

## **Chapter 2 Japan growing with Asia's development – Asia –Pacific framework toward sustainable growth**

Chapter 1 clarified that, while the international economy gradually recovers from the global financial crisis, emerging economies, particularly those in Asia, are enhancing their presence with their growth rates and their size of economy in the world economy and the world economy is shifting from an unipolar model led by the United States to a multipolar pattern driven by emerging countries, particularly the Asian countries and regions.

This chapter will provide analysis on the Asian emerging countries and regions that will play the main role in this world economic structure change. Section 1 will introduce the Asia economy that is recovering from the global financial economy and section 2 will confirm the changes in the production networks in East Asia that has been supporting the economic growth of the region. Section 3 will present the current status and prospect for the Asian consumption market which has been expanding along with the economic growth. Section 4 will explain about the infrastructure development required for the further progress of the Asian economy. Meanwhile, since there are issues to realize sustainable growth, Section 5 will discuss challenges including declining birth rate and aging population and the environment and energy issues. At the end, Section 6 will emphasize the importance of cooperation in Asia and its extended region, Asia-Pacific, to achieve sustainable growth solving these issues and introduce the framework of APEC that Japan will assume the chairmanship this year, 2010.

### **Section 1 Asia increasing its presence in the world**

Asian economy had been presenting so called a wild-goose formation economy development model having Japan as its leader followed by NIEs including Korea, Hong Kong, Taiwan and Singapore, then ASEAN, China and India. However, the rapid growth of China and India is recently changing the Asian economic growth model. Moreover, the immediate recovery from the global financial crisis has increased the significance of the status of the Asian economy in the world economy. It is becoming more important for Japan to contribute for the sustainable growth of the Asian economy which has been demonstrating brisk development and try to correlate the expansion of Asia with the growth of Japan.

This section will analyze growth factors for the Asian economy that is enhancing its presence and keeps expanding in the world economy primarily from the viewpoint of economic structure. Furthermore, we will confirm the recent trend of the Asian economy which quickly recovered from the global financial crisis ahead of other countries and provide analysis for the driving force of the economic recovery. Moreover, we will verify the trend of outward direct investment of China<sup>1</sup> that is rapidly growing and projected to become the world second largest economic power surpassing Japan in 2010.

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<sup>1</sup> IMF “World Economic Outlook Database, October 2009”

## **1. Asia in the center of the world growth**

### **(1) Overview of Asian economy**

Backed by the leap of China after joining WTO in 2001 and the potential of India for further growth, the Asian economy is enhancing its presence in the world economy every year.

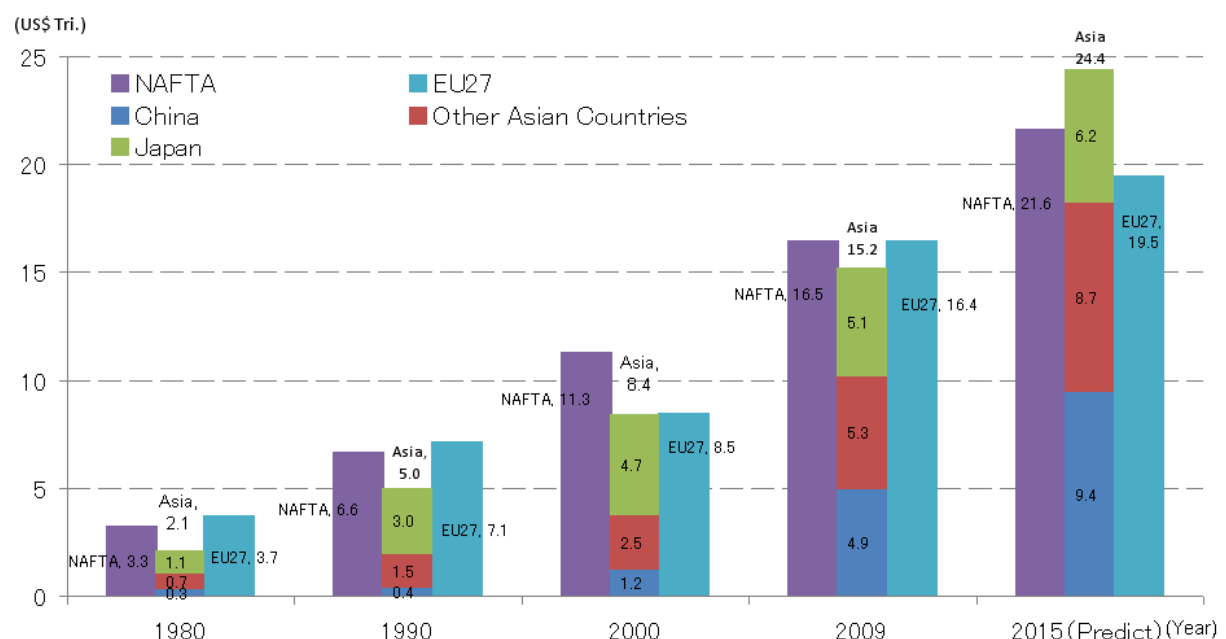
The size of Asian economy which was some \$2 trillion in 1980 reached some \$15 trillion in 2009 (see Figure 2-1-1-1). According of IMF's forecasts, it is expected to grow to an economic zone of some 24.4 trillion in 2015 superseding NAFTA and EU.

One of the characteristics of the Asia economy which is enhancing its presence in the world economy is the population size which accounts for 50% of the world population. Particularly, the comparison with NAFA with 440 million people or EU with 500 million people represents the significant, and the population of Asia, which is 3,300 million people, is more than 6 times larger than each (see Figure 2-1-1-2).

Another characteristic is low GDP per capita levels. In 2009, nominal GDP per capita in Asia was \$4,391, which is less than one seventh of the size of NAFTA of \$36,708 and EU of \$32,913. This is due to the low GDP per capita of the countries with a large population. Nominal GDP per capital of China with 1.3 billion people of population was \$3,658 while the number of India was \$1,031 in 2009. In addition, the disparity in Asia is large. GPD per capita by region in Asia in 2009 shows that the number of Australia, \$45,586, was the largest while the Myanmar's \$459 was the smallest. There is about 100 times of difference.

As of 2008, Japan's Asia-bound exports account for 42.4% of total exports and its imports from Asia consist of 43.7% of total imports. Japan's outstanding balance of the direct investment in Asia is 23.2% of Japan's total outstanding direct investment balance at the end of 2008. Geographically and economically, Japan and Asia have close relations.

### **2-1-1-1 Trends for Share of Countries/Regions of Global Nominal GDP**



Note: "Other Asian Countries" includes ASEAN and other 6 countries except Japan and China.

Source: IMF "World Economic Outlook Database, 2010 April "

## 2-1-1-2 Overview of Asian Economies

|                               | Population                | Nominal GDP               | Per-capita Nominal GDP | Total Amount of Foreign Trade | Total Amount of Imports | Total Amount of Exports | Amount of Exports to Japan | Amount of Imports from Japan | Direct Investment from Japan | Balance of Direct Investment from Japan |
|-------------------------------|---------------------------|---------------------------|------------------------|-------------------------------|-------------------------|-------------------------|----------------------------|------------------------------|------------------------------|---|
| Year                          | 2009                      | 2009                      | 2009                   | 2008                          | 2008                    | 2008                    | 2008                       | 2008                         | 2008                         | end of year 2008                        |
| Unit                          | 1 hundred million persons | 1 hundred million persons | \$                     | \$ 1 thousand million         | \$ 1 thousand million   | \$ 1 thousand million   | \$ 1 thousand million      | \$ 1 thousand million        | \ 1 hundred million          | \ 1 hundred million                     |
| Brunei                        | 0.004                     | 11                        | 26,835                 | 13                            | 10                      | 3                       | 4.2                        | 0.2                          | 42                           | -                                       |
| Indonesia                     | 2.32                      | 539                       | 2,325                  | 266                           | 137                     | 129                     | 27.7                       | 15.1                         | 739                          | 7,699                                   |
| Malaysia                      | 0.28                      | 191                       | 6,838                  | 356                           | 200                     | 157                     | 21.5                       | 19.6                         | 618                          | 6,990                                   |
| Philippines                   | 0.92                      | 161                       | 1,750                  | 110                           | 49                      | 60                      | 7.7                        | 7.1                          | 737                          | 7,042                                   |
| Singapore                     | 0.05                      | 177                       | 37,946                 | 659                           | 339                     | 320                     | 16.7                       | 25.9                         | 1,122                        | 17,615                                  |
| Thailand                      | 0.67                      | 264                       | 3,939                  | 352                           | 173                     | 179                     | 19.7                       | 33.6                         | 2,093                        | 18,533                                  |
| Cambodia                      | 0.14                      | 11                        | 790                    | 12                            | 4                       | 8                       | 0.1                        | 0.2                          | 38                           | -                                       |
| Laos                          | 0.06                      | 6                         | 895                    | 4                             | 2                       | 3                       | 0.02                       | 0.1                          | 3                            | -                                       |
| Myanmar                       | 0.60                      | 28                        | 459                    | 14                            | 7                       | 7                       | 0.3                        | 0.2                          | -4                           | -                                       |
| Vietnam                       | 0.87                      | 92                        | 1,063                  | 143                           | 63                      | 81                      | 8.5                        | 8.6                          | 1,130                        | 2,986                                   |
| <b>Total of ASEAN</b>         | <b>5.91</b>               | <b>1,480</b>              | <b>2,504</b>           | <b>2,104</b>                  | <b>984</b>              | <b>946</b>              | <b>106.5</b>               | <b>110.7</b>                 | <b>6,518</b>                 | <b>61,078</b>                           |
| Japan                         | 1.28                      | 5,068                     | 39,731                 | 1,545                         | 783                     | 762                     | -                          | -                            | -                            | -                                       |
| China                         | 13.42                     | 4,909                     | 3,658                  | 2,561                         | 1,429                   | 1,132                   | 116.2                      | 150.8                        | 6,700                        | 44,239                                  |
| South Korea                   | 0.49                      | 833                       | 17,074                 | 862                           | 427                     | 435                     | 28.3                       | 61.0                         | 2,447                        | 10,996                                  |
| <b>Total of ASEAN+3</b>       | <b>21.09</b>              | <b>12,289</b>             | <b>5,827</b>           | <b>7,072</b>                  | <b>3,623</b>            | <b>3,275</b>            | <b>250.9</b>               | <b>322.5</b>                 | <b>15,665</b>                | <b>116,313</b>                          |
| India                         | 11.99                     | 1,236                     | 1,031                  | 459                           | 178                     | 281                     | 3.2                        | 7.3                          | 5,429                        | 8,523                                   |
| Australia                     | 0.22                      | 997                       | 45,586                 | 397                           | 186                     | 211                     | 41.2                       | 19.1                         | 5,369                        | 17,249                                  |
| New Zealand                   | 0.04                      | 118                       | 27,261                 | 65                            | 31                      | 34                      | 2.6                        | 2.8                          | 618                          | 1,300                                   |
| <b>Total of ASEAN+6</b>       | <b>33.34</b>              | <b>14,640</b>             | <b>4,391</b>           | <b>7,993</b>                  | <b>4,017</b>            | <b>3,802</b>            | <b>297.9</b>               | <b>351.7</b>                 | <b>27,081</b>                | <b>143,385</b>                          |
| NAFTA                         | 4.49                      | 16,468                    | 36,708                 | 4,472                         | 2,048                   | 2,955                   | 79.0                       | 177.1                        | 46,375                       | 214,013                                 |
| (USA only)                    | 3.07                      | 14,256                    | 46,437                 | 3,180                         | 1,300                   | 2,166                   | 66.6                       | 143.4                        | 44,617                       | 204,584                                 |
| EU                            | 5.00                      | 16,447                    | 32,913                 | 10,810                        | 5,901                   | 6,152                   | 62.3                       | 110.8                        | 23,431                       | 146,058                                 |
| Others                        | 24.51                     | 10,382                    | 4,236                  | 6,268                         | 4,053                   | 3,623                   | 243.1                      | 189.6                        | 35,433                       | 113,944                                 |
| <b>Total of All Countries</b> | <b>67.34</b>              | <b>57,937</b>             | <b>8,604</b>           | <b>32,550</b>                 | <b>16,019</b>           | <b>16,531</b>           | <b>682.4</b>               | <b>829.3</b>                 | <b>132,320</b>               | <b>617,400</b>                          |

Note: Per-capita Nominal GDP = Nominal GDP / Population

Source: IMF"World Economic Outlook Database April 2010" for the figures for the Nominal GDP / IMF"DOT" for the figures for the amount of foreign trade / Ministry of Finance, Bank of Japan "Balance of