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Despite China, Germany Keeps Eye on Japanese Business



Germany hopes to boost economic ties to Japan

These days, China is the first country everyone thinks of when the topic is Asian trade. But Germany is hoping a state visit to Japan will boost long-standing economic ties with that country.

Even though China has become the most important trade partner for German business in Asia, German investors are keen on Japan. And for its part, Japanese business appreciates Germany as an "environmentally conscious" country.

German Foreign Minister Frank-Walter Steinmeier visited Tokyo on Tuesday, on his first Asia tour since taking office in November under Chancellor Angela Merkel.

Steinmeier, who heads Wednesday to Beijing on a three-nation tour that began in South Korea, called China's rising clout on the world economic and political stage "a new challenge."



[Steinmeier met with his Japanese counterpart, Taro Aso, on Tuesday](#)

Yet in talks with Japanese Prime Minister Junichiro Koizumi, he stressed that Japan, the world's second-largest economy, and third-ranked Germany could work together on a range of fields.

Seeking cooperation

"There are many common concerns between Germany and Japan. We must tighten our relationship of cooperation," he said. "Japan and Germany can work together to set example for other countries."

In general, German business seems to agree with him. For many years, Japan was Germany's most important trade partner in the Asia-Pacific region -- until China began opening its economy, hitting the world market like a tornado.

At the end of 2002, the volume of German-Chinese trade overtook that of Germany and Japan. Today, German-Japanese trade is worth around 43 billion euros (\$51.2 billion) compared to 50 billion in China. While in 2002 German direct investment in Japan still outpaced that of China, by 2004 that had changed. Germany invested 653 million euros in Japan in 2004, according to Germany's foreign ministry, while the investment in China reached 1.06 billion for the same period, according to China's foreign trade office.



If both countries work together, perhaps everyone can make some money

Yet despite the lure of China and its massive market potential, many German companies haven't lost interest in Japan.

"A German company that is active in Japan doesn't get into the Chinese market," said Wolfgang Klenner, an East Asia expert from the Ruhr University in Bochum.

For one thing, the markets are entirely different. "In Japan, you can only get anywhere if you have the newest technologies and patents. In China, the danger of piracy is too great," he said. Klenner posits that the reason so many Germans stick to investing in Japan is that country's reliable -- and familiar -- legal system.

Different markets

Business prospects for investors in Japan are particularly good in the energy and environmental sectors. Japan needs to import nearly all its raw materials.



Germany is a leader in wind power technology

"In terms of energy production, Japan is interested in anything that can make it more independent and stronger," said Markus Taube of the East Asia Institute at the University of Duisberg-Essen. This provides an opportunity for German business: The Japanese are

world leaders in solar energy, and Germany leads in other areas of alternative energy production.

Wind energy, for example, is an area that Japan wants to expand. The country is on a mission to expand its wind-energy production eightfold, up to 3,000 megawatts by 2010.

Germany's environmental image

Germany is also a preferred partner for the Japanese when it comes to environmental protection.

"Germany has the clear image in Japan of an environmentally conscious country," said Friederike Bosse of the Association of German Industries (BDI). Scientific exchange in this area is also strong, and Bosse said she believes German-Japanese economic relations will benefit in the future from much of the academic cooperation that is currently underway.

Given these common interests, German business should take care not to lose sight of Japan as a strategic economic partner, according to Bochum University's Klenner.



China's growth is legendary, as is its building boom

"Japan is always underestimated," Klenner said. "Even if everyone is always talking about China, the real giant in Asia and the world economy is Japan."

It is an opinion that Markus Taube shares. As soon as the German and Japanese economies recover, and consumer spending increases, trade between the two nations will increase as well, he said.

Until then, however, China is the ideal land for racking up sales, both for Japan and Germany. Bosse, of the German Industry Association, said this brings up another trend worth looking at -- German-Japanese joint ventures in China.

Match made in heaven?

"Germans and Japanese are increasingly forming joint ventures. They want to see if together, they can succeed in the Chinese market."

It could be a match made in heaven, Bosse believes. Unlike the Japanese, the Germans were not historical enemies of the Chinese. And the Japanese can understand the Asian market better.

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