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Economic Agenda between Japan and China in 2005

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Year 2005 will be remembered as...

◆ Japan

- The end of the 15 years economic stagnation
- Peak of its population
- PM Koizumi's sweeping victory at the 9/11 election
- Protests from China/Korea

◆ China

- Manned Spacecraft Enters Earth's Orbit
- Successful Macro Control
- Trade dispute with the U.S. and RMB reform
- Environmental issues and Energy supply
- Anti-Japan movement

New Trend of Japan's Company 1

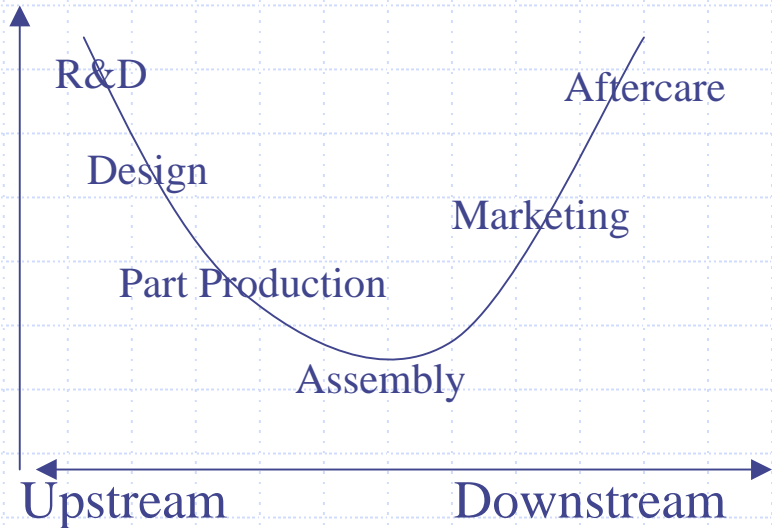
Competition “Back to Japan” Policy

Matsushita:PDP in Amagasaki / DVD Recorder in Kadoma

SHARP:LCD in Kameyama

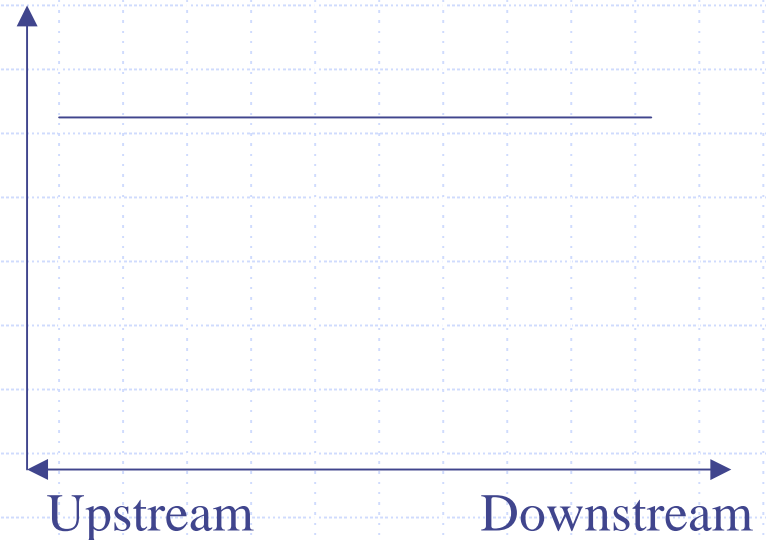
Canon:Digital Camera in Ohita

Value
(Profit)



Smile Curve

(Stan Shih/Acer Corp. in Taiwan)
PC/Home Elec.



Samurai Curve

(Ikujiro Nonaka/Hitostubashi Univ.)
Automobile/High End Goods

Survey by JETRO (May18-27, 2005)

Questionnaire among 414 Japanese Companies

“Does Anti-Japan Movement Matter?”

Yes 9.7%

Concern 36.5%

No 53.4%

“Thinking New Business in China?=Yes”

86.5% (Dec. 2004)

54.8%(May 2005)

“How Do You See Risks in China?”

Increased 44.9%

Same 40.3%

Don't Know 13.8%

Strategy :Return to ASEAN, Explore India

New Trend of Japan's Company 3

Diversification Choice in the Asia

(Year 2003)	ASEAN	China	India
Population (Mil)	536	1295	1050
Nominal GDP (Bil.USD)	612	1266	494
Per Capita GDP (USD)	1.00	2.07	0.80
Export from Japan (Bil.USD)	1153	955	471
Import to Japan (Bil.USD)	1.00	0.82	0.40
FDI from Japan (Bil.USD)	403	325	49
FDI Stock (Trillion Yen)	1.00	0.80	0.12
Yen Loan (Bil. Yen)	355	295	56
	1.00	0.83	0.15
2002	344	501	30
2003	1.00	1.35	0.03
(Source: METI)	11.5	2.8	N.A.

<ASEAN>

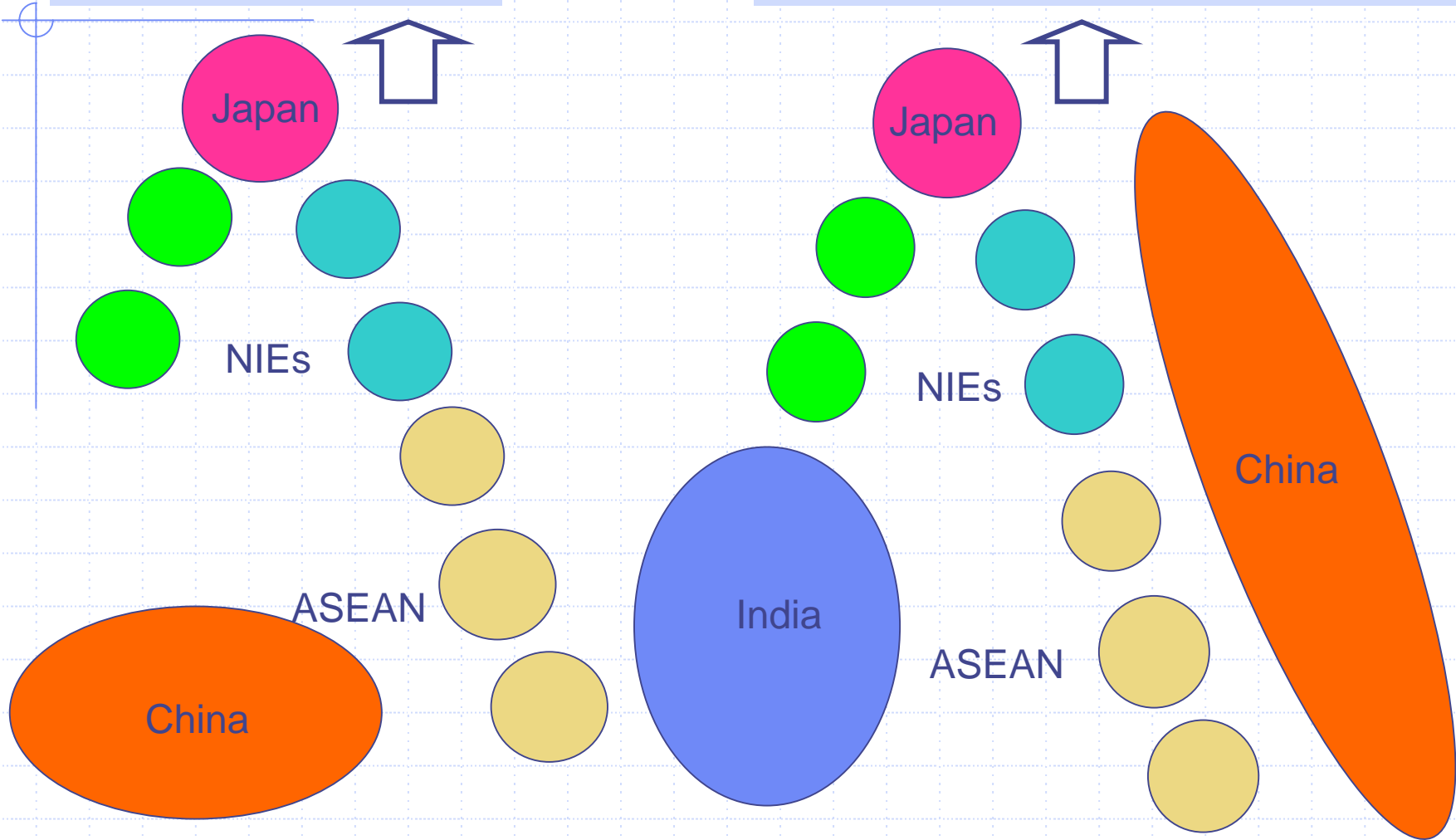
- Japan's FDI's stock
- Economic Integration is underway
- Political unrest

<India>

- Fast-Growing
- Capability in IT sector
- Far from Japan
- Poor Infrastructure

Old Image of Asia (Flying Geese)

Current Image of Asia (Geese with Two Big Swans)



Status-Quo of Japan's FTA Policy

Criteria	Countries	Status	Share of the external Trade
1 st Group	Singapore Mexico, The Philippines, Thailand, Malaysia	FTA concluded. Or roughly agreed.	10.8%
2 nd Group	South Korea, Indonesia, ASEAN	Now, under negotiation	10.1%
3 rd Group	India, Switzerland, Australia	Now, under joint research	4.3%
4 th Group	China, Hong Kong, Taiwan	Next Target (5~10 years)	25%

Territorial Dispute or Energy Issue?

Chunxiao Gas Field

- ◆ Expected Oil+Gas: 36.9 mil. bbl
= 1 Month Consumption of Gas in Japan

Sakhalin -1+2

- ◆ Expected Oil 2.3+1.1 billion bbl
- ◆ Natural Gas 485 +510 billion m³

