

平成28年度 中国短期海外調査報告書

天真爛漫

僕らはまだ中国を1ミリも知らなかった



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Section 3

Research Reports



Is the Arab Spring Coming to China?

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In China, many of the youth feel discontentment with the oppressive rule by the government and the spreading social inequality. However, with the mass media whose freedom of speech being strictly controlled by the government, young citizens in China are almost devoid of the opportunity to communicate and share their ideas and values, and, consequently, remain incapable of building solidarity and launching a large-scale social movement against the government.

1. Introduction

It is an undeniable fact that in China there exist different levels of social and regional inequalities in income, education, employment, medical care, and others (Figures 1 and 2). Interestingly, however, despite these structural problems which can potentially lead to the country's future social insecurity, China has steadily continued to grow both socially and economically since it adopted a market-opening reform policy, and, furthermore, it is anticipated that the country will gain itself a position among upper-middle-income economies by World Bank standards by 2020. What has been taking place in China somewhat reminds me of the so-called "Arab Spring," or the course of events that started with the "Jasmin Revolution" in Tunisia and created a massive revolutionary wave throughout the countries of the Arab League in 2011. In one sense, the one-party control by the Communist Party in China is comparable to some of the characteristic features of Arabic governing system represented by, for example, longstanding dictatorial regimes, political oppression of ordinary citizens, monopolization of national interests by a privileged minority, and widespread political corruption. Having said this, however, since the Tiananmen Square Incident in 1989, China has not experienced a large-scale, student-led movement for democracy until today.

Does this indicate that the Chinese Government's skillfulness to contain public discontent, or constant police surveillance operating throughout the country to remove any seeds of social disturbance? In this report, I would like to explore what kinds of factors are contributing to the discouragement of the rise of public disturbance in China today, especially through a comparison with the "Arab Spring".

表1 全国におけるジニ係数の推移

年度	ジニ係数	年度	ジニ係数
1985	0.331	2007	0.484
1990	0.357	2008	0.491
1998	0.403	2009	0.490
2003	0.479	2010	0.481
2004	0.473	2011	0.477
2005	0.485	2012	0.474
2006	0.487	2013	0.473

Figure 1



Figure 2

2. The Jasmine Revolution: Its Background

First, let us look back on the social background to the Jasmine Revolution. At the time of the revolution, the Tunisian economy used to grow at the rate of 3.8% annually, and this figure is by no means low compared to, for example, the Japanese economy with its growth rate being 1.52% as of 2013. On the other hand, the unemployment rate in Tunisia back then had reached 14%. Noticeably, the youth unemployment had been as high as over 30%, presumably producing a dissatisfied young population who suffers from being left out of the benefits of the country's economic growth. Moreover, the Tunisian regime had been thoroughly corrupted: the politics were being manipulated by the privileged few and their relatives for their own benefits, while the fundamental human rights of ordinary citizens were frequently on the verge of being violated.

The series of popular uprisings in Tunisia began after a 26-year-old vendor named Mohammed Bouazizi protested government corruption by setting fire to himself outside a municipal office in a town in central Tunisia early in December, 2010. Bouazizi, who had been supporting his family by selling fruits and vegetables, was confiscated his merchandise by local officials on the charge of unlicensed sales. Later, he visited the local office trying to retrieve the forfeits, but all he got was a repeated demand for bribes. Enraged, he chose suicide in a public place as the only means to remonstrate about the political injustice and corruption permeating through the county. The video footage of this tragic incident posted on Facebook immediately spread across the country, and enflamed anti-governmental feelings which eventually led to the nationwide strikes and riots. As some people point out, it is certainly true that the SNSs, the Internet, and major online media companies were instrumental in connecting young Tunisians and accelerating the revolution. However, given that the diffusion rate of Facebook in Tunisia at that time remained 34%—which is extremely low compared to 80.0% in Japan—and that of the Internet was as low as 15.8%, it will be more reasonable to think that they were not the major communication tools among young Tunisians. The fact is that it was Al Jazeera—a Qatar-based TV network not censored by the Tunisian Government—that had the strongest influence on Tunisian people. This TV channel was established by the king of Qatar, and its satellite broadcasting is hugely influential throughout the Arab countries. The incident of Mohammed Bouazizi and subsequent popular protest in Tunisia were reported in the Arabic language by the journalists who had originally worked for the BBC News and been filled with the desire to respect the freedom of speech.

To summarize, the major determinants of the course of the Jasmin Revolution are: (1) the Tunisian Government's dictatorship and the



The "Jasmin Revolution" was named after the national flower of Tunisia, Jasmin.

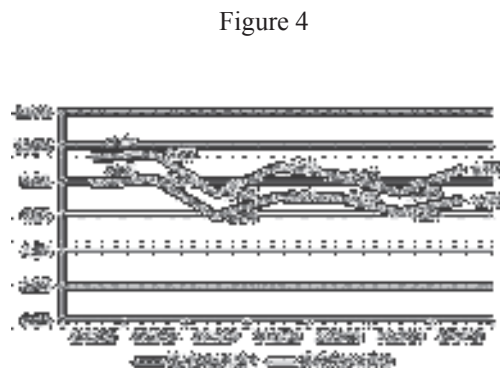
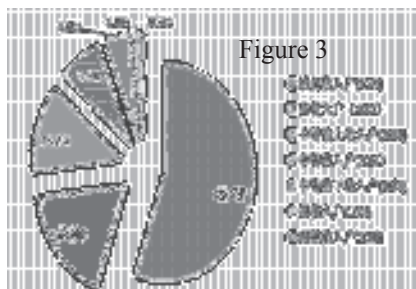
dissatisfied youth against the regime; (2) the presence of channels of communication including mass media that enabled the young to share information and exchange ideas. In the next chapter, I will analyze how these two factors have been working in the context of the Communist regime of China.

3. China in Comparison to Arab Countries

3-1. Are China's youth discontented with the communist one-party system?

We can reasonably assume that some of the young Chinese are unsatisfied with the status quo and have an anti-regime mindset. According to the United Nations Statistics, the Chinese population living on five US dollars or less a day, or those living under “absolute poverty,” “quasi-absolute poverty,” and “relative poverty,” numbers 93 million, accounting for 70.2% of the country’s total population. On the other hand, the rich who earn more than 400 thousand yuan a year—and they are the people whose “shopping spree” drew our attention here in Japan—constitute mere 0.8%. However, as Figure 3 illustrates, more than half of China’s entire wealth is owned by the richest, indicating a considerably unequal distribution of wealth in this country. As I have discussed in Chapter 1, China’s rising Gini coefficient suggests that as the economic downturn has continued, the inequality between the rich and the poor has become persisting and increasing. In addition, the unemployment rate has been remaining high (Figure 4). All these data indicate that China has been in a socio-economic condition which is pretty much similar to the one in which Tunisia used to be before the Jasmin Revolution, and, therefore, its society has been suffering from similar structural problems.

Then, let us look at more closely if there have been any noticeable signs of uprisings, riots, or demonstrations by people in China so far. According to *China Statistical Yearbook*, between 2008 and 2013, the number of cases of “disorder at a political institution” and that of “disorder in a public place” did actually increase from 101,985 to 130,652 and from 449,972 to 464,682 respectively. From these figures, we can infer that, at least for the last several years, there existed a group of dissident population who are resentful about the current regime and social equalities caused by its economic policies. Curiously, however, despite these dissident elements, China has not faced a popular riot serious enough to shake the foundations of the present government, and this makes a marked contrast to what happened in Tunisia. In the next section, therefore, I would like to examine where this difference comes from.



3-2. Do China's youth have any means for sharing ideas and information?

The media in China today does not play a role in connecting people by providing the opportunities to share ideas and information freely. This means that the young Chinese are fundamentally deprived of their freedom of speech, due to which the momentum towards social protest has remained ephemeral. In *The World Press Freedom Index 2016*, China ranked 176th among 180 countries, suggesting the restrictions on free speech in the country. In fact, the news and information that are accessible on the Internet and other media sources are all that have passed by the government censorship. Moreover, major online media companies based in the US such as Google, Facebook, and Twitter have been struggling to enter the Chinese market because of the strict government regulation. So long as Chinese people's access to information is kept strictly restricted to the current level, it will be highly unlikely that an anti-government movement in one city can provoke similar ones in other cities across the country as vast as China. In my view, as the Jasmin Revolution in Tunisia owed a great deal to Al Jazeera, it will be only the advent of liberal news media that kindles a truly revolutionary sentiment in Chinese people and inspire them to a long-lasting pro-democracy movement.

4. Conclusion

During our stay in China for the field study, I fortunately had an opportunity to meet the chief editor of *Chinichi* (知日), a magazine devoted to Japanese culture. He says that he gathers news materials on every aspect of Japan which seems interesting to him, and impart them to the young Chinese. Hearing him talk, I realized that, even under the strict governmental control on free speech in China, a new type of media would eventually emerge and begin to provide new and creative thoughts and ideas to China's public. Independent liberal players in the Chinese media like him may come to gain significant influence over the public, and may finally let some air into the country's tight press censorship, which recently came to be ironically called the "Great Fire Wall of China." As part of our visit, I also visited a vocational school located in Beijing, and learned that the majority of the students came from agricultural villages on the outskirts of the city. I was simply surprised to know about the great mobility of China's youth, for, until then, I had seen China as an extremely stratified society with little upward mobility. Having met and talked to some Chinese students, I now think that the interchange of ideas between students from rural and urban areas will promote new ideas and voices of greater diversity.

Before concluding this report, I would like my readers to remember that I do not take the position that Chinese people should rise up for a democratic revolution and overthrow the Chinese Government, nor do I completely agree with the communist single-party regime of present-day China. I wrote this paper because I was genuinely interested in exploring where the social inequalities in

China are heading towards, by comparing the present social condition of China to Tunisia and other Arab countries at the time of the recent revolutions.

So far, the governmental control of the Chinese media has effectively prevented individuals' dissatisfaction to converge into a large-scale revolutionary wave. However, even the Chinese Government will not be able to continue swimming against the current of the times represented by, for example, the increasing influence of the Internet, the economic interdependence and the influx of foreign capital in the wake of economic globalization. In some near future, a bold individual or organization may emerge and start to play the role as an information medium which is free from the government control, connecting China's youth so they can share their thoughts and ideas. If this happens, that may even mark a dramatic turning point in the history of China, and I would like to keep an eye on which direction the country is moving in.

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The Importance of Innovation for China's Economic Development

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The purpose of this paper is to demonstrate the growing importance of innovation for China's future economic development. In order to analyze China's current economic situation, I used growth accounting and examined labor, capital, and innovation as contributory factors to the country's economic development. Based upon my analysis, it seems reasonable to conclude that (1) there is a limit to the country's economic growth through labor input; (2) capital efficiency can be further improved if the country's industrial structure is transformed; (3) innovation can be promoted by a more successful partnership between industry and academia if only the tertiary education becomes widespread among the general public of China.

1. Introduction

Zhongguancun in Haidian District, Beijing, is a technology hub called "Silicon Valley in China," where notable technology companies' research institutions and laboratories stand together in large numbers. In the vicinity, prestigious universities such as Beijing University and Tsinghua University are located, making Zhongguancun an ideal environment for conducting collaborative researches between universities and enterprises.

As part of our field study in China, we visited a facility called Beijing Incubator located in Zhongguancun, which offers various incubation services including office sharing to start-ups in the latest IT-related fields like the development of VR and drones. According to the president of an IT start-up operating in this incubator, Zhongguancun has been luring many excellent university students around China, which, in turn, has led to a number of successful innovative enterprises in collaboration with students.

The first-hand observation of the immense success of Zhongguancun made me aware that it is worthwhile to analyze China's economic growth through the examination of the importance of innovation as a contributory factor to it.

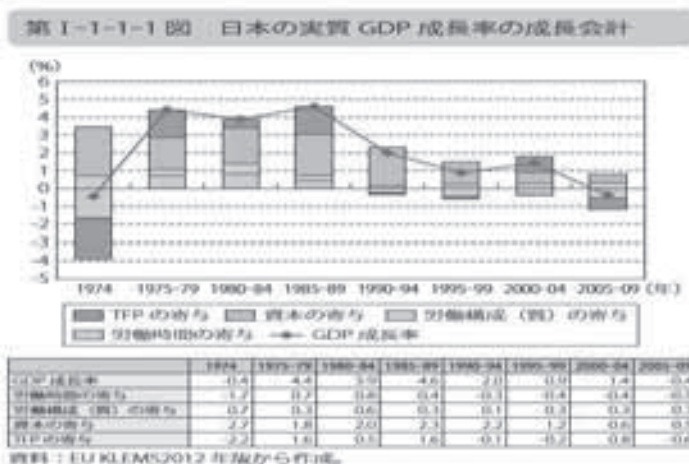
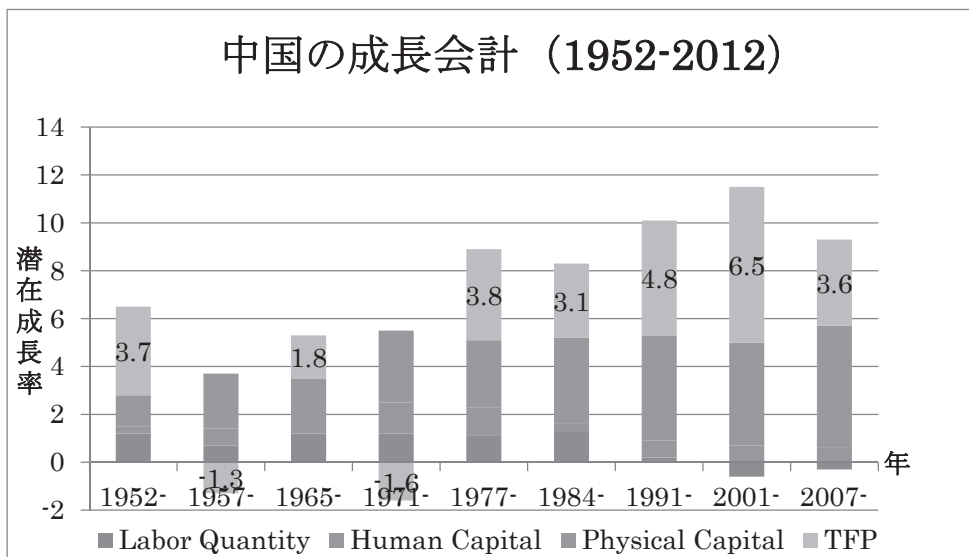
2. A Need for Innovation: The Current Situation of China's Economic Growth Analyzed by Growth Accounting

In this chapter, I would like to analyze the current situation of the Chinese economy by using the method of growth accounting. In the first section of the chapter, the concept of growth accounting will be explained. Next, three factors of labor, capital, and total-factor productivity (TFP) will be examined respectively in terms of the degree of their economic contribution. Finally, I will summarize my discussion of China's economic growth by demonstrating that innovation is indispensable for enhancing the economic productivity of the country.

2-1. What Is Growth Accounting?

Devised by Robert Solow in 1957, growth accounting is a method of accounting calculation used to measure the economic growth of a given economy. Growth accounting decomposes the growth rate of an economy into specific factors—usually the growth due to the increase in capital input, the increase in labor input, and the technological progress. The growth rate attributable to technological progress is called total factor productivity (TFP) growth. According to *Annual Report on Japan's Economy and Public Finance 2013* issued by the Japanese Cabinet Office, TFP is considered to be “an indicator of improved business efficiency and technological innovation.”

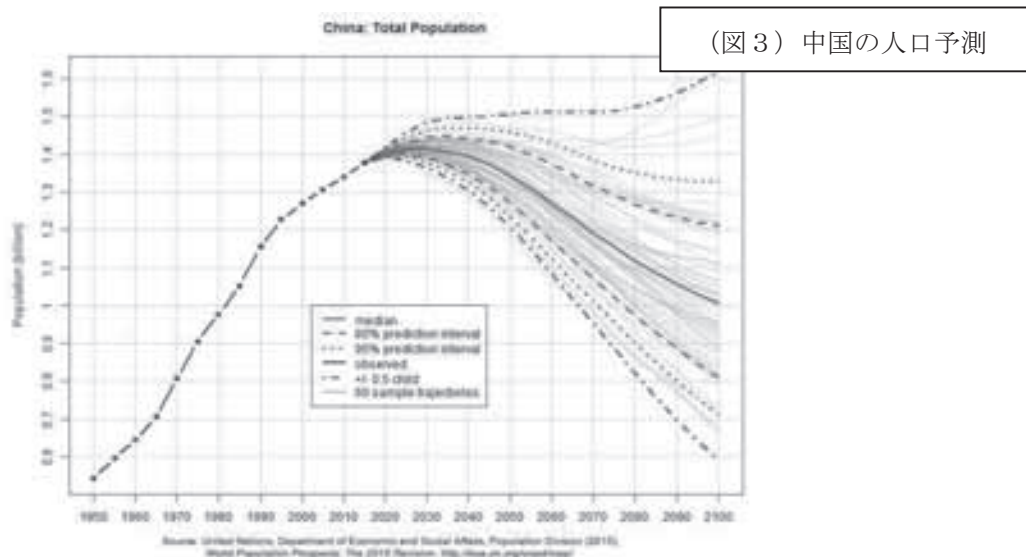
Below are the graphs which show the transition of growth accounting of both China and Japan since the mid-twentieth century (Figures 1 and 2), cited from Wu (2014) and METI's *White Paper on International Economy and Trade* (2013).



China's economic growth rate has continued to be as high as over 8% since 1977. However, in 2001, the rate of economic contribution of labor input turned negative and has been sluggish since then, indicating an important shift in the driving force for China's economic growth. On the other hand, Japan's economic growth rate overall has been below 2% since 1995. It is especially noteworthy that there is a steady decrease in the economic contribution of capital input.

2-2. The Contribution Ratio of Labor Input to China's Economic Growth: The Limit of Labor Input

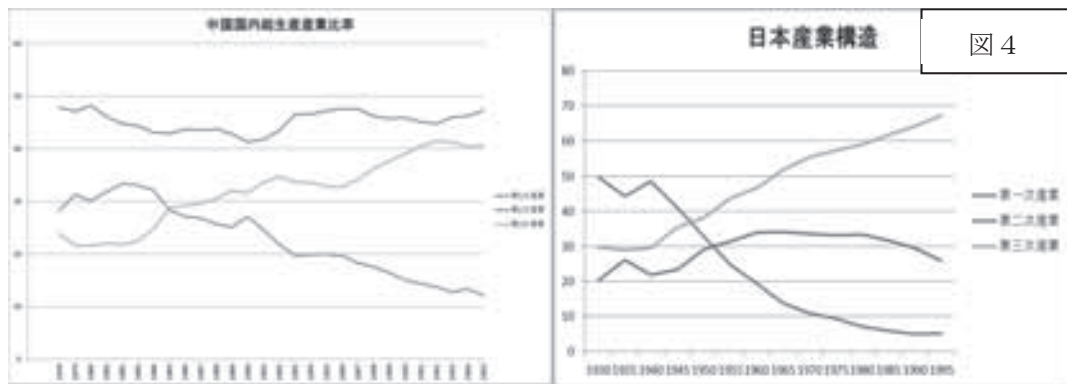
As I have mentioned above, the contribution ratio of labor input to China's economic growth has been negative since the 2000s. This is a trend which is also predictable from the population estimate for China provided by the United Nations' *World Population Prospects* revised in 2015 (Figure 3).



The total population of China has continued to rise sharply since the 1960s. It will be reasonable to consider that this has contributed to China's economic growth in general. However, the country's population growth rate has been slowing down since the beginning of the 2000s. According to the United Nations (2015), it is estimated that China's population will begin to decline from around 2020. From what has been said above, it should be concluded that the labor input is unlikely to remain the major contributory factor to China's economic development into the future.

2-3. The Contribution Ratio of Physical Capital to China's Economic Growth: A Need for a New Industrial Structure

The contribution ratio of physical capital can often indicate how efficiently the injected capital is being used for production activities in an economy. As Figure 1 shows, in China, physical capital has continued to contribute to the country's economic development. What reasons could possibly lie behind this? In my view, in China, the capital invested into primary industries—which is, as a general rule, tends to be less productive—was diverted into other industries of higher productivity. Apparently it is a phenomenon which is quite similar to what Japanese industries experienced in the past.



However, the history of Japan's economic development suggests something else, too: the transformation of the industrial structure of any economy is not a permanently continuous process but gradually slows down and terminates at its limits. In Japan, the transformation of the industrial structure almost completed in 1990. Since then, the contribution ratio of the physical capital to Japan's economic development has been steadily dwindling. It is anticipated that China will experience exactly the same process: China's industries will eventually go through a complete structural transformation and reach its limit of change, which will, simultaneously, mean China will lose the driving force behind its economic growth. Needless to say, this will hinder China's sustainable economic development. I would like to propose, therefore, that China will promote tertiary industries so that they will come to account for the highest proportion of the country's industries. In my view, there are two effective approaches to tackle this challenge, and I would like to explain each of them below.

First, in order to promote tertiary industries, China needs to increase its urban ratio. As the table below (Figure 5) shows, as of 2014, the opening-to-application ratio in China's urban areas was 1.11, indicating a labor shortage in the areas. On the other hand, according to *China Statistical Yearbook 2014*, China's urban ratio is still as low as 53.73%. Considering that the average urban ratio in developed countries reaches about 80%, China clearly lags behind the rest of the world. If China can increase urbanization successfully, that will lead to the development of tertiary industries in urban areas, which will eventually bring about the efficiency of the Chinese economy in general.

図表 5

	総人口	都市人口比率(%)	都市人口
1949	54153	7.3	39490
1957	64653	10.9	70773
1961	65821	15.4	101325
1965	72538	12.2	88576
1978	96259	17.9	172450
1991	115823	26.9	312030
2008	132802	45.7	607000
2013	136072	53.73	73111



The other approach is to foster industrial innovation and encourage the creation of new industries, for the economic growth relying on urbanization has its limits. As I stated in the introduction, out visit to Beijing Incubator gave us an opportunity to directly observe that innovative enterprises are burgeoning in China's IT industry and, thus, China is striving hard to create a new industry. It will be the investment in this type of new industry that can make China's economic development truly sustainable.

In the next section, I will discuss why industrial innovation can result in the increased economic contribution of TFP, and what kinds of factors need to be fulfilled before an ideal environment for innovative enterprises is prepared.

2-4. The Contribution Ratio of TFP to China's Economic Growth: A Need for the Cooperation between Industry and Academia

TFP has been a significant contributory factor to China's economic growth, constantly standing at the contribution ratio of 3% or above since 1977. As I have explained in the first section of this chapter, TFP is the portion of economic growth explained by two factors: improved operational efficiency or technological innovation.

Between these two factors, what is more important for China's economic growth in the future will be technological innovation. The reason for this is that the transformation of China's economic structure has been well advanced, which has led to the substantial improvement of operational efficiency in the country as well. It is also assumed that the near 100% spread of compulsory education in China was instrumental in this, providing a large workforce who have acquired basic education and are ready to be efficient employees.

Let us now look more carefully into technological innovation in China and its contribution to the country's economic growth. Compared to other countries, are China's technological industries

innovative enough? Take, for example, the number of patent applications by countries, which is frequently seen as a barometer of the process of technological innovation in a given country. According to the statistics provided by World Intellectual Property Organization in 2015, in the world rankings of total patent applications filed in countries, the United States topped with totally 56,955 applications filed, followed by Japan with 44,052, and China took the third place with 29,817. Viewed in this light, we can say that China should try harder to spur technological innovation if it aims to sustain its high economic growth.

Let us now extend our discussion into this question: what kinds of factors can influence the effective promotion of innovation in firms? In order to answer this question, the quantitative analyses conducted by Nishikawa and Ohashi (2010) provides some useful data. Using the equations whose explained variable is being the achievement ratio of product innovation in firms, he estimates that when the explanatory variables are both “the ratio of firms which are willing to cooperate with external organizations in their attempt to facilitate innovation” and “the ratio of firms which are willing to cooperate with higher educational institutions in their attempt to facilitate innovation,” the coefficients obtained are “positive and statistically significant.” According to him, “the achievement of product innovation has a strong impact on a firm’s sales figures”, and one crucial factor to make it happen is “the firm’s willingness to forge intellectual and technological partnership with external organizations as a complement to the knowledge and technology stored within the firm.”

In order to encourage collaborative innovation between firms and higher educational institutions, it is necessary to raise the enrollment ratio in universities and produce a greater number of capable graduates who can make qualified partners in innovation in industry. According to the UNESCO Institute for Statistics, in China as of 2015, while the enrollment ratio in primary education was as high as 99%, that in tertiary education remained 39.39%. Given that 64.42% of the Japanese and 86.66% of Americans enrolled in universities as of the same year, China falls noticeably behind in the spread of tertiary education. If China expects university-industry innovation to propel its economy forward, the government should take specific measures to spread tertiary education among its citizens.

On the other hand, however, an observation of the current state of the Japanese economy makes us realize that a high enrollment ratio in universities alone is insufficient to make successful innovation happen in industry. The improvement of the university enrollment ratio is certainly the first step for China to take, but what is more important will be to prepare a truly supportive environment for the cooperation between industrial enterprises and universities. For example, Silicon Valley in the United States, which is often seen as the birthplace of innovation, will serve as a model for China. We should note that it was Stanford University, its affiliates, and graduates that have played a leading role in the development of this area. The Chinese government should follow this example by building hubs of technological innovation based upon a powerful university-industry partnership.

Beijing Incubator that we visited during our stay demonstrates how successfully this type of hub can work in China as well. I believe that China can build more of this type of hub beyond Beijing and across its vast country.

3. Conclusion

From what has been said above, I would like to conclude this report by summarizing three main findings about China's economic growth: (1) there is a limit to the economic growth propelled by labor input; (2) there is a limit to the improvement of capital efficiency due to the transformation of industrial structure; (3) the promotion of technological innovation in industries is a promising factor to boost the country's economic growth, and the creation of an environment favorable for the cooperation between industrial enterprises and universities is one of the keys to fostering successful innovation in China's economy.

Further acceleration of innovation will create new industries, which, in turn, will lead to further economic development in China. What China needs to do now is not to simply try to follow in the footsteps of developed countries but to foster technological innovation revolutionary enough to lead the world into a new future.

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The Education System in China: Economic and Educational Inequalities between Urban and Rural Areas

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This report is intended to be an examination of the primary and higher education in China. First, I will consider the problem of the unequal opportunities of primary education in urban and rural areas caused by economic inequality between the two, and demonstrate how this problem influences the enrollment ratio in higher education. Then I will explain that what lies behind these disparities is a vicious circle where economic inequality causes educational inequality, which then creates the former again. Finally, I will suggest some possible solutions to the disparities in the educational system and children's academic ability in China today. In my view, it is necessary to build a system so that the government budget for education can be distributed to benefit the low-income households more directly and efficiently. Under the current system, the burden on both household and municipal finances are too heavy, and their burdens must be relieved by increasing the government's education expenditure on education.

1. Introduction

In one of the classes that I took before, I learned about the significant impact of parents' income and households' economic situations on children's academic ability. Considering the gross economic inequality that exists in China, I started to be interested in exploring the problem of disparities in academic ability and level of education seen in Chinese children, and decided on this theme for my report. China's urban areas including Beijing and Shanghai have been rapidly developing in recent years, while the rural areas are left behind. During our short stay in China for a field study, I had the opportunities to visit both urban and rural areas, and my first-hand observation of the two areas enabled me to look at the issue from a viewpoint that I had never had before. In this paper, I will closely examine China's education system and try to find out where exactly the disparities in Chinese children's educational levels are rooted. Also, I would like to identify the direct causes of the country's unequal education, by seeing the issue from economic, cultural and geographical angles. At the end of the paper, I would like to suggest some possible measures that the Chinese Government can take to remove inequality in the country's education system and children's academic ability.

2. China's Compulsory Education: Its System and Current Condition

China's compulsory education highly depends on the local financial resources, and, therefore,

the opportunity for primary education is considerably influenced by the local economy.

First, let us consider if educational inequality in China stems from rural-urban differences. Figure 1 below represents the test results of 2013 PISA global education survey conducted by OECD. Shanghai topped all three subjects of science, mathematics, and reading, and Hong Kong and Taiwan also ranked high. On the other hand, Figure 2 shows the net enrollment ratios*1 in elementary education of Japan, China, the USA and the UK. As the graph illustrates, elementary education has spread across China at a very high ratio of 99%, which is higher than the USA's 92%. For one thing, China has introduced free compulsory education, and this may have resulted in lowering the economic barrier to primary education. As far as these two figures are concerned, China's education may seem to have been delivered equally to every child throughout the country.

Figure1: 2013 PISA Survey Results

	Mathematics	Reading	Science
1	Shanghai	Shanghai	Shanghai
2	Singapore	Hong Kong	Hong Kong
3	Hong Kong	Singapore	Singapore
4	Taiwan	Japan	Japan

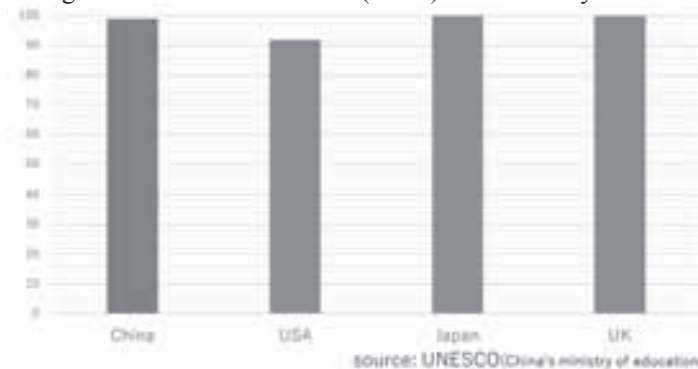
(Source: PISA-OECD <<http://www.oecd.org/pisa/>>)

However, we should not overlook that those Chinese students who performed well on PISA survey this time are the children living in

urban areas such as Shanghai,

Hong Kong and Taiwan. In addition, aside from the high enrollment ratio, the number of dropouts—, or those who leave school halfway through—needs to be taken into consideration if we try to know more accurately about the reality of seemingly equal opportunity for primary education in China.

Figure2: Net Enrolment Ratio (NEW) in Elementary Education



China's current compulsory education system was established in 1986, when the adoption of Compulsory Education Law of the People's Republics of China was adopted. The law stipulates that all the citizens must complete nine-year compulsory education, which is divided into two stages of the six-year primary school education and the three-year junior middle-

school education. However, different from Japan's compulsory education, which invariably implements

the 6-3 system throughout the country, China gives local authorities a degree of flexibility to reduce the duration of schooling. Although the 6-3 system is broadly adopted in most provinces, financially stringent provinces tend to adopt a 5-3 system instead, shortening the length of the junior secondary education. Then how has this rural-urban economic disparity been causing educational disparity as well?

Let us now look more carefully into how, in China, such economic inequality as described above is inextricably linked to educational inequality.

Viewed in the light of the finance, China's current compulsory education depends more largely on the municipal revenue sources than that of the central government. Because of this, economically stringent municipalities are unable to allocate generous budget for education. What this means is that



Figure 3: Per-capita Income in China's Urban and Rural areas and the Income Disparity between the Two Areas

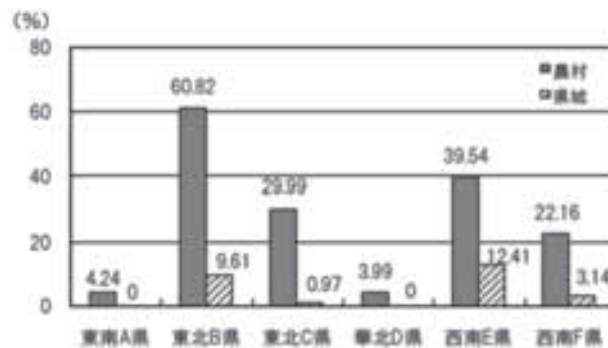


Figure 4: The Number of Middle-School Drop-outs in China: A Regional Comparison

the municipalities on a tighter budget inevitably face a budget deficit in education as well, which consequently reduces the quality of education in the areas under the charge of those poorer municipalities. The problems frequently confronting poorer areas are, for example, an insufficient number of schools compared to those in affluent urban areas; inadequate school facilities; the scarcity of applicants for the teaching profession due to its unprofitability. All these have contributed to the declining education quality in poorer areas and the widening gap between urban and rural areas. Furthermore, the insufficient education budget of poorer municipalities has burdened low-income households with their children's educational expenses. Although China's compulsory education is tuition-free, textbooks and

other school supplies are not always provided for free. (In Japan, by contrast, a system of free supply of textbooks has been applied at all primary and junior-high schools.) China's tuition-free compulsory education must have lowered the barrier to poorer children to enrolling school, and this will explain

China's high enrollment ratio of elementary education illustrated in Figure 2 above. However, it is after entering school that children and their parents face real problems. According to a survey conducted by a Chinese private research institute, educational expenses account for one third of the total income of China's average household.

Figure 3 provided by the Japan Institute for Labor Policy and Training contains two charts: the bar chart represents the transitions of the per-capita income in China's urban and rural areas respectively, and the line graph illustrates the transition of the income disparity between the two areas. We should notice that in recent years the per-capita disposal income in urban areas has been over three times larger than the per-capita net income in rural areas. Figure 4 also helps us assume how difficult it is for children in rural areas to complete compulsory education: in China, the middle-school drop-out rate is especially pronounced in rural areas, indicating the unequal opportunity for education between urban and rich households and rural and poor ones. In addition, concerning the PISA survey results shown in Figure 1, we should remember that the students who sit the test are 15-year-olds, or, those who managed to continue attending school until they reached fifteen. To put it another way, the PISA survey never reflects the reality of China's primary and junior middle education where a considerable number of children leave before they turn fifteen. Take, for example, Shanghai, where I visited as part of our field study. Though the fifteen-year-olds living in this city were the highest achievers in the 2013 PISA survey, it will be mistaken if we simply think their performance represents the average learning ability of all the children living in Shanghai, because part of the city are rural districts where fishers and farmers live. As I have stated, the PISA survey could leave out the problems of poorer children who cannot avoid leaving school earlier.

*1 Net enrollment ratio of elementary education = The ratio of children who enroll primary school to the all the children of primary school age. The number of drop-outs is also taken into consideration.

3. China's Higher Education: Its System and Current Situation

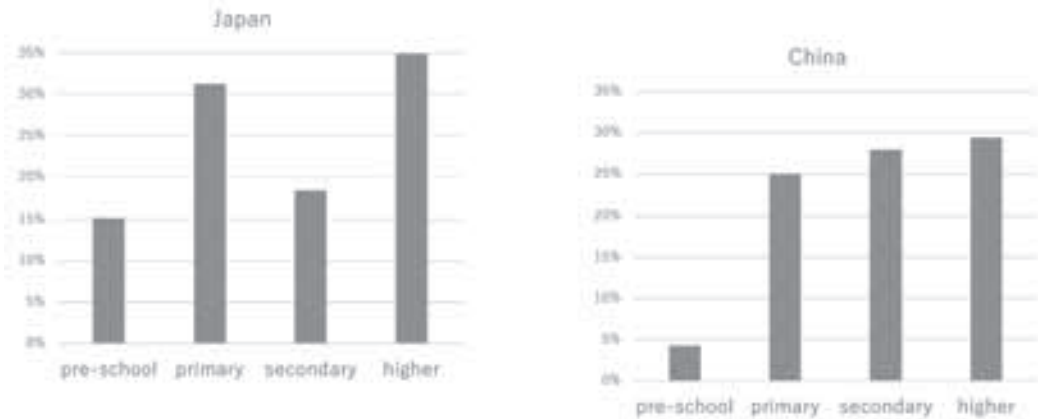
The overconcentration of educational institutions in urban areas and the academic background of parents have contributed to the widening gap in the academic ability between poorer children in rural areas and richer children in urban areas.

The idea of elitist education has been deeply rooted in Chinese society, and often greater emphasis is placed on higher education than on primary education. Figure 5 shows the national education budgets of both Japan and China allocated to each of the four education stages that consist pre-school, primary, secondary, and higher education.

From this graph, we can see that while Japan invests a large amount of fund to both primary and higher education, China raises its educational investment as the educational level goes up. What

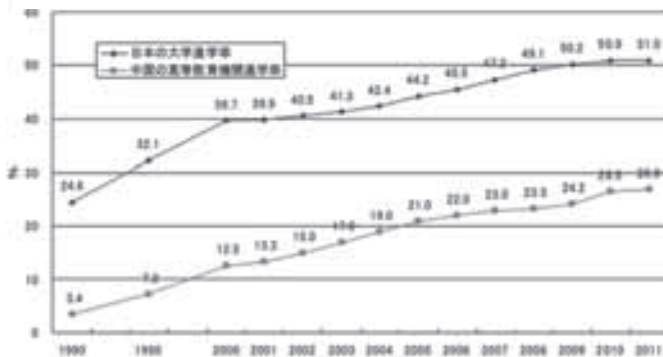
I want to focus on the most is the budget for primary education of both countries: China allocates 25% of its total educational budget for primary level, which may look comparable to Japan's generous investment in primary education, but considering the population of children in China—which is clearly much vaster than that of Japan—the matter is not quite as simple as the graph suggests.

Figure 5: The Allotment of National Education Budget to Four Educational Phases



Look at Figure 6 below cited from a website called *Science Portal China* which compares China and

Figure 6: The Gross Enrolment Ratios in Higher Education in China and Japan (1990-2011)



Japan in their gross enrolment ratio in higher education. The black line represents the transition of the enrolment ratio in Japan's higher education, and the gray one represents that of China. As of 2011, more than half of Japanese students entered university, but in China, the ratio remained as low as 26.9%. In this respect, Chinese government's large-scale investment in higher education for a limited number of students may

suggests China's emphasis on elitist education. Considering that, as of 1990, the enrollment ratio in higher education in Japan used to be as low as 24.6% and almost equal to China's ratio as of 2011, it is likely that the number of Chinese students going to university-level institutions will rise as it did in Japan in the last two decades. In my view, whether this can happen in China or not depends on how much budget the country can allocate to its higher education now and into the future. As a comparison, let us look at the way the Japanese Government has invested in its higher education since 1990. Based

upon the figures that I collected, in Japan since 1990s, the ratio of the government expenditure on higher education to the country's GDP has remained stable at around 0.4%. It will be fair to say that China has currently been investing in its higher education more than Japan used to do in the 1990s.

There is also a survey which indicates the problem of concentration of institutions for higher education in China's urban areas and its vicinities. Trying to promote tertiary education, government measures have been implemented to increase high schools all over the country. Despite that, high schools are reportedly decreasing in some remote areas, creating an obstacle to the potential applicants for higher education living in the areas.

A survey conducted by JELS in 2003 reveals a strong relation of families' social backgrounds and young children's learning ability, identifying the three most influential factors as follows: (1) the amount of education expenses that parents can afford for their children's after-school learning; (2) parents' income; (3) and the educational background of mothers. If we apply the result of this survey to China's current situation, educational inequality in today's China will be partly attributable to the different educational levels seen between poorly-educated parents living in rural areas and well-educated ones living in urban areas. Viewed in this light, in today's China, regional inequality in income has first resulted in regional inequality in parents' educational backgrounds, which, then is passed on to their children's generation, creating a yet wider gap between poorly-educated children in rural areas and highly-educated ones in urban areas. Before it is too late, this vicious circle must be broken; otherwise educational inequality in China will irredeemably increase.

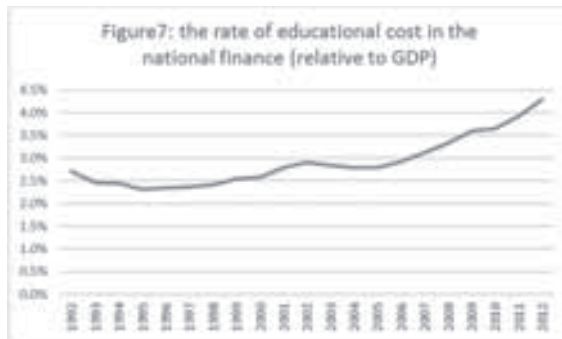
4. China's Education System: Problems and Solutions

In Sections 2 and 3, I have discussed the systems and current conditions of China's elementary and higher education, clarifying a rural-urban gap in educational opportunities, and its influence on the enrolment ratio in higher education. In fact, since 2007, the Chinese Government has implemented several measures to correct this inequality. For example, in rural areas, parents of elementary and middle school students are now exempted from paying education-related costs for school operation, textbooks, and others. However, the newly-created deficit due to the exemption given to parents must be compensated for by local and national governments. Furthermore, considering that the finance for China's compulsory education is highly dependent on municipal revenues, educational inequality by regions is likely to remain at least for some more time. In my view, if China wants to achieve a successful removal of its educational inequality, the government needs to reexamine the country's current financial structure for education, and increase the national budget for education. Believing this way, in the next section I will describe some solutions to this problem particularly from an economic viewpoint.

4-1. Solutions to Inequality in China's Primary Education

To reduce urban-rural inequality in educational opportunities and provide high-quality education nationwide, the Chinese Government needs to increase the gross budget for public education not by relying on municipalities but by boosting the government's education budget.

Figure 7: China's Government Expenditure on Education as % to GDP



First, Figure 7 represents the ratio of China's government expenditure on education to its total expenditure (% to GDP). Although the government's educational expenditure has continued to increase in recent years, the figure itself has remained around 3 to 4%. By comparison, the same ratio of Japan is 3.6% as of 2010, which is the lowest figure among the OECD member nations. Despite that, in Japan, the connection of children's poverty and their low learning ability is a relatively

new social issue, and for many years the country's primary completion rate has been kept at nearly 100%. Given that the two countries are similar in respect to the ratio of the government expenditure on education to GDP, it simply strikes us that China has numerous challenges in their primary education which are not seen in Japan. Where does this difference come from?

Let us look at Figure 5 again which I cited earlier. In my opinion, the difference in primary education of China and Japan can be partly explained as a difference in the way the two countries allocate their educational budgets to the four different education stages. As Figure 5 shows, Japan invests a larger portion of its education budget in primary education than China does. The Japanese Government needs to do this way because it has universally adopted tuition-free compulsory education including the free supply of textbooks during the compulsory education period. In China, on the other hand, the primary education still largely depends on financial resources of municipalities, and this has caused a notable lack of uniformity in the degree of "free" compulsory education by regions. If China tries to remove this regional inequality, it needs to increase its gross budget for public education not by relying on municipalities but by boosting the government's education budget. In addition, the Chinese Government should allocate a larger budget to primary education rather than to higher education, because the former is the first step to middle and higher education stages that follow, and the reduction of drop-outs from primary education is one of the fundamental challenges that China should address urgently.

4-2. Solutions to Inequality in China's Higher Education

To reduce inequality in China's higher education, the Chinese Government needs to use its education budget in a way that can directly benefit students from low-income families.

If the Chinese Government tries to reduce inequality in higher education, it needs to use its budget so that it will benefit the applicants from low-income families. University graduates often earn more in their lifetime than others, and parents' academic backgrounds greatly influence their children's academic level, so it will be fair to say that most of the students who attend higher education institutions are normally children of high-income earners. Then, what measures will be effective to help the applicants from low-income households? One of the common means will be to provide scholarships. Particularly the ones with no obligation of repayment will be much more helpful than student loans. The problem is, however, scholarships are normally meant to be awarded to students after enrollment—who are, as I discussed frequently children of rich families—, and, therefore, they can rarely benefit poorer applicants before entering school. The major financial obstacles for poor applicants wishing to go to university are, to name a few, that there are no universities within commuting distance (or that the rent and other costs for living alone is too high to afford), and that the commuting costs are too expensive. As you will notice, these are the problems that applicants face before they become eligible for ordinary scholarship programs. Added to this, scholarship programs are often not known among those who live in remote areas. For these reasons, scholarship programs are not directly beneficial for low-income families and their children, and the government needs to find some other ways to support them. To me, more practical means to support these students seems to be, for example, to construct universities and other higher education institutions in or near rural areas, and to give the students an allowance if they have to leave their hometowns in rural areas and live alone near their schools in urban areas.

If China wants to promote innovation to boost its economy into the future, the key to its success will be to have enough number of capable experts in various fields. To achieve this goal, the raising the level of and the number of opportunities for higher education is indispensable. It should also be remembered that high-quality higher education can become available only when it is built on the foundation consisting of high-quality primary education. Thus, in China, the provision of equal opportunity for primary education and the improvement of higher education are inseparably lined to each other, and need to be addressed at the same time.

5. Conclusion

As I have discussed so far, in order to reduce inequality in educational opportunities between urban and rural areas, China needs to increase its government budget for primary education. The country's higher education will also be delivered more equally by providing public financial support

more directly to the children who have faced economic obstacles to university entrance because of unaffordable tuition fees, low income of parents, or the absence of appropriate high education institutions in the areas where they live.

Though this report, I have considered the problem of inequality in China's education, and this problem was something that I directly observed during my stay in China on our field-study program last summer. Though we mainly spend our days in the urban areas of Shanghai and Beijing, we also had a one-day excursion to a rural village which is about one-hour drive from the heart of Shanghai. In the village, I met a farmer who said, "Our village has been left behind by the development of the city center of Shanghai." During the stay, I was struck to witness the stark contrast between the rapid progress in China's urban areas and the isolation of underdeveloped rural areas. Since the farming village that we visited is near the border with an urban area, I assume that it was a richer village than the average rural area in China, and there will be much poorer areas across the country. From what has been discussed in this report, we can reasonably conclude that inequality in China's education arises from income inequality between urban and rural areas. I have suggested some possible solutions to the country's educational inequality mainly from a budgetary viewpoint. However, if China tries to eradicate inequality from its entire education system, the issue will be reexamined from a more fundamental viewpoint, and more comprehensive measures will need to be taken.

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The Importance of Human Resource Development for Japanese Companies in China

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Abstract

The purpose of this paper is to examine why the number of Chinese managers is so small in Japanese-affiliated companies that operate in China. In these companies, managerial positions available to the local Chinese are often inadequately few, consequently limiting the companies' access to the reliable local information and reducing their operational efficiency. On the other hand, because of such limited chances of promotion, many Chinese job-seekers see Japanese employers as less attractive than Western employers. In my view, if Japanese companies want to be more successful in their future operations in China, they need to reexamine their employment systems and devise better programs for tapping into of the potential of their Chinese employees.

1. Introduction

Since China became a member state of the WTO in 2001, the country's economy has continued to grow at around 10% annually, securing its position as the world's second largest economy after the United States. Today, China provides one of the largest international markets, attracting numerous companies from around the world which fiercely compete for the discovery and employment of talented individuals.

As I briefly stated above, at Japanese-affiliated companies in China, the managerial positions have been almost unexceptionally occupied by Japanese employees who have been transferred from a managerial post at the company's head office in Japan. This convention has caused the inefficiencies in business operation and expenditure. Added to this, it is also pointed out that in a working environment where the chances of promotion are very slight, local employees are likely to feel less motivated, consequently raising the employee turnover rate. If Japanese companies try to gain a competitive edge in the Chinese market in the future, it will become essentially important for them to nurture and secure Chinese employees who can play the role of the core human resources in the companies' business operations by providing their local expertise and advanced management abilities.

In this paper, I will overview the existing approaches to human resource development that have been broadly adopted by Japanese-affiliated companies in China, and propose what should be done more for the creation of human resources who can be instrumental to the future successes of their business operations in the Chinese market.

2. Chinese Employees of Japanese Companies in China: The Current Situation

So far, in China, the percentage of Chinese managers in Japanese companies has been quite low

overall. According to a survey on Japanese companies in China and its employment systems conducted by Recruit Cosmos Research Institute, only 16.7% of those companies have given over 70% of their managerial posts to locally employed Chinese, whereas at 32.5% of the companies the rate remains lower than 10%.

Japanese companies' response to the questionnaire administered by *The Nikkei* in 2009 also reveals that employment issues pose a difficult challenge when they launch into China. Above all else, the recruitment and retention of capable Chinese workers are two major problems that trouble them the most. Another inquiry that can support this will be JETRO's survey on the fiscal year 2013, in which Japanese-affiliated companies in China listed the toughest management challenges for them. According to the survey results, three of the most difficult problems on the list were employee-related issues including their wage increase, their abilities and attitudes, or their quality. Judging from these, it becomes clear that Japanese companies in China have been confronted with a series of problems concerning human resource management, in particular, those which regard the recruitment and employment of capable local people, and the development of those people into reliable managers.

Shiraki (2006) points out that Japanese companies in China overall tend to entrust important job responsibilities disproportionately to Japanese staff, and this is a feature that is never seen among the European and North American companies operating in China. In other words, in most subsidiaries of Japanese companies, the managerial posts are overwhelmingly given to those Japanese who have transferred from the headquarters in Japan, consequently causing Chinese employees' overreliance on the decision-making by Japanese managers. Some experts say that a Chinese manager in a Japanese-affiliated company in China is no longer exceptionally (Kawai, 2000), but the CEO position has still been supposed to be held overwhelmingly by a Japanese (Kasai, 2003). Furthermore, even though some Chinese may get a managerial position, their promotion is not only slower than that of Japanese but is limited by a glass ceiling. Thus, in terms of the treatment of local employees, Japanese companies are more conservative than European and North American companies in China, and, consequently, are not being very successful to win in a fierce competition for capable Chinese individuals. In establishing a local subsidiary overseas, Western companies often employ a Chinese individual as its CEO; however, he is normally not given any kind of substantial authority to make important decisions about how to run the subsidiary. Thus, in these companies, a Chinese CEO remains a nominal decision-maker and is expected to be a sort of site supervisor on a short-term contract. Despite that, for most Chinese people, a career opportunity to be a CEO of a foreign company is attractive enough, and, therefore, many capable Chinese tend to opt for European and North American companies than Japanese firms. This has been proven by "China's Most Attractive Employers: Trends and Rankings," an annual survey conducted by a market research company Universum. The participants are China's young job-seekers, and as of 2013, global companies such as Google, P&G, Apple, the Walt Disney were as popular as Chinese companies in general, while

Japanese companies were generally seen less attractive—there were no Japanese companies favored by engineering students, and the most popular Japanese company was Sony, which ranked only 38th among the students of humanities, liberal arts, and education.

3. The Need for Chinese Managers

As I have discussed above, Japanese companies tend not to appoint Chinese employees as the managers of their subsidiaries in China, but to send Japanese managers there to hold those posts instead. This management system has two significant disadvantages. For one thing, it affects the subsidiaries' business efficiency both in their operations and in their expenditures. Added to this, it can reduce Chinese employees' motivation and may increase their turnover rate.

3-1. Chinese Managers Can Benefit Japanese Employers

It is often said that Japanese companies have some excellent management strategies: respect for long-established in-house wisdom; the ability to handle sensitive issues skillfully; thoughtful and orderly service, and the ability for careful planning and observing plans. On the other hand, if they try to adhere to a Japanese-style management represented by these features, that will simply reduce employees' resilience and adaptability. Though circumstances may differ according to the types of industries, lack of the managers who have expertise on the local business environments will have a significantly negative impact on Japanese companies' business operations overseas.

3-2. Chinese Managers Can Motivate Chinese Employees Overall

It seems true that Chinese employees often have negative images of their Japanese employers. Particularly, many of them find it unfair that different promotion systems are applied to Japanese and Chinese managers, and this can lead to lowering their motivation for diligent work.

As Kawai (2000) points out, compared to European and North American companies, Japanese companies have been experiencing much more serious difficulty in finding and securing talented Chinese. Concerning this challenge, Takimoto, Irie and King (2013) insists that Japanese companies need to recognize the importance of providing a promising career path for their Chinese employees, and try harder to build a trustworthy employer-employee relationship, because this is essentially important to prevent Chinese employees from leaving them too easily.

As numerous other previous researches on this issue have argued, Japanese companies' underestimation of their Chinese personnel is reflected in the negative evaluations that those companies get from their local workers, which has forced the companies to struggle to secure capable workers. All these suggest if Japanese companies seek a success in their businesses in China, they urgently need to reexamine and reform their current employment and promotion systems. This reform will need to take two steps as follows: the introduction of a more egalitarian system of employment

and promotion, and the appointment of talented Chinese to managerial positions.

As China's presence as a huge market has been increasing steadily in recent years, the development of so-called core personnel with expertise on local markets has become crucially urgent. In fluid labor market like China's, it may be quite challenging to raise the retention rate in all the divisions of a company. However, if a certain number of Chinese employees are given an opportunity to be part of the company's important decision making, that will promote their retention rate, which will, eventually, contribute to smoother business operations of the company.

4. Conclusion

These days, I often encounter newspapers and broadcasts reporting that China's economy is slowing down while those of Southeast Asia are going up. We should not forget, however, that the total population of all the nations in Southeast Asia amount to only 600 million, hardly reaching even the half of China's huge population. Added to this, though it is slowing down, but China's growth rate has been kept at quite a high rate, and its market has become unignorably important for Japan's economy.

Currently, the number of Japanese companies launching into China remains relatively small, but statistics do not always accurately represent the reality. During our stay in China, we visited Shanghai-based X-NODE, an international platform that helps Japanese startups and entrepreneurs in China. Then, after the trip, our supervisor, Mr. Nakagawa, introduced us to some Japanese entrepreneurs who help Japanese companies expand their online businesses in China. Meeting these people and listening to their stories first-hand, I have come to realize that there are numerous Japanese individuals who have found lots of new business opportunities in China, and have taken their first step forwards to seize them.

Through this paper, I have used the expression "Japanese companies operating in China" or "Japanese companies launching into China" many times, but we also need to remember that there is a spectrum of businesses that are paying attention to the Chinese market, and what they have to do will naturally differ according to what they want to do in the country. For example, companies that aim to sell their products to Chinese consumers seem to have devised quite advanced training programs for Chinese managers. On the other hand, some companies are importing Chinese products into Japan, or selling Chinese goods to Japanese consumers and corporations in China. In these businesses, the strategies for nurturing capable Chinese employees and managers have not been given a high priority at least so far. Thus, in my opinion, the need for Chinese managers will be different depending on the kind of industry. For example, at a plant of Nitto Denko Corporation, which we visited during our stay in Shanghai, the recent focus has been upon the recruitment of more Chinese workers. The reason behind this is that the manufacturing industry like Nitto Denko used to produce the products to be exported out of China; however, because of growing domestic consumption in

China, the need for the products for domestic consumption has also risen, and, therefore, the plant is now putting much more energy into the recruitment and training of local employees.

Needless to say, a business launch into China takes a risk. Above all, how to recruit, employ, and nurture capable individuals—the strategic management and development of Chinese personnel—is one of the major challenges that have currently confronted most of the Japanese companies operating in China. There two keys to success: to establish a new employment and promotion system that promises a fair treatment of both Chinese and Japanese workers, and to strengthen Chinese job-seekers' incentive to work for Japanese companies in China. As someone who was fortunately able to observe many aspects of the present situation of Japanese companies in China, I would like to keep watching whether these companies try to change or how hard they can push themselves to change.

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