

Changes in Supply Chain between Japan and China (Summary)

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Abstract

This paper examines how the supply chain between Japan and China is changing as the international economic environment changes, based on statistical data and corporate survey and interview.

First, according to published data from the 'Basic Survey on Overseas Business Activities', the ratio of Japanese overseas affiliates withdrawals from China is almost the same as the ratio of that withdrawals from Europe. Impact of withdrawals from China seems to be limited. Next, total import of intermediate goods from Japan by Japanese overseas affiliates in China is decreasing, according to increase of local procurement. These facts are consequently impacting supply chain system between Japan and China. In addition, interviews with 5 Japanese overseas affiliates in China proved that local procurement in China is increasing. Even though labor costs in China are higher than that in Southeast Asia, goods manufactured in China are still considered to be high quality with low prices, which can be an advantage to procure from China. Some companies are considering expansion of their business in China, while others are closing their business due to corporate internal issues.

Keywords: Supply Chain Management, Japanese Overseas affiliates, Local Procurement

JEL classification: F23, F29