

Problems and Countermeasures in the Development of the Processing Trade between China and Japan

Guangyu Zhang & Dan Wang

Administrative Department of State-owned Property, Changchun University of Science and Technology

Changchun 130022, China

E-mail: zcl050506@163.com

Abstract

Processing trade is the result of international division of labor. With the further development of opening up to the outside world and the economic globalization, the development of processing trade between China and Japan will certainly be promoted. However, in some domains, the development actuality of processing trade between China and Japan is not optimistic, and many problems still exist in concrete management, and relative policies have not been perfected. Based on that, after reviewing the deficiencies in the policy management of the processing trade between China and Japan, this article will try to find out the problems existing in the development of the processing trade between China and Japan, and propose some policies and advices strengthening the management.

Keywords: Processing trade, International cooperation, Export

1. Development actuality of the processing trade between China and Japan

1.1 Characteristics of processing trade

Processing trade mainly means the processing and assembling for foreigners, the middle and small compensation trades, and the feeding processing trade. Its characteristics are mainly embodied in three aspects.

(1) As viewed from the good source participating in the trade, the common trade goods mainly come from native factor resources, and accord with the native origin place rules, but the goods of processing trade mainly come from foreign factor resources, and they don't accord with the origin place rules of China, and they are only processed or assembled in China.

(2) As viewed from the benefits of the enterprises participating in the trade, the benefits obtained by the enterprises which engaging in common trade mainly come from the price difference between the production cost or the purchase cost and the international market price, but the enterprise which engage in the processing trade only take the processing charge in essential.

(3) As viewed from the taxation, the common trade should hand in the import linkage tax in import, and hand in the value-added tax in export and be returned part of tax, but the imported materials of processing trade need not hand in the import linkage tax, and they are bonded goods under customs surveillance, and need not to hand in the value-added tax in export.

1.2 Development actuality of the processing trade between China and Japan

China and Japan are two big economic entities holding the balance in the Asia and Pacific region, and play very important role in the development of global economy. Japan is the main export market of China, the import country of important technologies and equipments, and the important country introducing into foreign capitals. At present, there are about 30 thousand Japanese funded enterprises in China, and about one million employees work in these enterprises. In the current China-Japan trade, about 60% products are produced in China by Japanese enterprises, and exported to Japanese market, but quite part of them are sold in China. In the China-Japan trade, the export of China's processing trade occupies 54.1% of the China's export with Japan, and this proportion is quite big. Because of the influences of the global economic crisis since 2008 and other factors, the processing trade between China and Japan presented the descending tendency from 2008 to the first half year. According to the statistics of the custom, in the first quarter of 2009, the bilateral trade amount between China and Japan was 46.07 billion dollar, decreasing 23.8%, and the decreasing extent was the biggest in China's three largest trade partners, and it respectively exceeded EU and US for 4% and 8.1% in the same term, and occupied 10.7% of China's foreign trade amount, where, the import from Japan was 24.2 billion dollar, decreasing 29.6%, and European Union replaced Japan and became the second largest import source of China, and the export to

Japan was 21.87 billion dollar, decreasing 16.2%, and the accumulated trade deficit was 2.33 billion dollar, decreasing 71.9%, where, the import and export of processing trade decreased obviously. In the first quarter of 2009, China's import and export with Japan were 21.16 billion dollar by the mode of common trade, decreasing 14.5%, which occupied 45.9% of the bilateral trade amount in the same term, where, China's export to Japan was 9.46 billion dollar, decreasing 8.4%, and China's import from Japan was 11.7 billion dollar, decreasing 18.8%, and in the same term, the China's import and export with Japan were 20.72 billion dollar by the mode of processing trade, decreasing 28.5%, which occupied 45% of the bilateral trade amount in the same term, where, China's export to Japan was 11.73 billion dollar, decreasing 21.9%, and China's import from Japan was 8.99 billion dollar, decreasing 35.6%.

2. Problems existing in the development of the processing trade between China and Japan

2.1 China's trade deficit with Japan is extending quickly

China's trade deficit with Japan occurred in the quick increase of China-Japan trade, and its background is that Chinese economy begins to increase quickly again, which is same with the situation in 1990s. That indicates that when Chinese economy increases more quickly, China's trade deficit with Japan will increase more quickly, but under that situation, China will largely depend on Japanese key components, high-quality raw materials, and machines. The quick increase of Japan's export to China including common machines, integrate circuit, auto fittings, steels, plastics, and textiles & fabrics just shows that obviously. So are "East Asian Tigers" and ASEAN, and when China's export to above countries increases, China's trade deficit with Japan will extend. Up to now, the mode of wild goose travel that Japan is the head of the group and the international division situation have not been changed in essential.

2.2 The benefits of China-Japan trade are not balanced

Because the vertical division state of China's trade with Japan has not been fully changed, the benefits of China-Japan trade are not balanced. For example, the average price of one ton of plastic that Japan exports to China is 193.8 thousand Yen, and the average price of one ton of plastic products that China imports from Japan is 254.8 thousand Yen, and the export added value that China produces one ton of plastic products is 61 thousand Yen, which only equals to 1/3 of the added value that Japan produces one ton of plastic. For mechanical products such as household electrical appliance, because the proportion of China's processing trade is high, and the amount of the key components and good-quality materials imported from Japan is large, even if China enhances the production proportion and export proportion of final products, but because of short industry chain and small industry wave and effect, the corresponding economic benefits have not been formed.

2.3 The tendency that Japanese high and new technical products monopolize Chinese market is extending

At present, to occupy the market of China, in the traditional industrial domains such as auto, household electrical appliance and many high and new technical industrial departments such as computer and cell phone, Japanese enterprises have all exceeded European and American countries, and they quickly expand the investments in China, and produce above products in China. According to the statistical report of Chinese IT Market Information Center at Aug 31, 2004, in the Chinese market of digital cameras, the proportion of Japanese brands such as Sony, Nikon, and Fujitsu has exceeded 90%, occupied the absolute predominance. Especially, Sony entered in the Chinese market in a big way.

3. Analysis of causes of the problems existing in the development of the processing trade between China and Japan

3.1 As viewed from the EU's trade with China

EU's trade with China ascends in recent years, because EU expanded to east, and it had 25 countries from 15 countries in the past, and the proportion of corresponding trade with China would ascend naturally. In addition, EU is a regional economic group, but Japan is only a country. In EU, the important member, Germany is the second largest trade country of China in the world, but the China-Germany trade in 2005 was only 63.25 billion dollar, equaling to 1/3 of China-Japan trade.

3.2 As viewed from the US's trade with China

US has been the second biggest trade partner of China (it is the first biggest trade partner of China in all countries). In fact, it is natural that the amount of China-US trade ascends. US is the biggest developed country in the world, and China is the biggest developing country in the world, it is natural that US becomes the first biggest trade partner of China. At present, EU, US and Japan increase all square, but for a long term, China-EU trade and China-US trade, especially the latter will increase largely, and the absolute amount of China-Japan

trade will ascend quickly, but the relative amount will descend continually.

3.3 The trade base between China and Japan is large

Because of the big base of China-Japan trade and the influence of margin decreasing, China-Japan trade could not realize high growth. There are four reasons. First, Japanese economy begins to resuscitate, and people's incomes have been increased, and the domestic people's consumption demand becomes bloom, which will absorb large numerous of supplies from domestic enterprises, so the export of China will be reduced relatively. Second, China will adjust the too-hot investment, and correspondingly reduce the demands from Japanese steels and mechanical products. Third, China's trade with Hongkong will expand, but Japan's export to Hongkong will increase, so China's trade (including Hongkong) with Japan will increase largely, has achieved 25 thousand billion Yen, which has made US to be further lagged. Forth, the influence of "Boycotting Japanese Goods" could not be completely denied.

3.4 The cutting of Japan's ODA with China

In recent years, Japan's ODA with China has been cut year by year, that is because of political causes, but economic causes, and i.e. Japan's financial state has been deteriorated in recent years. ODA should be a kind of assistance obligation that developed countries implement to developing countries, and when the assisted countries' economy develops to certain extent, the assistance will be reduced even stopped, which is very natural.

4. Countermeasures of the problems existing in the development of the processing trade between China and Japan

4.1 Adjusting relative trade policies

(1) China should modify the strategic policy of "export fetishism", and realize the balanced trade that pays equal attention to export, import, and sale in domestic market. For a long time, the strategy of "export fetishism" had increased the economic friction between China and foreign countries, deteriorated China's trade conditions and increased the financial burden, and it should be modified as soon as quickly. Facing increasingly dependence on foreign resources, China should pay more attention to the export and import safety like as export safety. Or else, the economic growth of China will be limited largely, but the national security will be harmed largely. When the unbalance of China's trade income and expenses goes to long-term, the trade conditions will change. China should stabilize export, keep the balance of trade, pursue the harmonious development and the sustainable development of the trade benefit and export, and domestic demand, and should not blindly establish higher target.

(2) Because the labor force cost in China is relatively low, and the profit rate of the labor force intensive department is higher, the foreign capitals mainly flow to the export department with intensive labor force. China's trade condition with Japan goes to depravation, and the unreasonable flow between China and Japan is an important cause, so the structure guidance of attracting investments from overseas should be strengthened. Japanese investments should be encouraged to the infrastructure, basic industries, and high and new technical industrials, and the agriculture, and the third industry, and the financial insurance industry, and the scientific and research education. Multinational companies should be encouraged to transfer the manufacturing enterprises with high technology and added values, and the R&D institutions to China, and China should provide necessary policy supports.

4.2 Adjusting industry policies

(1) To implement the competitive advantage strategy is very important to improve the trade conditions. The so-called competitive advantage strategy is the trade development strategy taking the technical advancement and system innovation as the drive, taking the industrial structure updating as the characteristic, comprehensive enhancing the international competitiveness of native industries, participating in international competition by the products with competitive advantage, sharing the benefits of international trade, and emphasize the dynamic benefit of trade. The competitive advantage strategy is a necessary choice for developing countries to change the disadvantageous status in the international trade, and fully exert the function of foreign trade, which is very practical to adjust the industrial structure, enhance the structure of export product, and improve the trade condition for China. Therefore, China should strengthen the system innovation, comprehensively enhance the international competitiveness of Chinese enterprises, cultivate the development of new and high technical industry, and drive the enhancement of the competitiveness of export commodities.

(2) China should optimize the trade structure and promote the updating of product structure and the change of the growth mode. With the development of the reform, the manufacturing industrial structure of China goes to

reasonable gradually, and the proportion of the products with high content of science and technology such as mechanical and electrical products ascends gradually, which indicates that the manufacturing of China is developing to the deep-processing stage. China should reduce the proportion of the labor intensive production in the export, and encourage the increase of the products with intensive technologies and capitals, and depend on the advancement of science and technology to enhance the technical content and technical added value of the export commodities. According to the primary product development tendency, China should gradually reduce the export of raw materials, change the export mode of farm and sideline products, develop from extensive mode to intensive mode, and continually enhance the product added values and competitiveness. When introducing the products with intensive capitals and technologies, the import should strengthen the absorption and innovation of patents and special technologies, increase the technical R&D, and surpass the formers on the possible competitive structure layer, and get rid of the end status of the international division of labor.

4.3 Properly adjusting the exchange rate policy

In recent years, China's trade condition is deteriorating, and one cause is the distortion of exchange rate. By enhancing exchange rate of RMB to dollar (Yen), the increase in value of RMB will be propitious to change the exasperate tendency of China's trade condition. The enhancement of exchange rate could enhance the price level of export commodities priced by dollar, reduce the price level of import commodities priced by dollar, and accordingly improve China's trade condition. At July 21 of 2005, China adopts the managed floating rate system, which could strengthen the independence and flexibility of RMB, perfect the formation mechanism of RMB exchange rate, and improve China's trade condition for a long term. The influence of the increase in value of RMB on the trade condition needs to be studied deeply. To improve China's trade condition is mainly to enhance the price of Chinese export product. After RMB increases in value, the rise of the price of Chinese export commodities priced by foreign currencies will be decided by multiple factors. The improvement of trade condition induced by the increase in value of RMB may reduce the profit of the domestic exporter's incomes. To keep the original profit level, the enhancement of the price of export commodities will be limited by the domestic exporters' or manufacturers' cost level and foreign competitive opponents' cost level and competitive ability.

4.4 Further reforming and perfecting the current processing trade management system

To adapt the new situation that China further expands the reform and opening-up, the current processing trade management system should further reformed and perfected. Based on the guaranty bond ledger system, the efficiency of custom supervision should be strengthened. To lead the processing trade to the appointed region for bonded supervision, and refund after collection out of the appointed region is the current method in the world. China should fully utilize the development of information technology, adopt the high-technical measure, and implement the electric network management in the whole process of the processing trade.

China should actively lead the processing trade enterprises to the bonded area with closed management, the export processing zones, the bonded group, and the bonded factories, and the processing trade in the appointed regions should be supervised by the custom, and the standardized management should be implemented based on perfecting the current supervision method. Through the transition of certain term, the forms of bonded factories and bonded group are only allowed out of the appointed regions. China should further strengthen the bonded processing function in the appointed regions such as bonded area and export processing zones, increase the product range of processing trade, simplify the procedures, and correspondingly strengthen the closed management.

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