



MODERNIZATION OF THE JAPANESE ECONOMY

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ABSTRACT

This article discusses and analyses the main problems and development of Japan in the period from 1853 to 2022. An analysis of the current demographic problem in the country and ways to solve the trade deficit are presented.

KEYWORDS

Budget reformation, population aging, transport infrastructure, deficit, foreign investments, natural disasters.

INTRODUCTION

The relevance of this topic is that the role of the Japanese economy in the modern system of world economic relations plays a high role. This is primarily due to the stable and high growth rates of the country's economy during the second half

of the 20th century. Today, Japan is the 4th country in the world in terms of GDP. But if we consider the economy of Japan and Japan as a whole, we can conclude that Japan has not always been so developed. Until 1853, Japan pursued a

closed policy; the country was far behind Europe in terms of technology and had a low degree of urbanization. But after the United States forced it to open, the modernization phase began. More and more foreigners began to explore Japan and its culture. Thus, Japan began to develop, slowly mastering more and more new technologies and crafts until 1950.¹ The uniqueness of the model of socio-economic development of Japan lies in the fact that in the years 1950-1970 there was a complete rejection of the production of military equipment, Japan even enshrined in the Constitution a ban on the creation of its own army and the reorientation of production capacities, the use of foreign technologies, centralized state regulation, flexible state policy and due to the export orientation of a number of industries. Compared to other countries, Japan has almost no natural resources. Japan imports 90% of oil and 20% of liquefied gas from the Middle East.² The transport infrastructure and the production

apparatus have long been built and are only just being updated. The demographic situation in the country is unfavorable; this is due to the aging of the population, which explains the virtual absence of growth opportunities due to consumer and domestic investment demand. In 2022, the population of Japan decreased by about 149,115 people. The annual growth was -0.12%.³

Prolonged deflation and economic stagnation is the main reason for the loss of the regional championship. Deflationary processes slowed down economic growth, from 1190 to 2012, in other words, over 22 years, Japan's GDP grew by only 18%, that is, from 43 trillion. yen to 51 trillion. yen. If in 2012 Japan's GDP growth rates are observed, then in subsequent years there is a serious decline, although Japan still ranks 3rd in the world in terms of GDP value. The main reason for what happened is that there was a decrease in consumer demand, which was caused by an increase in the consumption tax rate from April 1,

¹ Leontieva, E. L. Economy of Japan in 2012-2013. : a new course of economic policy / E. L. Leontieva // Japan. Yearbook. - 2013. - No. 42. - P.60–72.

² . <https://www.nippon.com/ru/japan-data/h01321/amp/>

³ BRICS. Joint statistical publication. 2015; Brazil, Russia, India, China, South Africa / Rosstat. - M.: IIC "Statistics of Russia", 2015. - 235 p.

2014 from 5% to 8%. The largest increase was noted in 2012, in the construction sector and in the tertiary sector - the values of the industrial activity index in 2012 were positive and amounted to 0.18 and 0.4, respectively. But at the same time, the index of industrial production decreased, the largest drop was in the main export industries, namely the automotive industry and general engineering.

In general, the export of the Japanese economy is quite large - 13% of GDP. But in the 1990s, competition from other countries began to lose Japan's position in world trade. The share of Japanese exports began to decline from 7.5% in 2000 to 4.5% in 2011.⁴

For 22 years, there has been a steady appreciation of the yen against the US dollar and against the euro. The appreciation of the yen, on the one hand, accelerated the development of the transnational model of Japanese business, but at the same time greatly slowed down the growth of exports and led to the fact that export goods in the domestic market became cheaper, thereby contributing to deflation. World trade turnover,

which used to pass through trade channels, is now carried out through the internal channels of TNCs. Despite the fact that the yen ranks third in the world in terms of its share in the total turnover of the world currency market, it is withdrawing from circulation, servicing only 40% of export and 25% of import contracts. Japan has a high corporate income tax. Therefore, private business prefers not to invest capital within the country, taking it abroad. You can also observe a bias in the ratio of imports and exports of capital: the funds that leave the country are several times higher than foreign direct investment in the Japanese economy. The turning point in the Japanese economy was the closure of nuclear power plants due to natural disasters. Japan's economy needed emergency imports of equipment and food. The shortage of energy resources in Japan needed to be filled with coal and liquefied natural gas. This deficit is especially significant from a financial point of view, since Japan's liquefied natural gas is required to be imported only by tankers. In 2011, Japan for the first time faced a deficit in foreign trade settlements. Growth in consumer demand (2/3 of

⁴ Leontieva, E. L. Economic policy of the Abe Shinzo government in the context of

globalization // Japan. Yearbook. - 2016. - No. 45. - P. 79–105.

GDP) and exports (14% of GDP) marked a turning point in the country's economy. The deficit in foreign trade that began in 2011 soon became a structural feature of the Japanese economy. In this situation, Japan risked a deficit in current payments and receipts if the trade deficit would no longer be covered by income from foreign investments.⁵ Such a deficit of the state budget and balance of payments was dangerous for the country's economy. The government was simply forced to sell bonds to private financial institutions in its own country, as well as to foreign countries. However, foreign government banks were not interested in buying Japanese bonds, so this way of paying the debt was not possible.

The main protection of the country from the debt hole is the stability of its private financial institutions, the stability of which is monitored by the Financial Services Agency. Therefore, the government has almost no fears that may relate to default. According to their international obligations, private foreign investors own only 8.6% of government bonds, which makes it

possible to exclude the emergence of a debt crisis in Japan. Domestic debt in Japan began to grow after 1974, and the nominal first "oil shock". Thanks to the acquisition of large state-owned enterprises, the country still managed to achieve a deficit-free budget by the beginning of 1990. But at the same time, the stabilization of public finances was relegated to 2nd place due to constant attempts to bring the economy out of stagnation by increasing the construction of various infrastructure facilities. To bring the country out of economic stagnation, it was decided to cut taxes and increase public spending, as was already the case during the economic miracle, to create new demand for goods and services. But the government faced a problem, the only option to replenish the missing tax revenues could only be the issue of public debt, while in order to overcome the crisis of public finances, it was necessary to reduce budget expenditures. The entire government tried to resolve this issue in 2000-2012. The priorities of the anti-crisis development program were the creation of new jobs, the construction of

⁵ Saprykin, D. A. Decentralization is an integral part of "Abenomics" // Japan. Yearbook. - 2013. - No. 42. – P. 44–59.

infrastructure facilities (overpasses, highways, bridges, etc.), and social protection of the population. Also, to reduce the budget deficit, attempts were made to impose restrictions on new borrowing from private banks, privatization of high-speed highways and the state postal savings system, as well as delegation to the private sector of declining costs for the maintenance and construction of infrastructure facilities on a competitive basis. However, this did not lead to anything, and even the beginning of the reform of the budget could not be achieved. Depreciation began to disable the network of railways, high-speed and highways. The idea of a “ceiling” for borrowing from private banks also came to nothing and was not effectively implemented.⁶ The 2012-2013 budget was funded by approximately 46.3% by issuing new government bonds and 45.3% by tax revenues. According to the results of 2012-2013 financial years, Japan's accumulated debt exceeded the annual gross product by 90% and amounted to 991.7 trillion.yen. It is hard enough to say that the government is indifferent to achieving the largest

⁶ Leontieva, E. L. Economic policy of the Abe Shinzo government in the context of globalization // Japan. Yearbook. - 2016. - No. 45.

debt burden. This is evidenced by a fairly high proportion of budget funds allocated for debt service of 24%. Almost the same volume of budgetary expenditures falls on pensions, allowances and other social payments to the population. At the end of fiscal year 2021, Japan's public debt reached \$1,241.3 trillion. yen, approximately 76 thousand dollars per inhabitant of the country.⁷ It is already more than 2.6 times the size of the country's GDP. Japan's debt is dominated by various bonds with maturities of 10, 20 and even 50 years. Treasury bills with a term of less than 1 year account for only 25%. This suggests a safely time-structured debt and no implementation of budget deficits or defaults on government debt. Treasury securities belong to credit institutions, long-term bonds to financial institutions. The increase in Japan's population represents a large intangible and tangible asset. Family monetary assets account for about 30% of the national wealth (1,500 trillion yen), which exceeds the total fixed capital of non-financial organizations (1,030 trillion yen). More than half of these savings are placed

⁷ <https://tass.ru/ekonomika/14592353/amp>

on bank accounts. 27% are invested in insurance policies and pension funds. When studying these data, one can say about a fairly powerful "airbag" of the state budget of Japan.⁸

As mentioned above, modern Japan is experiencing an aging population. This demographic situation, which manifests itself in an increase in the life expectancy of the population and a rapid decline in the birth rate, creates a rather high burden on the pension system and slowly leads to a decrease in the savings rate in the income of the population. In the last 5 years, a decrease in the savings rate can be observed in the US economy (below zero), European countries (10%), and Japan (5%). But unlike other countries, the imbalance between savings and investment in Japan does not threaten as long as there is a "safety cushion" of personal savings.

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