that "Within the cooperation between Taiwanese and Japanese companies, Japanese extensive trading companies played an important role. Japanese trading companies are good at utilizing its trading companies functions like trade, logistics, and information, especially good at utilizing its global network in promoting Taiwan-Japan joint venture strategic alliance. Except of those existing joint venture expended to the third countries, some Taiwanese and Japanese companies developed their relations from their export and import business to joint venture and invested in the third countries on the basis of their long-term mutual trust. Some of them utilized trading companies's international network to develop international business." "Newly developed market like ASEAN have increasing demands in biotechnology industry. Trading companies started to manage channels of health food and beauty care products including drug store, online drug store, and infomercial."

"As Taiwan promoted "New Southbound Policy" and extensive trading companies constructed entire layout of trading companies and strong retail channel network, Taiwanese service companies can cooperate with Japanese extensive trading companies to construct related channels and their business." "Taiwanese service companies has smaller scale; thus, they may establish cooperation with Japanese trading companies through using their channel network and related E-commerce platforms, or entering their procurement supply chain." This lecture started from easy facts to intensified thoughts and it was very interesting. I believe that students must learn a lot from the lecture. (Written by: Chen Shun-I)