

**East Asia FTA
&
Trade between Japan and China in Major Industries**

By
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Abstract

East Asia FTA will not be completed without Japan-China FTA. Among the proliferation of FTAs in East Asia Japan-China FTA is a missing link. Though business circle of Japan is positive about Japan-China FTA, Government of Japan has never touched upon FTA with China. One of the reasons for cautiousness may be “China threat” in Japan and fear for devastating effect to agriculture and some manufactures in Japan by intrusion of cheap Chinese products.

China is the biggest trade deficit creating country for Japan. Huge trade deficit is one of the causes for “China threat”. Trade deficit with China, however decreases considering export through Hong Kong to China. In 2004 Japanese trade with China was in balance including trade through Hong Kong. China enjoys dominating status in Japanese imports of labor intensive products such as apparel and toys. China increases exports of machineries such as electrical apparatus and computer which Japan enjoyed strong competitiveness with China. If we look at trade statistics in detail, we find that Japan is still very competitive in higher value added items. For instance, Japan imports finished products and China import key components from Japan. Trade between Japan and China is complementary one and Japan and China needs each other.

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