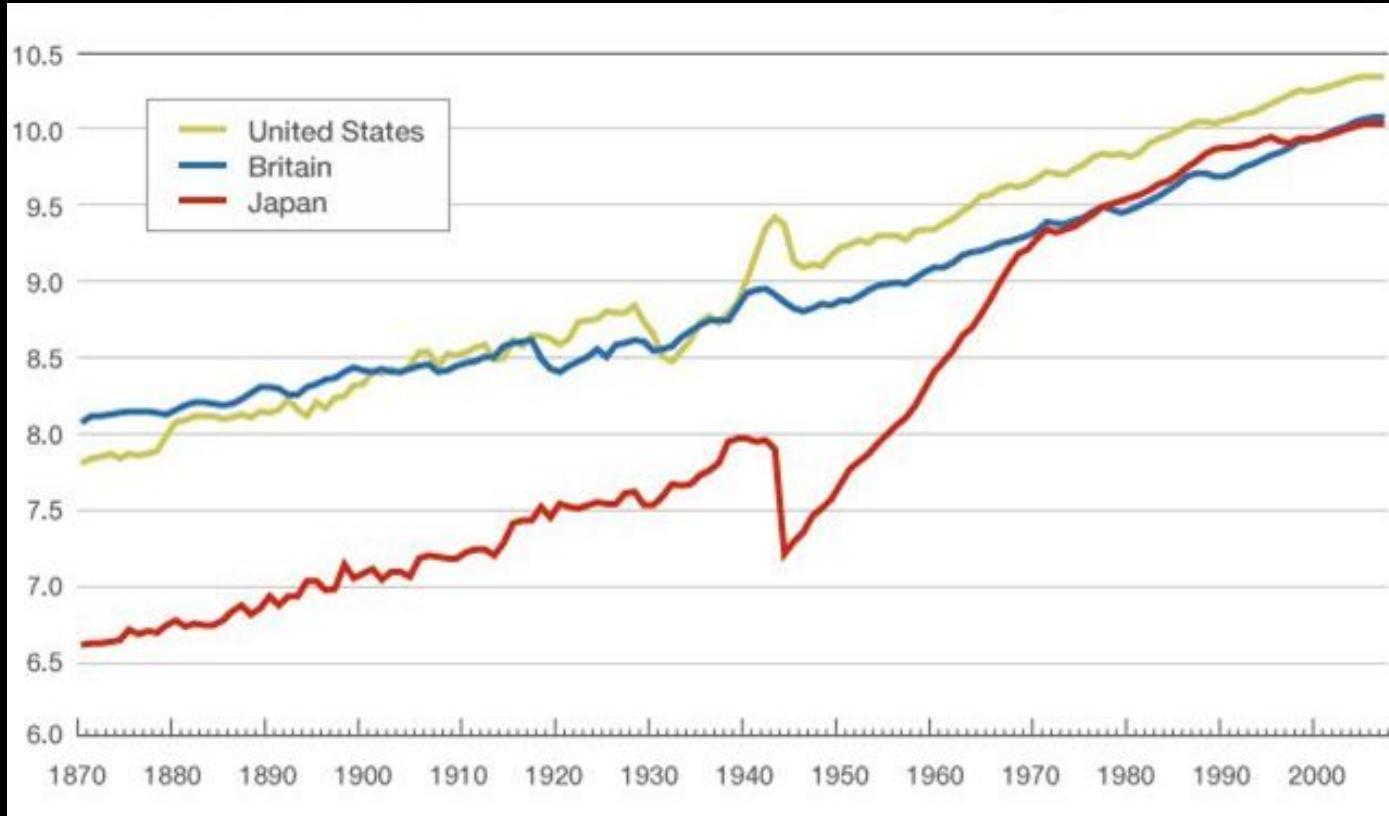


Japan & East Asia

Members:

Abhay Pratap Singh
Parth Shandilya
Raghav Malav
Shaleen Khandelwal
Shaunak Sharma
Suleman Zaidi



Growth in Real Per Capita GDP in Japan, Britain and United States from 1870 to 2000

Before World War II

The Meiji Restoration

- In 1868, the Tokugawa shōgun ("great general"), who ruled Japan in the feudal period, lost his power and the emperor was restored to the supreme position. The emperor took the name Meiji ("enlightened rule") as his reign name; this event was known as the **Meiji Restoration**.
- Before the Meiji emperor was restored as head of Japan in 1868, the nation was a militarily weak country, was primarily agricultural, and had little technological development.
- The Western powers — Europe and the United States — had forced Japan to sign treaties that limited its control over its own foreign trade.

From Feudal to Modern State

Social And Economic Changes

- The abolition of feudalism made possible tremendous social and political changes.
- Millions of people were suddenly free to choose their occupation and move about without restrictions.
- By providing a new environment of political and financial security, the government made possible investment in new industries and technologies.
- The government led the way in this, building railway and shipping lines, telegraph and telephone systems, 3 shipyards, 10 mines and 53 consumer industries.

Emergence of Imperial Japan

Foreign Affairs

- Achieving equality with the West was one of the primary goals of the [Meiji](#) leaders.
- The Western powers insisted, however, that they could not revise the treaties until Japanese legal institutions were reformed along European and American lines.
- It was not until 1894, therefore, that treaty provisions for extraterritoriality were formally changed.

The Sino Japanese War

- By the early 1890s Chinese influence in Korea had increased. In 1894 Korea requested Chinese assistance in putting down a local rebellion.
- The Sino-Japanese War formally erupted in July 1894. Japanese forces proved to be superior on both land and sea, and, with the loss of its northern fleet, China sued for peace.

The Russo Japanese War

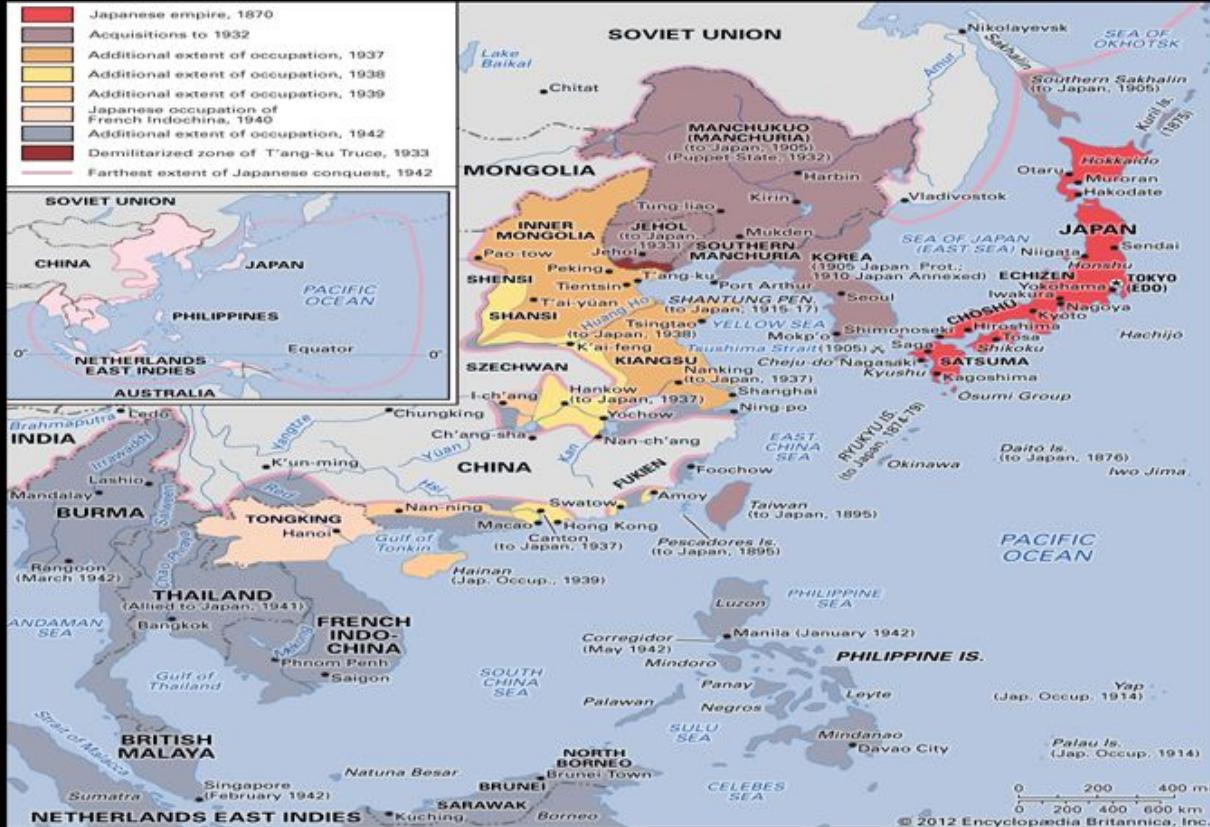
- Reluctant to accept Japanese leadership, Korea instead sought Russia's help.
- In the Russo-Japanese War (1904–05) that followed, Japanese arms were everywhere successful.
- But the war was extremely costly in Japanese lives and treasure, and Japan was relieved when U.S. President Theodore Roosevelt offered to mediate a peace settlement.

End of Meiji Period

When the Meiji period ended, with the death of the emperor in 1912, Japan had

- Highly centralized, bureaucratic government
- Constitution establishing an elected parliament
- Well-developed transport and communication system
- Highly educated population free of feudal class restrictions
- Established and rapidly growing industrial sector based on the latest technology.
- Powerful army and navy

- [Red] Japanese empire, 1870
- [Dark Purple] Acquisitions to 1932
- [Orange] Additional extent of occupation, 1937
- [Yellow] Additional extent of occupation, 1938
- [Light Orange] Additional extent of occupation, 1939
- [Lightest Orange] Japanese occupation of French Indochina, 1940
- [Grey] Additional extent of occupation, 1942
- [Dark Red] Demilitarized zone of T'ang-ku Truce, 1933
- [Pink] Farthest extent of Japanese conquest, 1942



Japanese Expansion in late 19th and 20th century

After World War II

Japanese Economic Miracle

Phases of the Postwar Japanese Development

Phase I (1945 - 1960s)	Phase II (1970s - '80s)	Phase III (1980s - 2000)
Catching- up Process	Failure to Reform and Bubble Economy	Long Stagnation and Beyond

Catching-up Process

1945 – mid 1950s	Mid 1950s – Early 1970s	– 1970s –	1970s – 1980s
Postwar Economic Reforms and Rehabilitation	High Economic Growth Period	Socio-Economic Outcome of Rapid Growth	Japanese-Style Market System for a Miracle Recovery

Postwar Economic Reforms and Rehabilitation

- Post-war Economic Reforms
- Economic Reconstruction and Re-Industrialization
- From Rehabilitation to enhancing competitiveness
- Coping with Savings Shortage

Postwar Economic Reforms and Rehabilitation

The allied force (General Headquarters = GHQ) tried to democratize Japan on both political and economic fronts and ‘economic democratization’ reforms were carried out first.

- **Zaibatsu dissolution (1945):** Zaibatsu were big union of major companies and banks. To eliminate concentration of economic power, zaibatsu were dissolved. Trade Law and the Economic Power Excessive Concentration Elimination Law was enacted in 1947.

- Fair market rules (1947): American-style market rules were imported in order to secure market competition and transparency.
- Agricultural reform (1945): The government purchased land from absentee landlords and sold them to tenant farmers at nominal prices. The percentage of tenant land dropped from 46% to 10%. The number of Independent farmers increased.
- Labor market reform (1945): Through an enactment of the Labour Union Law (1945), Labour Relations Adjustment Law, and Labour Standards Law (1947), the organization of labor unions was promoted and their labor movements were legalized.
- Education reform (1947): The compulsory education was extended from 6 to 9 years.

Economic Reconstruction and Re-industrialization

- The US's strategy changes to allow re-industrialization
- Economic reconstruction: Priority production strategy
 - Priority sectors:
 - Steel
 - Coal mining
 - Electricity
 - Shipbuilding
 - Railways
 - Marine transportation

Rehabilitation to Enhancing Competitiveness

- Introduction of new technology to fill the gap
 - Steel (strip mills) & Shipbuilding (electric welding)
 - Chemical fertilizers
 - Synthetic fiber
 - Consumer electric appliances
- First machine is imported and the second machine is produced domestically
- Rural-urban transfer of young workforce
- Industrial Policy
 - Business Rationalization Promotion Act (1952)
 - Establishment of long-term credit banks and financial institutions

Coping with Savings Shortage

Policy measures to cope with savings shortage

- Targeted policy to allocate funds to key sectors.
- Relying on financial intermediaries for capital supply.
- Fiscal Investment and Loan Program(FILP) and Public Financial Institutions was introduced to channel public funds to key industries.
- Bank of Japan(BOJ) monetary expansion through “window guidance”, “over-lending”, “over-borrowing”.

Then, the social system was formed/geared for increased savings: long working days, a six-day work week, and poor social security provision.

High Economic Growth Period

- Entering Virtuous Cycle
- Demand and supply side factors for rapid growth
- Rapid growth as a “catching-up” process
- Market Opening in the 1960s
- Balanced Budget and Issuance of Government Bond

Entering Virtuous Cycle

- Demand expansion - production expansion - increases in income-investment growth and an expansion of production capacity.
- From 1955 to 1972, the Japanese real GDP grew by an annual average rate of 9.3%.
- This virtuous cycle particularly benefited big businesses in heavy industries such as metal, chemicals, energy and machinery.
- This strategy was generally accepted by most Japanese as a 'trickle-down approach' to raise incomes and living standards in Japan.

Demand and Supply Factors

Y Demand side

- Due to rapid growth and the emergence of new products, the expansion of production capacity was always lagging behind that of demand.
- Demand for Japanese exports grew thanks to higher international competitiveness due to gains in product quality, and to the undervalued exchange rate.

Y Supply side

- The growth rate of the working-age population was high. There was a massive migration of young generation workers from rural to urban areas.
- The household savings ratio rose to finance investment growth.

Rapid growth as a “catching-up” process

- The import of foreign technology was given high priority in the allotment of foreign currency. Manufacturing technicians and workers had sufficient technical skills and knowledge for them to utilize, emulate, and improve imported technologies.
- Foreign business was a good reference for the future development of Japanese business and consumer demand, so Japanese companies could effectively avoid market risks associated with new business operations.

Market Opening in the 1960s

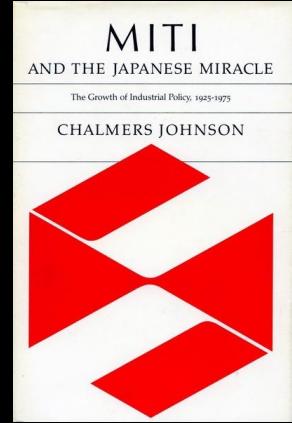
- In 1960 the government adopted a comprehensive plan to liberalize foreign trade that changed a ground rule from ‘restriction as a rule, openness as an exception’ to the contrary. The ratio of liberalized import lines rose from 34% in 1959 to 93% in 1966.
- In 1964, Japan accepted the IMF Code Article 8 that ruled out foreign exchange restrictions for the purpose of balance of payments stability. This helped YEN regained its convertibility.

Balanced Budget and Issuance of Gov't Bond

- The 1947 Budget Law prohibited the issuance of bonds to finance the current deficit—the so- called ‘deficit financing (covering) bonds’. Initially, there were loopholes in budgeting due to the existence of special accounts. Since the 1949 budget, Japan’s national budget was balanced on a consolidated basis (that is, including special accounts).
- In 1965, due to a shortage of tax revenue, the government was forced to issue deficit financing bonds, enacting an extraordinary law to allow it. Since then, in order to fill gaps in final demand while conforming to the Budget Law, the Japanese government has continued to issue bonds under the name of ‘construction bonds’, to finance development of social overhead capital.

Japan in 1980s

- Concepts such as *gljutsu rikkoku*.
- MITI's support in launching new series of programs focussing on microelectronics, new materials, & biotechnology.
- Extended domination on global electronics industries.

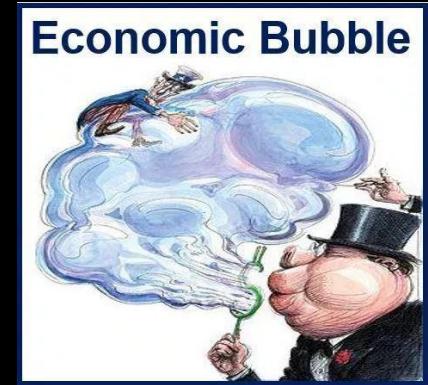


- Introduction of Transistor radio, VHS Recorder, Sony Walkman.
- Expanding Computer Hardware industry.
- Monopolizing market of semiconductors chips,circuit boards,
- Sony & Hitachi
- Japanese video game powerhouses Nintendo and Sega.



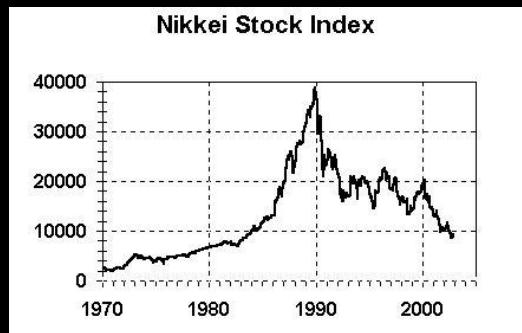
Bubble Economy

- The country's healthy trade surpluses and the Plaza Accord in 1985, caused the Yen currency to appreciate against other currencies.
- Investors leave the American market & turned to Japan.
- With the high rising Yen value, export falls.
- Bank of Japan low interest rate policy & monetary easing.

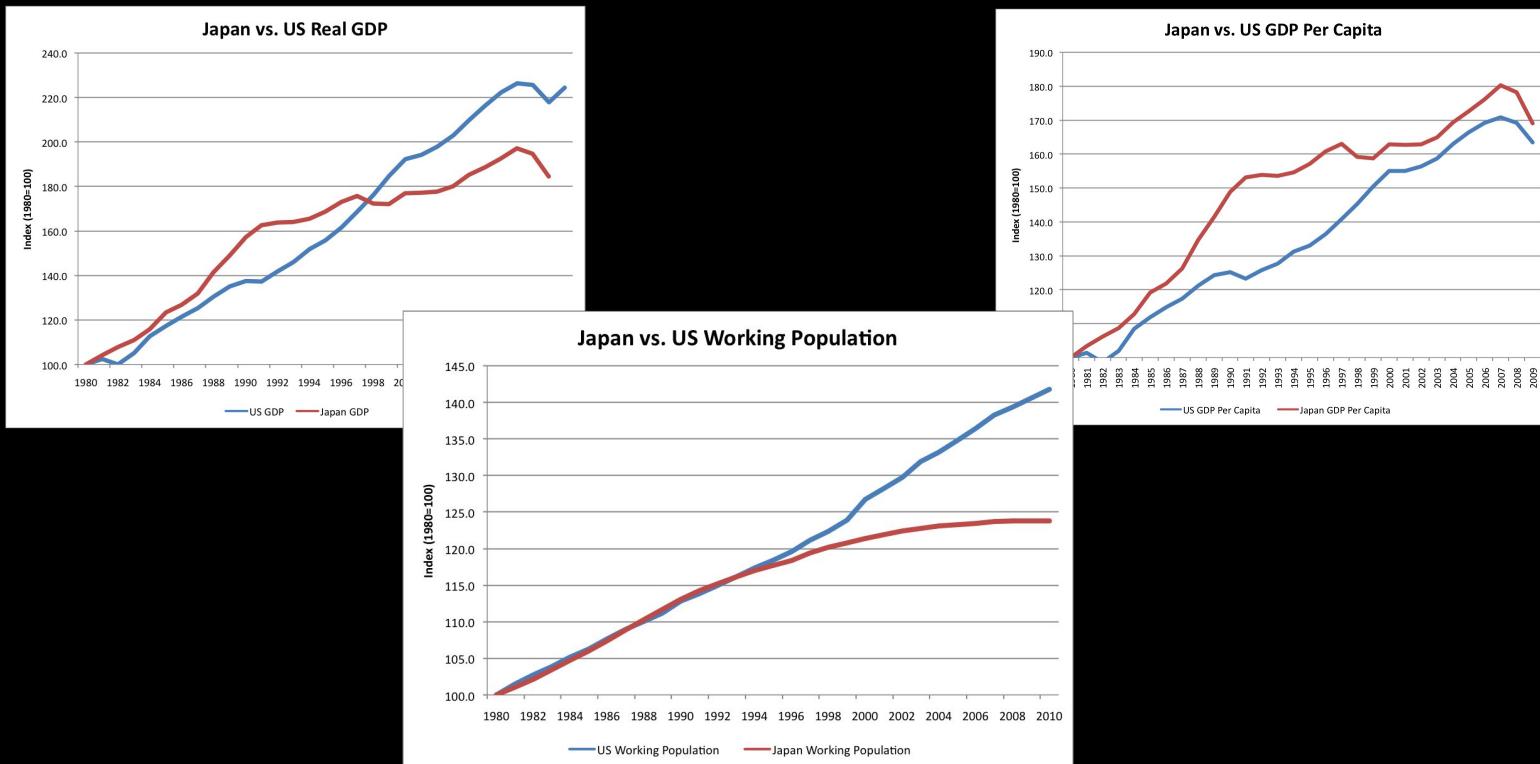


The Lost Decade

- Stock Market & land value started to thrive.
- More investments.
- Banks lended more money.
- After 4 years this cycle bursts.
- Japanese Government claim to use about 10 years to recover the economy to the level before the bubble formed.



HR can be the Reason also....



Japan Economy in Early 2000

- In Early 2000s the bank of Japan and the Japan government tried to eliminate deflation by reducing interest rates.
- Despite having interest rate near zero for a long time they didn't succeed.
- In July 2006, the zero-rate policy was ended. In 2008, the Japanese Central Bank still had the lowest interest rates in the developed world and deflation continued .

Japan Economy in Early 2000

Reasons for deflation in Japan:

- Fallen asset prices. There was a large price bubble both equities and real estate in Japan in the 1980s.
- Insolvent Companies: Banks lent to companies and individuals who invested in real estate. When real estate value dropped their loans went unpaid.

- **Insolvent Banks:** Banks with a large percentage of their loans which are “non-performing” but have not yet written them off. These banks cannot lend more money until they increase their cash reserves to cover the bad loans.
- **Fear of insolvent banks:** Japanese people are afraid that banks will collapse so they prefer to buy gold or Treasury bond instead of saving their money in a bank account.

Japan Economy at Present

- In 2008, the Japanese Central Bank still had the lowest interest rates in the developed world, but the deflation had still not been eliminated.
- However, in 2013, the Bank of Japan announced that would be purchasing 60-70 trillion yen in bonds and securities in an attempt to eliminate deflation by doubling the money supply in Japan over the course of two years.

Japan Economy at Present(few Facts!!)

- The economy of Japan is a highly-developed free-market economy.
- It is the third-largest in the world by nominal GDP and the fourth-largest by purchasing power parity.
- Japan is the world's 3rd largest automobile manufacturing country and has the largest electronics goods industry.
- The Japanese economy faces considerable challenges posed by a declining population.

Japan Economy at Present(few Facts!!)

- In the last 8 years, Japan's population has shrunk by almost 1 million.
- Projections suggest that the population will continue to fall to potentially lower than 100(currently 127 million) million by the middle of the 21st century.

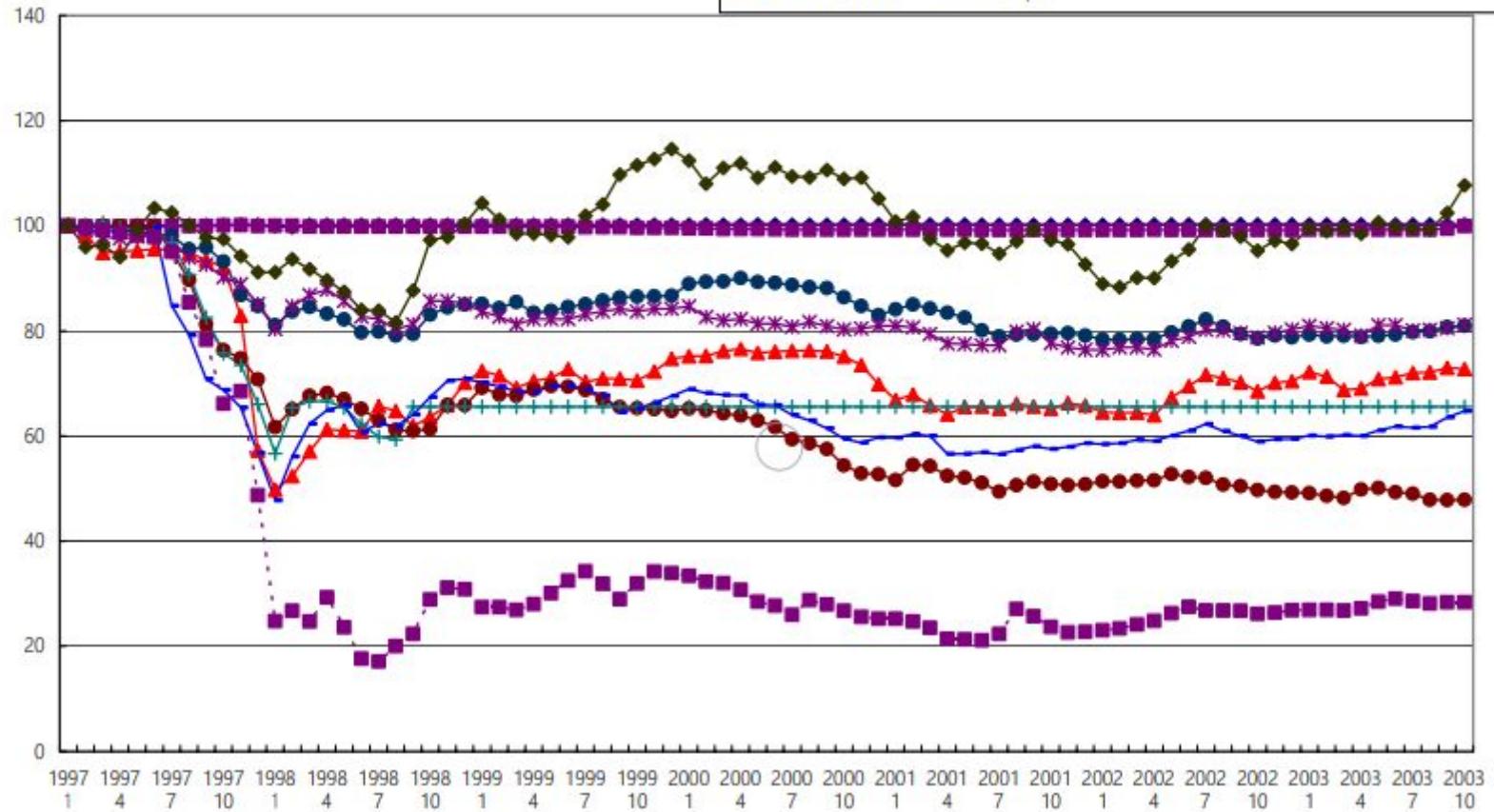
East Asia

- The East Asian economy comprises of almost 1.6 billion people living in 6 different countries.
- Over the past three decades remarkable economic growth has occurred in East Asia.
- Globalization of corporate activities being the major reason for the economic growth, the East Asian Economies achieved a 6%-10% growth during the decade following 1987.
- The economic growth had boosted up because of the Four Asian Tigers.

The East Asian Miracle

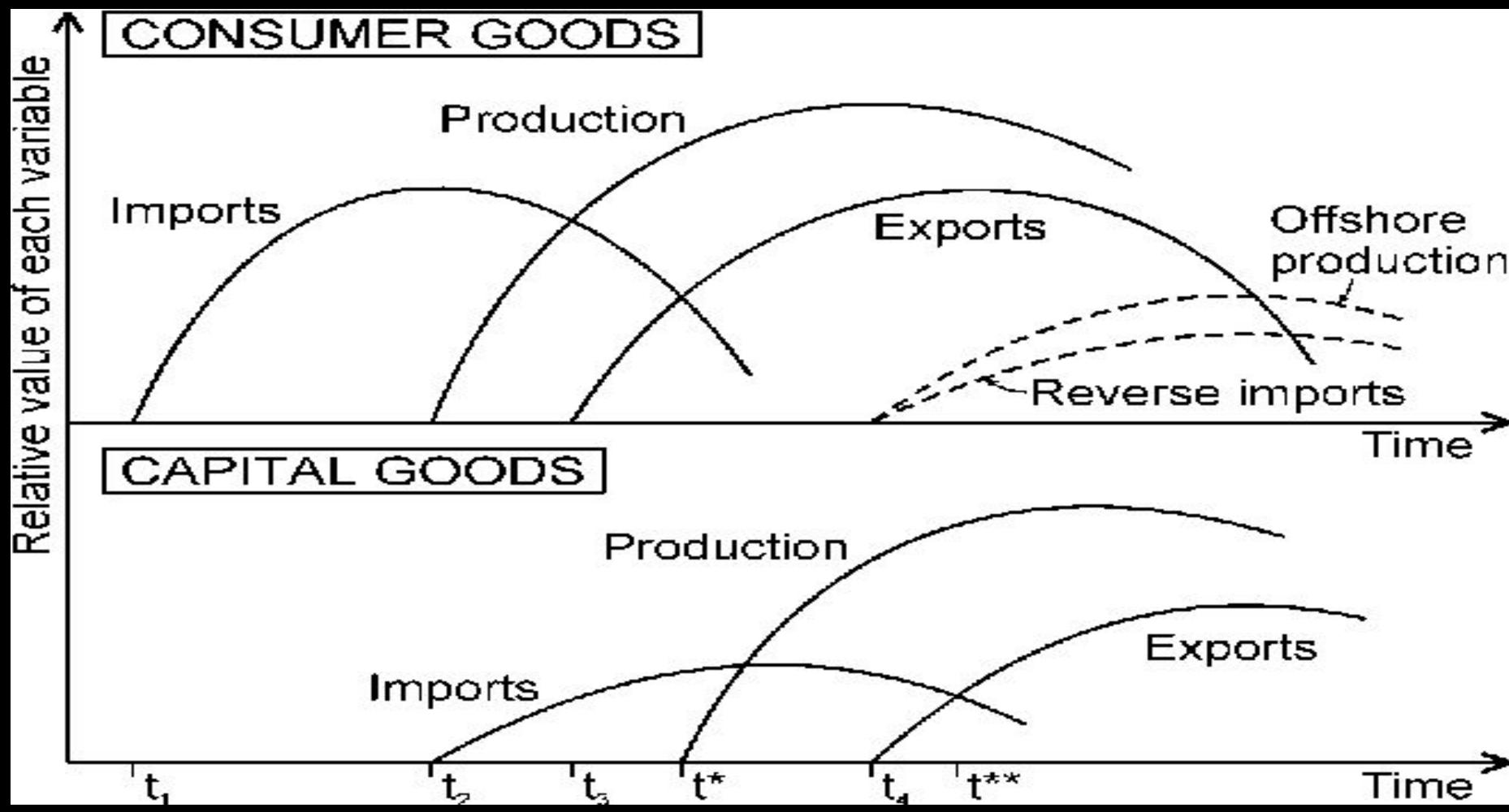
- East Asian economies have become known as the “East Asian Miracle” because of their economies’ dramatic growth.
- Starting from the modern economic growth of Japan from 1885, the other ASEAN countries joined the queue.
- The NIE’s or newly industrialized economies started their export oriented economic growth in 1960’s.
- The decade following 1987, East Asian Economies enjoyed high economic growth, following which the world bank quoted this phenomenon in its reports published in 1993 as “The EAST ASIAN MIRACLE.”

**Nominal Exchange Rates of Asian Currencies
against US dollar
(1997.1=100, in US dollar per own currency)**



Flying Geese Paradigm

- The flying geese (FG) model intends to explain the catching-up process of industrialization of latecomer economies from the following three major aspects:
 - **Intra-industry aspect:** product development within a particular developing country, with a single industry growing over three time-series curves, i.e., import (M), production (P), and export (E).
 - **Inter-industry aspect:** sequential appearance and development of industries in a particular developing country, with industries being diversified and upgraded from consumer goods to capital goods and/or from simple to more sophisticated products.
 - **International aspect:** subsequent relocation process of industries from advanced to developing countries during the latter's catching-up process.



60 Years of Asian Industrialisation commenced with Japan in the 1950s and will conclude with Myanmar



Conclusion

- Japan's economy has gone a full life cycle with being very productive in 1980's and then the problem of high deflation in 2000's hit them.
- From 1955 to 1970s Japan entered the phase of rapid growth supported by government laws.
- Now Japan have stabilized their economy by the help of few well managed decisions or steps.
- But Japan's economy still faces few challenges like negative population growth.

References

- Postwar Development of the Japanese Economy by Otsubo_NagoyaU
- https://en.wikipedia.org/wiki/Economy_of_Japan#Overview
- <http://www.thebubblebubble.com/japan-bubble/>
- <https://www.youtube.com/watch?v=4hONxeG8-94>
- <https://www.nap.edu/read/5850/chapter/5#38>
- Japan and the East Asian Economies: Prospects and Retrospects in the Early Twenty-First Century- Working Paper Series-03/04-No. 1

Our Presentation is Dedicated to
Humanity

Thank You