

## **The Negative Impact of the Economic World crisis on Japanese Economy**

The economic crisis which has started in the United States of America towards the end of the '90s has gradually extended to all the countries of the world.

Having a strong financial character, the effects are also felt in the Japanese economy having certain specific peculiarities.

Japan, which is also called The Asian Tiger, is nowadays the second economic world power. Together with the United States of America, China and Western Europe, Japan is able to influence the economic development of the whole world. Japan's economy was reduced in the 2009's first trimester with a record yearly rate 15,2 %, in the context of export's lowering and of consumers' expenses diminution, which was probably the most severe period of Japanese recession. The re-examined dates concerning GDP from the fourth trimester shows its diminution with 14,4 %, conformable to official statistics. Totally, the economy was reduced with 3,5% in the fiscal year finished on 31-th Mars, that means the most severe lowering from 1955, when began the collection of these dates.

Export goods diminished without preceding with 26% in the previous trimester, constraining companies like Toyota or Hitachi to reduce their production, number of entrepreneurs and wages. GDP also diminished with 4% compared with the previous trimester, much over the 1,6% diminution noted on the American market and the 2,5% in Europe.

Japan's economy was reduced fastest in the first trimester of this year because the demand of Japanese cars, electronics and many others goods diminished against the global recession .

The optimism concerning an economical increase has started up on the Japanese money market, when the shares broken the 10000 points' resistance, in the last eight months for the first time. "The optimism concerning recurrence is growing" said Ryuta Otsuka, strategist at Tokyo Securities. "The capital passed in the bond market is returning in the shares' and goods' market.

Although. Japan imports raw materials, it has 60% of the world's robotics, is the 3<sup>rd</sup> in ferrous and non-ferrous metallurgy; is remarkably developed in Computer Science, electronics industry, naval constructions, cars, wood manufacturing, chemical products, cellulose and paper.

Intensive agriculture together with forestry and fishing represent 1,5% of GDP. The prices offered to farmers are 2-3 times greater than the world average.

Among cereals rice occupies 1/2 of the cultivated surface. The net of communication are in full modernization. Among exported products 3/4 are cars, tourism is developed but inefficient at the moment as expenses are greater than the income.

Despite all these things Japan is confronted to the most powerful economic crises which appeared during the last two decades of the 20-th century which lead to the decrease of GDP by 10% to less than 2%. But let's follow Japan's evolution along the way.

After 1945 Japan underwent a thorough and rapid economic renewal which was considered to be exceptional and which happened in two stages.

During the 1950-1970 period the annual average growth rate was of 10%, a real "Japanese miracle". Thus during this period of time there was an increase the urban population, industry underwent a steady development surpassing agriculture and becoming the most important branch of the national economy. The high rate of savings led to the increase of capital and enabled new investments in the most important domains.

During the 1970-1984 period the Japanese industrial output (YO) was explosive, achieving a percentage of 162%, according to the estimates of the International Bank of Reconstruction and Development/World Bank.

By the end of 1980 Japan had surpassed all the developed countries as to the production of ships, cars, motorbikes, cameras, transistors, television sets, electron microscope, synthetic staple fibre and cotton. The material and technical help extended by the USA and the efficient intervention of the state led largely to these achievements.

The influence of these 2 oil crises during this period of time is emphasized. The first forces Japan to diversify its supply resources, fact which reduced its dependence on a single exporting state leading to the increase of investments in research which in its turn leads to the making of cars which require a reduced amount of fuel.

Starting with 1991 and the second oil crisis which decreased the growth rate and the competitiveness of Japanese products on the world market.

The economic policy promoted by Japan was predominantly mercantile, an essential element being the foreign direct investments protected by the USA and the European Union which enabled Japanese firms to open their own subsidiaries abroad.

At the beginning of the last decade of the 20<sup>th</sup> century more and more economic analysts were sure that Japan's supremacy is only a matter of years because: "The inadequate actions of political economy which followed in a period in which all the states of the world found themselves from both recession and financial crisis from South-East"<sup>1</sup> led to economic regression and stagnation. Among the factors which generate these crises are the following:

1. The erosion of trust of the Japanese banking system which had bankrupt renowned commercial banks and some investment firms,
2. Reducing the consumption and therefore of the production owing to a traditional bent for saving,
3. The high rate of public debt.

The summing up of these elements generally affected economy on the whole:

- drastic cut down of exports which were considered "the traditional engine of Japanese economy,
- the aging of the population,
- the structure of the economic and financial system,
- Political rivalry.

In this context we witness the most devastating economic of Japan, which risks leading to the increase of unemployment and to the decrease of the living standard of the population.

According to the economic indicators of the latest period of time we see that:

- the GDP was contracted at an annual rate 12,7% in the last quarter of 2008,
- Export was reduced with 45% January 2008 generally and with 53% by the USA which led to a commercial deficit of Japan of 10 billion dollars.

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<sup>1</sup> Zaharia, Rodica-Milena, *World Economy*, ASE Editure, Bucharest 2004, p.30.

In 1995 Japan's GDP was 5110, 5 billion dollars. The most recent statistics of December 2008 show that:

Economic indicators at the macroeconomic level	Values of these indicators (%) December 2008 compared to 2007
GDP	Under 2%
Decrease of industrial output	with 9,6%
Unemployment rate	4,4%
The acceleration of consumption decrease at	La - 4,6%

- GDP under 2%
- Decrease of industrial output with 9,6%
- Unemployment rate at 4,4%
- The acceleration of consumption decrease at – 4,6%.<sup>2</sup>

The most affected by these crises were the car manufacturers. The Toyota Company cut down on its production by 50% and declared losses of 400 billion dollars, that is 3,3 billion euros in March 2009 and resorted to dismissing personnel.

The cause of this state of affairs is decrease of the demand and the appreciation of the yen which put up the price of the yen.

The Honda Company were less affected by the crisis also declared in March 2009 a decrease of productivity by 35%.

Although some analysts accused the Japanese Government of delayed action to stop the crisis. The Japanese Government started a program of economic revival of 150 billion dollars, of which 21 billion dollars are going to be distributed to the population in order to encourage internal consumption.

Japan, China and South Korea together with other 10 Asian states form a common front to face the financial crisis and have decided to set up a fund of 120 billion dollars to offer liquidity in case of stringent necessity.

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<sup>2</sup> See the Chart at Annex 1

Another financial package contains the sum of 300 billion dollars and is waiting for the Parliament's approval.

Despite of the measures taken or stipulated the trust rate the Japanese Government and the Prime Minister TARO-ASO enjoy dropped to 10%, and the Finance Minister was forced to resign.

At present the opposition Democratic Party is favoured as to winning the future elections undermining the liberal leadership which has been governing since 1953.

The United States of America adhered to Japan and appreciated its financial contribution at the formation of the counter-terrorist coalition in Afghanistan –as a result Tokio was visited first by the American Secretary of State Hillary – Clinton, and Mr. TARO-ASO was the first leader received at Washington after Barack Obama's becoming president.

Together with the economic and financial crisis entwined wit the political one Japan is confronted with a continuous aging of the population about 30% of it is above the age of 60.

The active population was estimated in 2007 at 66.690.000 inhabitants 78% living in the urban environment and the total population is about 127.433.494 inhabitants.

The GDP per inhabitant per capita was 38.930 USD. The population of Japan could decrease to less than 95.000.000 inhabitants in 2050 and the GDP would 38.160 USD per capita.

TOTAL POPULATION	127.500.000 INHABITANTS
ACTIVE POPULATION	66.690.000 INHABITANTS
POPULATION DENSITY	377,2 INHABITANTS/ KM <sup>2</sup>
GDP PER INHABITANT	38.930 USD

According to the last demographic indicators calculated in 2006 one can see that:

BIRTH RATE	8,7 ‰	
GENERAL DEATH RATE	8,6 ‰	
INFANTILE DEATH RATE	2,6 ‰	
LIFE EXPECTANCY IN YEARS	79 MALE	86 FEMALE

- Birth rate 8,7 ‰
- General death rate 8,6 ‰
- Infantile death rate 2,6 ‰
- Life expectancy in years: 79 male și de 86 la female

This continuous aging of the population may partially be explained by the decrease of the internal consumption. The chart of the population of Japan during the period 1950-2007 may be seen Annex 2<sup>3</sup>

To the less favorable prospect of the economy one may add the inappropriate of the economic-financial system.

Thus the great Japanese groups are made up of commercial banks and esurance companies of production which extend down to schools and kindergartens. Politicians are also attracted into this system having the task of supporting the Central Bank. According to the STRATFOR AGENCY this monolithic economic-financial organization disadvantages both the population and the state. This organization implies the adaptation to the new existing conditions on the world arena. As Japan is the 5<sup>th</sup> major polluter power in the world, it is going to reduce carbon dioxide emissions by 6% as they lead to the greenhouse effect. As it was agreed by the Kyoto Protocol the pollution reduction level taken into consideration is the pollution level reached in 1990.

The reduction of the greenhouse gases would be of 50 billion tons according to the RUTERS AGENCY. In 2008 the noxious emissions got to 1371 tons of carbon dioxide.

The issue of is important all over the world because the degradation environment means the destruction of industrial contemporary progress. That is why” the triptych of the fundamental aspirations of the Japanese people could be rephrased in the following

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<sup>3</sup> see the chart at Annex 2

way: the prevention of natural disasters, the defense of the localities and the transformation of the environment in a pleasant place to live. <sup>4</sup>

Only this way are the Japanese people going to live not only in the spirit of tradition but also in the present day world economy.

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<sup>4</sup> Murgescu C., Japan in world economy , Scientific and Encyclopedic Editure Bucharest , 1982, p. 39.

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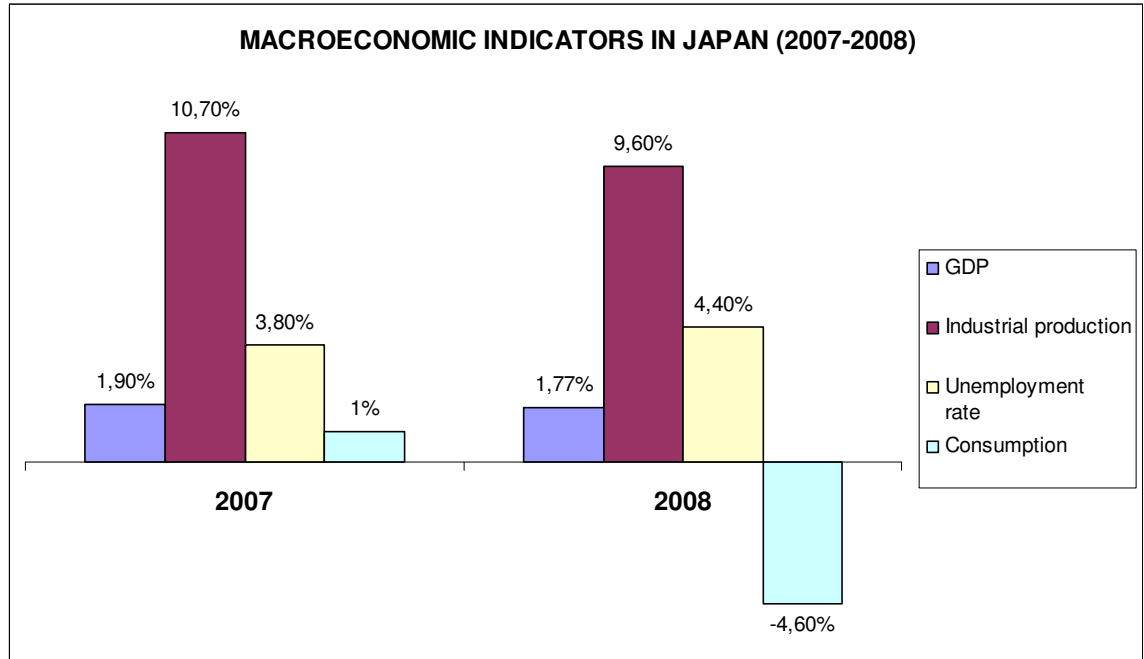
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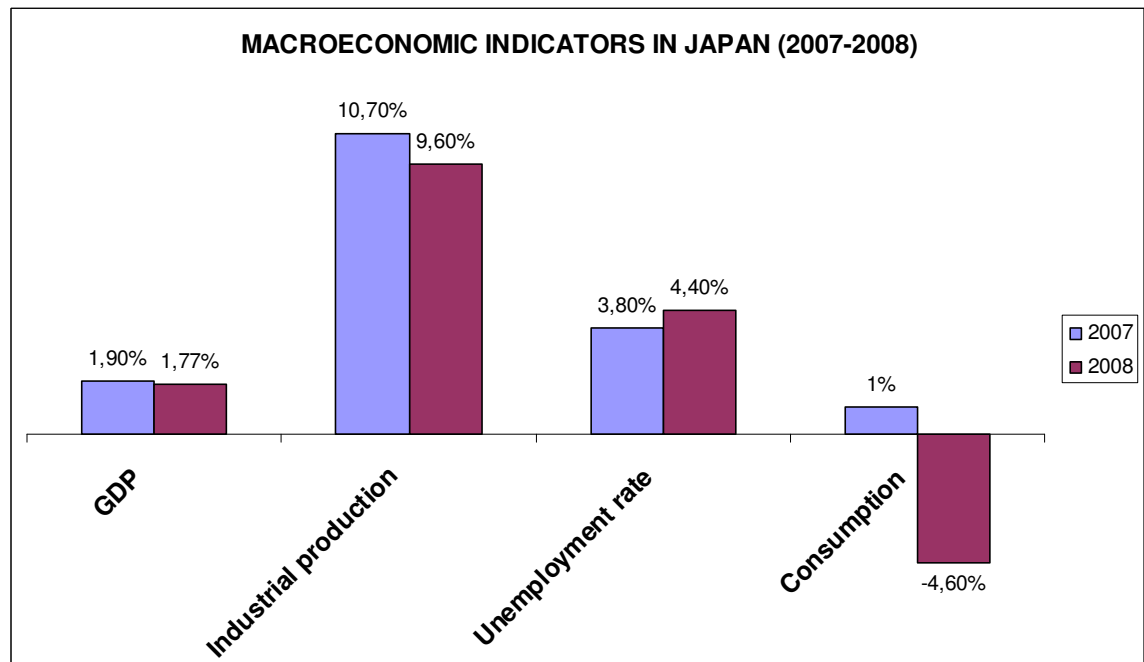
**National Bureau Statistics of Japan**



**ANNEX 1:**



OR



## ANNEX 2:

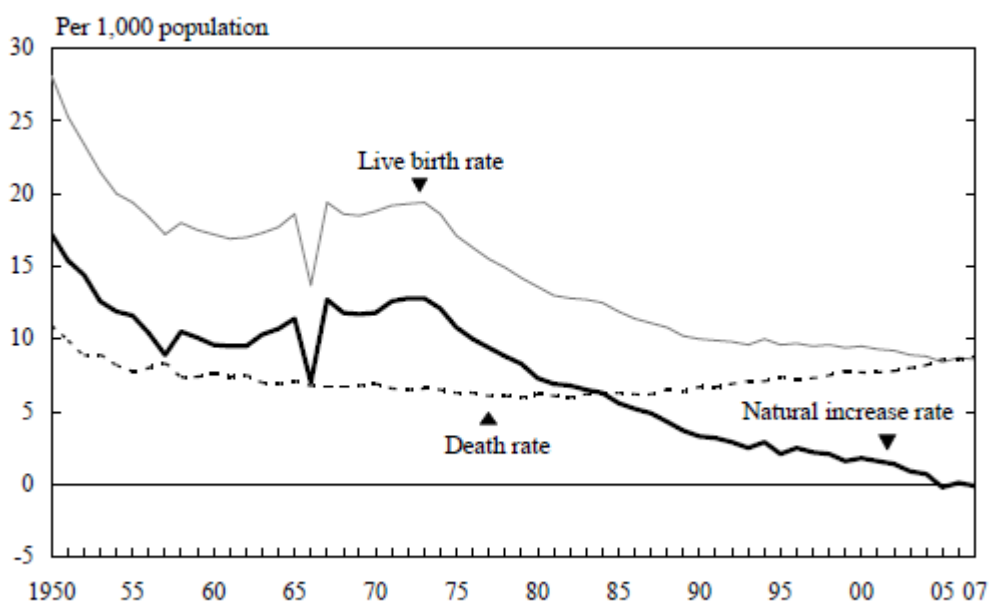
### Vital Statistics

Year	Rates per 1,000 population				Total fertility rate <sup>1)</sup>	Life expectancy at birth (years)	
	Live births	Deaths	Infant mortality	Natural increase		Males	Females
1950	28.1	10.9	60.1	17.2	3.65	a) 59.57	a) 62.97
1955	19.4	7.8	39.8	11.6	2.37	63.60	67.75
1960	17.2	7.6	30.7	9.6	2.00	65.32	70.19
1965	18.6	7.1	18.5	11.4	2.14	67.74	72.92
1970	18.8	6.9	13.1	11.8	2.13	69.31	74.66
1975	17.1	6.3	10.0	10.8	1.91	71.73	76.89
1980	13.6	6.2	7.5	7.3	1.75	73.35	78.76
1985	11.9	6.3	5.5	5.6	1.76	74.78	80.48
1990	10.0	6.7	4.6	3.3	1.54	75.92	81.90
1995	9.6	7.4	4.3	2.1	1.42	76.38	82.85
2000	9.5	7.7	3.2	1.8	1.36	77.72	84.60
2003	8.9	8.0	3.0	0.9	1.29	78.36	85.33
2004	8.8	8.2	2.8	0.7	1.29	78.64	85.59
2005	8.4	8.6	2.8	-0.2	1.26	78.56	85.52
2006	8.7	8.6	2.6	0.1	1.32	79.00	85.81
2007	* 8.6	* 8.8	* 2.6	* -0.1	* 1.34	79.19	85.99

1) The average number of children that would be born alive to a hypothetical cohort of women if, throughout their reproductive years, the age-specific fertility rates for the specified year remained unchanged. a) 1950-52 period.

Source: Ministry of Health, Labour and Welfare.

### Natural Increase of Population



Source: Ministry of Health, Labour and Welfare.