

JAPAN TO PAY AT LEAST \$536 MILLION FOR COMPANIES TO LEAVE CHINA

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Japan's government will start paying its companies to move factories out of China and back home or to Southeast Asia, part of a new program to secure supply chains and reduce dependence on manufacturing in [China](#).

Fifty-seven companies including privately-held facemask-maker Iris Ohyama Inc. and Sharp Corp. will receive a total of 57.4 billion yen (\$536 million) in subsidies from the government, the Ministry of Economy, Trade and Industry said Friday. Another 30 firms will receive money to move manufacturing to Vietnam, Myanmar, Thailand and other Southeast Asian nations, according to a separate announcement, which didn't provide details on the amount of compensation.

The government will pay a total of 70 billion yen in this round, the Nikkei newspaper reported. The payments come from 243.5 billion yen that the government earmarked in April to reduce reliance on Chinese supply chains, with the money aimed at helping companies shift factories back home or to other nations.

As U.S.-China relations deteriorate and the trade war worsens, there's been increasing discussions in the U.S. and elsewhere about how to "decouple" economies and firms from China. Japan's decision is similar to a Taiwanese policy in 2019, which was aimed at bringing investment back home from China. So far, no other country has enacted a concrete policy to encourage the shift.

China is Japan's biggest trading partner under normal circumstances and Japanese companies have massive investments there. The outbreak of the coronavirus pandemic has damaged those economic ties as well as China's image in Japan. The government of Prime Minister Shinzo Abe has been trying for years to improve relations with China after anti-Japan riots in 2012, but the fallout from the pandemic and the ongoing territorial dispute over islands and gas fields in the East China Sea have undercut those efforts.

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