

The Actual Situation and Challenges for Expansion into China for Local Regional Firms: (Part Two) The Niigata Prefecture Case Example

MU, Yaoqian

Research Fellow, Research Division, ERINA

In this paper (Part One) I took up Niigata Prefecture as a regional case example, and examined the moves of firms within Niigata Prefecture in their expansion into China and the actual situation thereof. The following conclusions were obtained. While China is the largest country in terms of foreign investment for firms within the prefecture, from 2007 the Chinese share of expansion overseas has been decreasing, through such things as the rise in labor costs. Within China the number of expansions into the southeastern coastal regions has been increasing, yet the number of expansions into the Northeast and the interior regions has been decreasing. There are many firms within the prefecture which have taken China as a production base, and regarding sales destination are mainly dependent on the Japanese domestic market. Common as the satisfactory points for expansion are "reduction in production costs", "reduction in the cost of stock", and "securing of stable purchasing routes", and as the unsatisfactory points "the rise in wage levels", "various regulations (foreign currency and industrial standards, etc.)", "dissatisfaction with matters related to tax laws and payment of taxes" and "customs clearance and trade procedures are troublesome".

For this paper (Part Two), based on the above conclusions, and on the results of fact-finding survey work carried out on firms within Niigata prefecture, I analyze in finer detail the actual situation of the expansion into China by regional firms. Specifically, I introduce the projects which firms within the prefecture are undertaking in China, and investigate in detail the separate items of the process of expansion into China, the state of initiatives in the local market, and the satisfactory and unsatisfactory points. Here, I elucidate the unknown actual situation via the organization of the macrodata relating to the expansion into China of firms within the prefecture which are in this paper (Part One) and the results of the survey questionnaires. Moreover, based on that actual situation, I indicate the challenges for expansion into China by regional firms as viewed from the perspective of firms within Niigata Prefecture, and make proposals to local government and business groups regarding support measures for expansion into China by regional firms.

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