

## 2nd Stage Summary

### Transforming the Global Supply Chain

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The conference organized the second stage to exchange opinions on how the US-China relationship and their policies would affect Japanese companies operating in China and their supply chains, considering the current situation brought by the US-China trade war, the COVID-19 spread, and the new US presidency. This session was also intended to provide practical and useful information that companies can refer to.

Professor MAIE Yoichi, in his keynote address “Transforming the Global Supply Chain,” gave an outlook on China’s policies and the current situation surrounding Japanese companies, shedding light on the following five aspects: (1) COVID-19 and the trade conflict, (2) government policies, (3) overseas business expansion, (4) China business of Japanese companies, and (5) the supply chain restructuring. Based on the JETRO survey, he noted that more than 90% of Japanese companies still favorably assess the Chinese market and have plans to expand or maintain their business in China while they are restructuring their supply chain to, among others, Vietnam as one of the most attractive destinations in the post-pandemic era. He introduced two experiences as case studies: concepts of “local production in the consumer market” by Komatsu Ltd. and “selection and dispersion” by the Omron Corporation.

Next, six panelists gave presentations.

MENENDEZ III Manuel C., an experienced consultant in China business, presented “Global Supply Chain Perspectives” and shared his views from the perspective of business continuity planning (BCP) on the (re)organization of an efficient supply chain, its preventing factors, and the future direction. He also emphasized the importance of diversification and localization of production to avoid risks associated with supply chain restructuring.

XIONG Lin, a corporate law expert, in her presentation “The 14th Five-Year Plan and Japanese Companies’ Expansion into China — Reviewing the Coronavirus Period,” gave an overview regarding government policies, the longer-term vision through 2035, anti-pandemic support measures for companies, and the current situation of Japanese businesses in China. She stressed that the Chinese government is carrying out a new “dual circulation” policy to stimulate domestic and international demand in a balanced manner and that, in line with Professor Maie, many Japanese companies opt to continue their business operation in China.

WAKAMATSU Isamu from JETRO presented “US Perspective 2: The New Biden Administration’s Policy Toward China and the Response of Japanese Companies in the US” and

shared a standard view that the new Biden administration will maintain its hardline stance toward China, against the backdrop of escalating anti-China sentiment among US citizens. A JETRO survey showed that 40% of Japanese companies in the US negatively assessed the impact of the trade conflict between the US and China. Accordingly, many companies are seriously concerned about whether the new presidency will adversely impact their business.

HAYASHI Chino from Sojitz Corporation introduced “Sojitz’s China Businesses —Viewed from the State of the Supply Chain—” and summarized the historical development of the company’s businesses in China. She discussed that Japanese companies need to reconsider their business strategy to compete with rapidly growing Chinese companies in a harsh competitive market: relocation of production bases near the consumer and restructuring the supply chains that also have access to Southeast Asian markets can be options.

WATANABE Yutaka, in his presentation “Vietnam after COVID-19 (from City to Province / from Province to Province),” introduced his business experience in Vietnam, beginning in 1996. Vietnam’s economic growth rate is estimated at 2.3% in 2020, the year of the pandemic disaster. It can also be expected that foreign investment into Vietnam will accelerate in the post-pandemic era, leading to intensified market competition in Vietnam. In this regard, prompt business planning and execution are needed to enter the Vietnam market.

YAMADA Yoshihiro, managing director of a Niigata-based logistic company, presented “Separation of Political and Economic Affairs, from Chinese Business to Multiple Bases” and talked about local businesses’ actual situation in Shanghai. He shared interesting experiences that explain how COVID-19 negatively affected China’s local subsidiaries in terms of poor allocation of Japanese staff, reduced efficiency in business operations, and deteriorated product quality, while it increased demands made for product inspection, procurement, and trade agency operations to his company’s local subsidiary.

In light of panelist discussions, professor Maie made complementary comments on three critical issues that emerged in front of Japanese companies operating in China during the pandemic: (1) use of industrial robots will improve productivity and economize labor input; (2) delegation of authority from headquarters in Japan to local factories and subsidiaries and production localization; (3) strengthening of relationships with China’s regional governments. Some panelists agreed with the importance of the third issue.