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The Comparative Development between Japan and China

Japan and China are two significant countries in the East Asia region that have a remarkable economic development. Though China and Japan have not started industrializing themselves at the same time, currently they are at the top ranked by the nominal GDP on the world stage. To illustrate, in 2022, Japan is at the third largest ranked for the global economy of 4.9 Trillion USD while China is the second largest of 17.5 Trillion USD. They have a high market free economy. In recent times, according to the Observatory of Economic Complexity (OEC), the top four exports from Japan are electronic integrated circuits (31.3 US billion), motor vehicles - parts and accessories (28 US billion), and machinery and mechanical appliances (83.1 US billion). However, China was the world's top exporter of optical readers (156 US billion), digital cameras and video camera recorders (223 US billion), machinery (86.8 US billion), textiles (60.7 US billion), and transmission gear for radio-broadcasting or television. In this essay, the author discusses the similarity and difference between Japan and China.

In terms of their origin, Japan's industrialization was sparked by its defeat in World War II. In terms of national economy, the Japanese government supported oligopolistic industrial structure throughout the 1950s and 1960s, which fostered big businesses, boosted the power of investment, and further solidified as the backbone of Japan's economy. Following World War II, the Japanese government progressively shifted its primary strategy from a microeconomic focus to one that involved direct market involvement. Also, technology transferred from the developed western nations was crucial in guiding Japan's early industrialisation development. On the contrary, at the same time, China was still a predominantly agricultural country. Industrialization started after the end of the Cultural Revolution and three years of natural disaster until the time of the founding of the People's Republic of China in 1978. Starting from 1978, China has had an economic strategy called "reform and opening up" - the process that China turned its industrial organization from being a state ownership to granting authorization to entrepreneurs - to launch firms and the opening up of the nation to international investment. It is because technological advancement and structural change went hand in hand with the rise in industrial value-added as China learned from European countries such as Germany.

In terms of similarity, both countries have invested in Research and Development (R&D). For Japan, since Japan experienced the worst long-term economic slump after World War II, with the greatest unemployment rate. Japanese development was carried out using equipment and technology imported from the West; they learned, and avoided mistakes from these nations. Japan started engaging in technology innovation on a variety of levels to help it adapt to new problems. The Japanese government formerly encouraged private companies to participate in R&D by offering low-interest loans at a specific ratio. Additionally, enterprises, rather than universities or other organizations, account for 80% of R&D spending and nearly 60% of all scientific employees, which laid a strong basis for technical innovation. As a result, R&D produced a high production value. Similar to China, there are three basic forms from the perspective of China's R&D expenditure structure: government-led, double-led, and business-led. To illustrate, in the early stages of industrialization, the amount of money invested in R&D by businesses was quite low. Yet, the government played a big role in directing and funding R&D operations, which may both assist businesses develop quickly and advance industrialization. The structure of R&D input changed along with the increase in industrialisation. The requirements of technological innovation can no longer be met by a government-led approach. To give an example, government funding for R&D fell from 54.9 percent in 1990 to 50 percent in 1995 before reaching 33.4 percent in 2000. In a nutshell, China is steadily shifting from a government-led to a business-led economy.

In terms of Foreign Direct Investment (FDI), in comparison to other industrial nations, Japan nevertheless had an exceptionally low level of FDI intake, in spite of some efforts and compromises made by the government. Japan addressed the issue of funding deficit during the industrialisation process by accumulating large amounts of tiny multilateral concessional loans. To illustrate, the Foreign Capital Investment Law was enacted in Japan in 1950. It mandated that initiatives involving foreign investment be subject to thorough scrutiny and that the foreign capitals chosen for implementation must comply with the standards such as helping the growth of Japan's core sectors and the general welfare or improving the balance of international payments. On the other hand, China much relied on FDI. China became the world's largest beneficiary of FDI in 2002, surpassing the United States for the first time. The use of foreign capital in China has risen further as a result of the acceleration of economic globalization and China's entry into the WTO in 2001. The effects of foreign investment on the Chinese economy are now more profound. Foreign investment may have a variety of advantageous consequences, such as closing the investment gap, bringing in superior technologies, establishing a competitive environment, and more.

As a result, however, in 2010, while a fall in exports and customer needs has damaged Japan, China, overthrowing Japan, was acknowledged as having the second-biggest GDP in the world, the largest economy in Asia, and the greatest economy in terms of purchasing power parity. It is because of the international relationship between China and America. To illustrate, American businesses saw China's investment prospects quickly and were drawn to the country's sizable pool of inexpensive labor. Since they could save a lot of money on labor in China, many businesses decided to outsource production there. Most of what was eaten in the United States during the beginning of the 2000s was made in China. Under Hu Jintao, President of the People's Republic of China from 2003 to 2013, this sparked even more extensive economic reform, resulting in a 48 percent decline in state-owned businesses between 2001 and 2004 and a 50 percent domestic private sector share of China's GDP by 2005. Also, the current global trade war between the United States and China has had a significant impact on the world economy. The rise in taxes on Chinese-made goods has had a significant impact on U.S. importers due to the U.S. and China's large trade deficit of $419 billion in 2018. The rush to send as many cargoes to the United States before the tariff deadline resulted from the tariff threats in 2018. As a result, there was an increase in expenditures for the merchandise that was kept in warehouses around the nation. These costs will be passed on to customers. The U.S. importers, therefore, are trying to determine whether to bring in more items early or wait first to see if China and the U.S. can achieve a deal in light of more tariff increases that have declared the next round of more than 300 billion US dollar on the agenda.

Nowadays, due to COVID-19, the economy slows down. in Japan, with the population of 125 million people, there are laborers of 69.6 million consisting of the employed 60.5% and unemployed 2.6%. Japan’s GDP per capita is 39,340 USD. Japan is currently seeing a rush of college graduates joining businesses in formal events after enduring the rigors of the employment process, or "a mass hiring season." However, despite a habit of devoting life to work, with the trend of “Work From Home,” employers have been taking aim at the system, claiming that agility will boost their ability to compete. With the epidemic, pressure is now increasing from the opposite side as well: people who work from home have more time to reevaluate their employment and lifestyles. Many people seek change. The population of Tokyo workers fell to slightly under 14 million, for the first time since 1996. On the other hand, In China, now, with a population of 1.4 billion people, there are 783.9 million laborers in the market, containing 63.5% employed and the unemployed 5.8%. China’s GDP per capita is 12,359 USD. As a record number of college graduates prepare to enter the workforce this year and economic growth is at jeopardy because to COVID-19 limits, China reportedly gives subsidies, tax exemptions, and simpler loans to improve prospects for these graduates. Also, small businesses are the target of the subsidies, whilst graduates creating start-ups stand to gain from tax benefits, more lenient lending terms, and even rent-free space.

To summarize, Japan and China are the East Asia countries that have economic power among the rest of the countries in the world. The citizens have had quite good welfare compared to the other countries in the same region. The reasons behind are that they share some similarities not just in terms of economics, such as industrialization, but also in terms of politics, such as exchanging knowledge and technological productions with Western nations. Still, they differ greatly in many other ways as well, such as geographically, for example, China has the greatest population while Japan is an island nation with little natural resources, and economically, for instance, China is a communist nation while Japan is a capitalist nation.

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