

Globalization and its Effect on Japan and South Korea

Japanese Culture and Business

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Globalization has the ability to completely transform a country in either a positive or negative way. In the cases of both Japan and South Korea, they have seen positive growth from globalization after World War II and were able to quickly become economic powerhouses. After what had been a disaster for the Japanese in World War II, they had to rebuild and with the help they received from being globalized, they were able to bounce back as an economic world power. There was a long and difficult road for Japan to get to where they are today. However globalization's impact has not all been positive and as of recently, they have seen their economies growth come to a standstill due to high government debt, stagnant wages, and prices. There are also unintended results that occur from globalization like the rise of fashion, gaming, and Kpop to name a few. Due to its different effects, one cannot know if globalization is a good or bad thing, but what we do know is that countries that have been globalized never remain the same as they once were.

Globalization in Japan and South Korea saw its biggest positive impact on the two countries after World War II. Both countries shot up amongst the top economic powers in the world. There were driving factors behind the historical wave of globalization in Japan and Korea post World War II including the fact that Japan didn't need to spend any money on military, since

the US had troops occupying the country. Thus, instead of all the money that would be spent on military power went towards the economy. The post World War II era from 1955 to 1990 was labeled as the economic miracle for Japan because they were able to go from being nothing to becoming the second largest economy in the world. Their quick rise to the top was so unique and surprising because Japan had no natural resources, so they had to make their rise through industrialization. The economic miracle started in 1955 because, “much of the rapid growth prior to that year may be said to be due to the elements of recovery” (Ozaki, 173). The rise of Japan’s economy is largely due to, “three outstanding non-trade items that have helped to sustain Japan’s balance-of-payments equilibrium after the war” which include “(a) U.S. economic aid till 1950; (b) special procurement revenues from 1950 on; and (c) inflow of foreign capital since 1960” (Ozaki, 173). Korea on the other hand took longer to recover after World War II due to the breakout of the Korean war which delayed their economic rebuild. However in the 1960’s and 70’s, “South Korea achieved economic development under president Park Chung-hee’s political leadership” and he did this by using a strategy that “promoted economic growth through labor intensive manufacturing exports, in which South Korea could develop a competitive advantage” (Hong Choi, 116). Through their efforts and work ethic which included, “orchestrating energy, water and research and development with educating and training the necessary scientific manpower to achieve the economic development plan” which led to “rapid economic growth in exports and subsequent increases in per capita income to US \$4830 in 1989, reaching the US \$20,000 milestone in 2007” (Hong Choi, 116). Globalization allowed South Korea to become the economic superpower it is today by helping it become an independent nation and remaining

close allies as well as trade partners with the United States. In these ways, globalization has helped Japan and South Korea grow as nations and become economically successful even with their lack of natural resources.

Japan and South Korea have been able to find humongous success economically and have created companies that are now household names. Two of these companies include Samsung, which is a Korean company, and Toyota, which is Japanese. Toyota has been growing ever since the company was founded in 1937. The company was able to create an extremely efficient system which improved, “the company’s logistics and production processes especially as they related to minimizing inventory, involving employees in the process of managing their jobs, and defining the manufacturing process so that it could handle multiple products easily” (Michigan Ross School of Business, 2010). By focusing on efficiency and working as a unit rather as individuals, Toyota was able to become a global power providing cars for countries all over the world. By 2010 “it was the largest car company in the world, having produced 8.9 million vehicles worldwide in 2008” (Michigan Ross School of Business, 2010). Samsung on the other hand hit its growth spurt rate and it wasn’t until 1996 that “the chairman of Samsung Group, grew frustrated by the company’s lack of innovation and concluded that in order to become a top brand, Samsung needed expertise in design, which he believed would become ‘the ultimate battleground for global competition in the 21st century’” (Yoo & Kim, 4). By focusing on the design, Samsung has seen huge success. For example, “with its Galaxy Note series, Samsung introduced a new category of smart- phone—the phablet—which has been widely copied by

competitors” (Yoo & Kim, 4). A lot of their success in being able to become a household name can be credited to building “design competency in-house rather than [importing] it” (Yoo & Kim, 4). This strategy has paid off big for the company and “Numerous Samsung executives now agree that dependence on outside expertise would have done long-term damage” (Yoo & Kim, 5). Samsung has been able to do what many companies weren’t able to do which is survive the “revolution led by the iPhone” something that “the mobile divisions of former competitors such as Nokia, Motorola, and Ericsson” were unable to adjust to (Yoo & Kim, 5). As two of the most prosperous companies from Japan and South Korea, they had to think outside the box and take innovation to a whole new level in order to become household company names all over the world.

Globalization has also left a negative impact on both Japan and South Korea as of recently with both countries facing stunted economic growth, government debt, and long periods of stagnant wages and prices. The period of economic growth ends in 1990 for Japan and they soon find themselves in some hot water. The economy has become stagnant and there was a giant bank crisis which led to a humongous stockpile of debt. This led to a falling GDP growth, the market crashing, and recession. These events then caused a chain reaction where people were saving their money rather than spending it and the yen became stronger, which was bad for exports. Companies start to hire more part time and temporary workers which was not common until this period of time. They did still hire lifetime employees, but they had to adjust due to their crisis and had to hire part timers as well as temporaries since the companies were hiring less.

Japan was able to make its global economic impact due to its industrialization yet, “industrial productivity [had] barely risen since 1990, whilst between 1992 and 1996, the economy lost one million manufacturing jobs” (Katz 1998). The automobile industry in Japan is a prime example of how Japan has been on the downhill since 1990. This can be seen in the numbers as, “since 1990, motor vehicle production in Japan has fallen 25%, although world production has risen 3.2%” (Cowling & Tomlinson, F373). Companies such as “Toyota, Nissan, and Honda have all stated a medium term ambition to manufacture more cars overseas than in Japan” (Dicken, 1998). This is one example of a sector in which “exports are increasingly becoming replaced by overseas production, whilst the Japanese home market is gradually being supplied by Japanese affiliates, predominantly based in East Asia” (MITI, 1998). From a numbers perspective, the drop was significant as “in 1996, Japanese foreign affiliates procured just 37% of their intermediate supplies from Japan, compared with a figure of 55% in 1986” (MITI, 1998). The impact from outsourcing has also taken a toll on traditional business practices such as the diminishing of the “traditional role of the keiretsu, once a key feature of Japan’s industrial structure” which is a system in which businesses work closely with each other in order for all to succeed (Cowling & Tomlinson, F376). South Korea on the other hand was thriving economically after the Korean war took place from 1950-1953, but their hot streak came to an abrupt stop when South Korea underwent an economic crisis from 1997-1998. Some believe that “globalisation is responsible for the crisis because it made the economy increasingly vulnerable to external shock” while other blame “internal problems such as crony capitalism based on Asian values” (Lim & Han, 199). A large part of the blame for the crisis however is due to the

“development model that South Korea [had] pursued” after the Korean war (Lim & Han, 199).

The crisis had revealed the models “inherent limits to further development” (Lim & Han, 199).

Since the crisis was so unexpected, “South Korea asked the International Monetary Fund (IMF) for emergency bailout aid” and after that, “the South Korean economy has undergone a structural adjustment programme following IMF’s neo-liberal prescription under its stewardship” (Lim & Han, 198). China’s growing economy affects both Japan and South Korea as both countries have begun to outsource more and more production to China which is decreasing the number of exports in both countries. As a result of these problems both Japan and South Korea are in reconstruction mode trying to find a solution to stabilize their economies and return to their status’s of being the “Asian Tigers”.

Currently both Japan and South Korea are attempting to jumpstart their economies again so that they can continue to compete with the western nations. Prime Minister Abe has been attempting to make reforms which would help Japan’s economy through a series of strategies which have been labeled “Abenomics”. Abenomics is built upon the three arrows: monetary policy, fiscal policy of public spending, and structural reform. The first arrow, monetary policy, came into effect after Abe was elected in December of 2012 and he began his reconstruction of the Japanese economy immediately. Prime Minister Abe made the argument that “the Bank of Japan should increase its inflation target and engage in ‘unlimited easing’” and after Abe demanded this from the bank, they complied and announced “a 2 percent inflation target at its meeting on January 22, 2013” (Hausman & Wieland, 2). As a result of this on April 4, 2013, the bank “promised to reach this target in two years through open-ended asset purchases and a

doubling of the monetary base” (Bank of Japan 2013b). Abe then took his plan to the next step which was his fiscal policy but he had more trouble putting it into effect by deciding “to utilize the supplementary budget for the fiscal year of 2012 in order to boost its economy” (Song, 114). Shortly after Abe’s success in implementing his monetary policy “the Diet passed a 2 percent of GDP ‘supplementary budget’” but “consumption taxes rose from 5 to 8 percent in April 2014” (Ito 2013). In order to implement fiscal policy the strategy includes spending more government money and lowering taxes in order to improve the economic setting. While the consumption taxes led to some negative effects they weren’t damaging enough to slow down Abe from carrying out his plan. The first two arrows of the economic reform plan focus on the “improvement of macroeconomic conditions, the third arrow of Abenomics encompasses a wide array of social and economic policies” (Song, 114). This part of the plan “would bring forth Japan’s sustainable economic growth by promoting private investment, increasing labor productivity, and boosting overseas and domestic demands” (Song, 114). The third arrow of Abe’s plan “consists of structural reforms to increase Japan’s potential GDP growth” (Hausman & Wieland, 3). Abe’s proposed reforms for this part of his plan “include relaxations of labor market rigidities, less protection for farmers, and utility deregulation” (Hausman & Wieland, 3). Another part of Abe’s third arrow includes womenomics, which increases the employment of women “in order to solve the problems of labor shortage, sluggish economic growth rates, and the mounting costs of social welfare programs” (Song, 113). Since Japan is a male dominated society, women tend not to pursue careers as much as in other countries. After the stagnation and Abe being elected into office, Abe decided it was time for change and that more women should

enter the labor force. Abenomics has been successful so far and has most definitely improved the economy but only time will tell whether it is the long term solution that the country needs.

After the economic crisis of 1997-1998 South Korea began to “undergo an economic restructuring based on neoliberal, free market principles” (Hart-Landsberg, 89). In order to rebuild from the crisis the government had to make financial reforms where “the government closed or merged insolvent financial institutions and strengthened the capital base of viable ones, writing off non-performing loans and re-capitalising financial institutions” (Lim & Han, 201). The first step to doing this was by “nationalising two commercial banks, Korea First and Seoul, and selling them to foreign investors” (Lim & Han, 201). Part of the problem during the economic crisis included “chaebol over-expansion, mismanagement, and overall inefficiencies” (Lim & Han 201). Chaebol is what the South Koreans call family owned business conglomerates and in order to reform they had to fix five problems there were. The first step “was to transform chaebol ownership structure, separating ownership from management” (Lim and Han, 201). The next step to the plan was to “reform chaebol corporate governance through consolidated financial statements, independent external audits and reduction of intra-group mutual payment guarantees” (Lim & Han, 201). The third step “was to streamline operations by selecting three or four core business lines and cutting unrelated subsidiaries” (Lim & Han, 201). After cutting the subsidiaries the next step “was to decrease the debt equity ration” and after that the last step “was to increase chaebol transparency and accountability” (Lim & Han 201). After the financial and chaebol reforms there came a third category which was labour reform. In an attempt to please everybody, “the government formed a tripartite committee of representatives from labor unions, corporate sector, and government” (Lim & Han, 201). This committee did not last long however

“because the labor unions were dissatisfied with the government's pro-management tendency and withdrew from the committee” (Lim & Han, 202). This part of the reform was “focused on the reorganisation and restructuring of the government as well as privatisation of government owned corporations” (Lim & Han, 202). North Korea damages South Korea's market due to their aggressiveness during times of military tension. While South Korea is still one of the top economies in the world and has very high potential for economic growth, the future remains uncertain for them and whether their reforms will work in their favor in the long run.

Globalization has also had unintentional impacts which have led to emerging trends which have gone big on a global level. Both South Korea and Japan have introduced the world to things such as Kpop, influential movies, and anime. The movie industry in South Korea is so big it actually tops the hollywood market. The industry has produced iconic movies such as *Snowpiercer* and *The Host* which have seen success in western nations such as the United States. Kpop is another wave that has taken over the world. It stand for Korean pop music and the industry has absolutely blown up. The song “Gangnam Style” by Korean pop sensation Psy became viral and its music video has over two billion views which is the second most viewed youtube video ever right behind Wiz Khalifa’s “See you again”. Anime and manga, which originated in Japan and are comic books which tell stories, have influenced people all over the world. People are obsessed with these comics which often portray stories of adventure and love. These comics have even been made into popular TV series such as “The Death Note” and “Naruto” which have become worldwide sensations and have accumulated millions of fans. There are even conventions for fans of anime and manga. In Bloomington, Minnesota, there is a convention called “CONvergence” where people dress up as their favorite characters from the

popular manga “Sailor Moon” (Winge, 71). Globalization in the case of Japan and South Korea has helped inspire these unique ideas, although unintentionally. One cannot argue that the mixture of cultures and ideas that comes with globalization does not inspire creativity.

There will always be positive, negative, and unintentional effects in a country when globalization takes place. Japan and South Korea have had their fair share of rough patches in their history both economic and political. Globalization takes part of the blames on some of those rough patches but it also played a big part in the rebuilds that took place after those times of struggle.

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