

Master of Arts in Business and Managerial Economics



## New Economy Lecture

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### Japan's Economic Development and Integration into the Global Economy After WW II

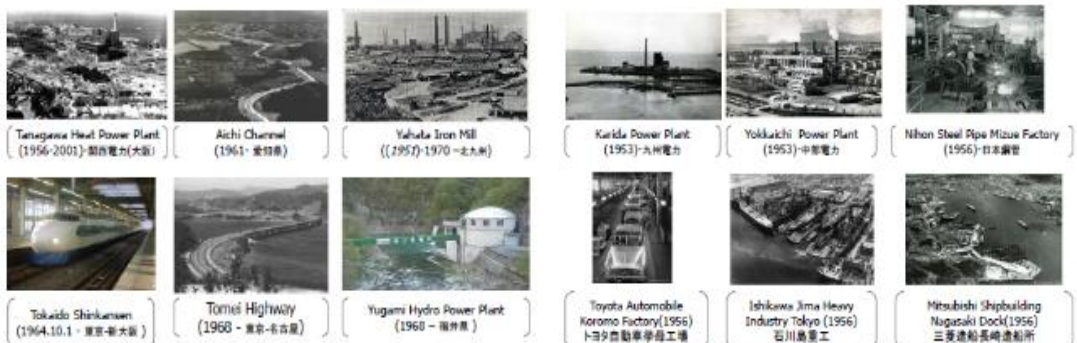
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## Japan's Economic Development and Integration into the Global Economy After WW II

The MABE part-time #22 student visited Nagoya Japan during October 23th-30th, 2023 for their individual study (IS) trip. Before coming back to Thailand, The group was invited to attend the special lecture on the topic “Japan's Economic Development and Integration into the Global Economy After WW II” by professor Tetsuo Umemura from GSID, Nagoya University. We learned how Japanese rebuilt their countries from devastating losses after the WW II to the world leading economy in the twentieth century, and what challenges Japan is facing during her lost decades.

In 1945, Japan had to surrender after the atomic bombing of Hiroshima and Narasaki at the end of the WW II. Since then, Japan have undergone numerous reforms to rehabilitate, stabilize and democratize its economic and social system. Japanese government first restored the coal mining, iron and steel industry, and the nation-wide railway network. Land had been distributed to the poor to increase agricultural productivity. Many labor union acts had been enacted to strengthen worker's rights. Moreover, many conglomerate financial groups namely Mitsui, Yasuda, Mitsubishi, and Sumitomo were also dissolved.

With the admirable determination and eagerness, Japan was able to restore her economy back to the pre-war level in 1955. Japan borrowed the World Bank loans to improve industrial infrastructure especially thermal and hydro power plants, agricultural water canals, expressway networks, and the expansion of steel mills.



In 1960, the Ikeda Cabinet launched “National Income Doubling Plan, 1960-1969” comprised large scale import liberalization and sector-targeted industrial policy. During the 1960s, GDP growth rate of Japan was higher than 10%, and the export sector growth rate was almost double of the GDP growth rate. During this period, Japan also went through industrial structural changes from agricultural sector to service sector. The share of agricultural sector to GDP decreased from 15% to 7%, while the share of service sector increased from 40% to 45%. Japan graduated from developing country status and became a member of OECD on April 28, 1964, and Japanese government finally paid back all loans in 1990.

**Main Macroeconomic Indicators  
in the 1960s / GDP, Investment, Import, Industry**

	1960	GDP Growth rates continued more than 10%						1967	1968	1969	1970
		1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
Per capita GDP (\$)	472							1240	1452	1686	1947
Per capita GDP (yen) growth rate (%)	11.1	11.2	7.6	7.7	10.0	3.5	10.4	9.8	10.7	10.6	8.0
GDP growth (%)	13.1	11.9	8.6	8.8	11.2	5.7	10.2	11.1	11.9	12.0	10.3
Inflation (GDP deflator, %)	7.2	8.1	4.6	5.2	5.7	5.4	5.4	5.5	5.8	4.9	6.9
Current account balance/GDP (%)	0.3	-1.8	-0.1	-1.1	-0.6	1.0	1.2	-0.2	0.7	1.2	1.0
Investment ratio (investment/GDP) (%)	29.0	31.9	32.2	31.6	31.7	29.8	30.3	31.9	33.2	34.5	35.5
Investment growth (%)	32.2	26.4	8.5	12.4	16.5	4.1	13.3	20.3	20.8	17.1	19.1
Export growth (%)	12.8	5.3	17.2	7.0	21.6	23.8	16.9	6.8	23.9	20.8	17.5
Import growth (%)	23.1	26.4	-1.2	19.6	13.6	5.6	12.2	22.7	12.1	13.7	22.6
Growth of employees earnings * (%)	9.3	9.3	9.4	9.0	9.5	10.5	10.6	9.6	10.1	10.5	10.8
Industrial share (Labor, %)	39.7	41.7	4					9.4	9.0	8.9	9.5
Primary sector	30	29	28					19.6	13.3		
Secondary sector	28	29	31								
Tertiary sector	42	42	42	43	44	45	46	46	46	47	47
Industrial share (Value added, %)											
Primary sector	15	14	14	13	11	11	11	11	9	8	7
Secondary sector	45	46	45	46	47	45	44	45	46	47	48
Tertiary sector	40	40	41	41	42	43	45	44	45	45	45

**High growth rate of Export**

**Industrial structure change**  
Primary 15% → 7%  
Tertiary 40% → 45%

Note: Growth rates are calculated from 1990 constant price series. Others are calculated from nominal data.  
\* Average monthly earnings of general employees  
Source: Author's calculation from Statistical Bureau, Ministry of Internal Affairs and Communications (2007).

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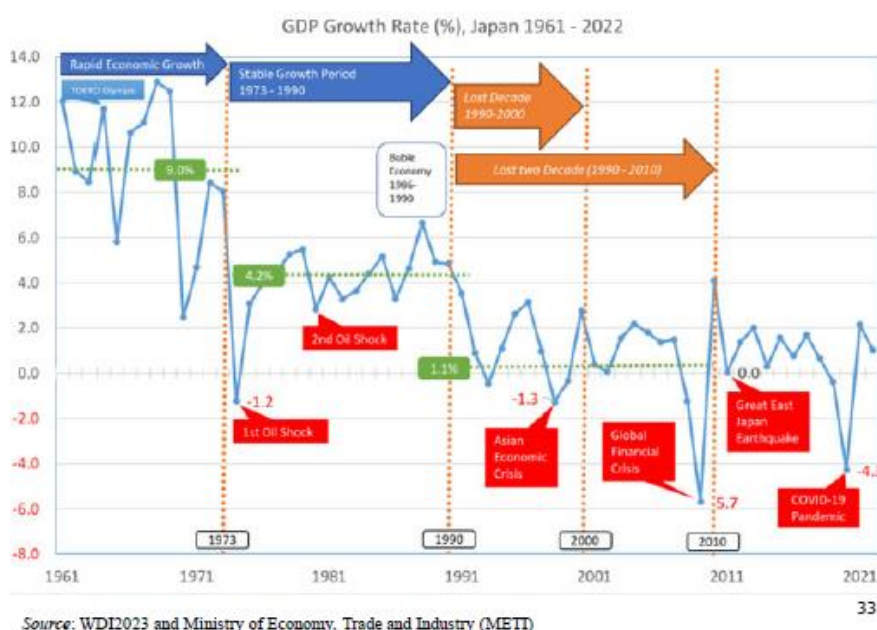
Japan continued to thrive in the 1970s with the technological developments were shift to household use and end consumers. Japanese families enjoyed modern conveniences such as color TV, air conditioner, and car. Japanese cultures spread around the world with the rise of Japanese Animation and food. Japan also hosted two Japanese Expos in Osaka (1970) and Okinawa (1975), which made Japan even more famous for their invention and technological advancement.

However, Japan economy was heavily affected by oil shock crisis. The 1st oil shock led to a skyrocket price level (CPI) of 23.2%, but it also prompted Japan industry to shift from heavy industry to small and energy and resource saving industry. The high inflation also strengthened Japan's export competitiveness. As a result, Japan managed to stabilize its inflation during the 2nd oil shock in 1978.

During the 1970s to the 1980s, GDP of Japan increased over time with the rising share of manufacturing and service industry. The industrial structural transformation also transforms the labor market in the country. From 1960 to 1975, there was a massive surplus of workers migrated from rural prefectures to urban prefectures especially major cities such as Tokyo, Nagoya, and Kansai.

Japan has also put importance on transportation network development. As of April 2023, Japan has 97 airports (including 6 major airports), seaports in 23 provinces, and 6 JRs railway networks that connect all over the country.

However, the high growth period seemed to gradually subside. Japan went from a rapid economic growth period of averagely 9.0% per year during 1960-1972, to stable growth period of averagely 4.2% per year during 1973-1990.



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After that, Japan economy grew at around 1.1% per year and faced many recessions during the major economic crises including Asian Economic Crisis, Global Financial crisis, the Great Japanese Earthquake, and the Covid-19 pandemic. Japanese economists called this period the lost decades.

Despite an attempt to integrate into global economy through international trade and finance, Japan still struggled to achieve high economic growth. China overtook Japan nominal GDP in 2010, and Germany also overtook Japan nominal GDP in 2023. Global trade to GDP ratio had been increasing up to 2005. After that the globalization and free trade are stalled by trade protection, Covid-19, and geopolitical conflict such as Russian-Ukraine war. This also brings about economic challenges to every country.

Japan is not only famous for their culture and tourist destinations, but also one of the world's largest economies. For Thailand, Japan is the largest investor accounting for one third of all foreign direct investment in the country. It is also the third importance trade partner following China and the United States. Japan and Thailand are closely related. If Japan economic growth is slowing down, or facing the recession, Thailand could lose FDI and trade volume.

In addition, Thailand also follow Japan's footstep in many aspects. We are now in an aged society, and we also depend heavily on tourism and export. However, the income level in our country is much lower than that of Japan. It depends on Thai people to learn from the history and develop strategy that will support our country to thrive in this highly competitive economy.