Comparing Economies of South & East Asia

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Japan

Japan has a mixed market economy—one of the strongest in the world! With few natural resources and little farmland, Japan has built its economy around manufacturing of advanced machinery and technology. The Japanese government owns few businesses other than the country’s major TV network, but it does oversee many aspects of the economy like banking and trade. It also helps protect domestic industries by subsidizing farmers and placing quotas or tariffs on imports. Japan’s land doesn’t easily support agriculture, but fishing is a major industry. Other than fish, Japan imports almost all natural resources. However, some farming is done in Japan using terraces.

Japan has few natural resources, so it has developed industries like auto manufacturing. Japan buys many of the raw materials it needs for its industries from Australia, a country rich in natural resources. Australia exports the raw materials, Japan exports the finished automobiles, and both countries benefit. The United States also exports automobiles, so the U.S. and Japan are in competition with one another. As a result, the U.S. set quotas restricting how many Japanese automobiles could be imported into the U.S. They want to produce their own cars and sell them in their own country, without having to worry that U.S. citizens will buy more Japanese cars than domestic cars.

One of the reasons why Japan’s economy has become so strong after being severely damaged in World War II is because Japan places a high emphasis on human capital. Literacy is at 99 percent, students take entrance exams to get into high schools and universities, and competition is fierce. Japan’s highly educated and productive labor force is a major reason for the country’s economic success. However, Japan has one of the lowest rates of entrepreneurship among the world’s leading economies. Japanese workers usually value job security over the risk of starting a new business, and may sometimes work for the same company for life.

Japan has a history of investing in new technology and providing its workers with the latest equipment. For example, Japan leads the world in the use of robotics to assemble products in factories. Japan’s government has also used government savings for capital investments like new factories and machinery to fuel economic growth. Japan also has a modern, reliable infrastructure to support its economy. Japan spends very little of their GDP on growing their military, because of a restriction that has existed since the end of WWII. As a result, they invest that money in industry and technology.

China

China calls its economy a ‘socialist market economy.’ Basically, China is transitioning from a command economy completely controlled by the Chinese Communist government to a mixed market economy overseen by the Communist government. This means that private individuals have more economic freedom in China than they once did. In fact, private business is the fastest-growing segment of the economy! However, China’s government still makes many of the decisions in the economy. Economists predict that, as a result, China may lead the world in economic strength in the next 20 years.
Though China is such a large country, much of its land is not arable. However, China has plenty of land and rivers, providing a solid foundation for China's economic growth, and 50 percent of China's workers work in agriculture to feed the country's 1.3 billion people. China's major industry is manufacturing. They are the number one exporter of goods in the world. China's manufacturing of smaller consumer goods such as machinery, clothes, and furniture has grown so much that in 2005, the United States imposed temporary quotas on certain types of cotton clothing from China in order to protect U.S. clothing manufacturers.

Determined to modernize its economy, China has made significant efforts to improve its educational system. The number of students enrolled in college has grown tremendously over the last decade. China is also investing in technical schools to train workers in necessary job skills. China will have to continue to invest in human capital to keep their GDP growing with the size of their population. China has also made important capital investments that serve as the foundation for its growing GDP. China has poured money into manufacturing, which accounts for almost half of its GDP. The country has also built a strong infrastructure of dependable water services, electricity, and transportation.

**North Korea**

North Korea's economy is still controlled by its Communist government. The government controls all the resources and decides what is to be produced. This makes North Korea almost a pure command economy. Recently, the government has been forced to begin making some reforms and relax some of its controls. Almost all items, from food to clothes, have traditionally been handed out through a public distribution system controlled by the government. About 70% of the North Korean population, including the entire urban population, receives food through this government-run system. The government owns all the land and the factories, and it decides what jobs will be done and who will do them. Because it is a command system, entrepreneurship is actually illegal.

Mining in North Korea is important to the country's economy. North Korea is naturally abundant in metals, coal, and other minerals. However, often these cannot be mined due to the shortage of electricity in the country, as well as the lack of proper tools to mine these materials and an aging infrastructure. China is North Korea's leading trade partner for minerals. Because of North Korea's political beliefs and history of aggression, few countries in the world are willing to trade with it. North Korea's government chooses to invest a large chunk of its small GDP in military advancement and industries that support the military.

Massive food aid from other countries has been needed to avoid widespread starvation, because agriculture in North Korea does not produce enough to feed the population. Communes, or cooperative farms, are still used, and what farmers grow is strictly controlled. Many UN enforce sanctions on North Korea because of nuclear threats, but these sanctions do not include restricting food aid. If they did, millions of North Koreans might starve. In the last 5 years, due to cyberattacks and nuclear tests by North Korea, the US has increased sanctions from exporting $24 million worth of goods to only $100,000.

What about human capital in North Korea? Because North Korea is so isolated, it is hard to know what investments the government is making. According to North Korea, their literacy rate is 100 percent. We do know that the government controls everything in the country, including what information citizens have access to—so whatever education North Koreans receive, it is very limited. Most citizens do not have access to the Internet.
**South Korea**

Before the 1970s, South Korea’s economy was not developing very quickly. However, the democratic government partnered with business to make wise economic decisions, which led to rapid growth from the 1970s on. Now, South Korea has a high-tech, industrialized economy that leans toward a market system. It is still developing as it grows domestic areas such as services and removes restrictions on entrepreneurs to increase private business growth.

Trade in South Korea has benefited from free trade policies. Its economy is heavily based on exports. The top exports include automobiles and auto parts, wireless equipment, flat display screens, computers, electronics, and plastics. They don’t have many natural resources, so they import petroleum and energy sources like coal and natural gas. These energy sources power factories that create manufactured products that are shipped all over the world. In order to produce advanced electronics, South Korea has invested in creating a highly trained and skilled labor force. They spend almost 5 percent of their GDP on education and literacy is nearly 100 percent. Students attend school for seventeen years, and some attend for longer!

South Korea’s government has invested in capital goods to grow its economy to where it is today. The economy is based on high-tech industries, so it is important to have up-to-date technology. One weakness in South Korea is a lack of creative entrepreneurship. Though the government is open to new businesses opening, many of the new business are based on old ideas rather than innovative ones.

**India**

As a nation rich in arable land and water resources, agriculture is one of the most important sectors of India’s economy. About half of India’s huge population still works in agriculture. Therefore, India has imposed tariffs on agricultural products imported into India to protect its own valuable agriculture industry.

In India, education is a major priority of the government. The number of schools, especially at the high school and university level, has grown dramatically in the last 20 years. Although India’s overall literacy rate is about 71 percent, the rate among children is much higher thanks to the recent investment in human capital. This means that India’s investment will benefit the economy greatly in the future as educated children grow up and enter the workforce.

One important aspect of Indian education is that English is taught in all schools. In addition, many Indians are skilled in the important fields of science and technology. India’s investment in this type of education means that India is growing quickly in technology and service industries, producing computers, software, and televisions. Due to the English and computer skills of many citizens, India has become a major source of workers for a practice known as outsourcing. This practice involves American companies hiring Indian workers to perform services that used to be done in America (like telephone customer service and technology help desks) because Indian workers can be paid lower
wages than Americans. Since achieving independence, India transitioned from a mostly agricultural economy to a service-based one. Although the shift has been good for the overall economy and has created a middle class, most rural Indians have been left behind in poverty, without access to the service jobs available in urban areas.

India has a mixed economy that is moving away from a command system. After independence in 1947, India’s government set up a command economy where it controlled industries and production. In 1991, India began to lift some government control and allow citizens a role in running some of India’s industries. In order to encourage entrepreneurship, India’s government supports new business owners with training, facilities, and loans to start new businesses.

India has the 7th highest GDP in the world and the world’s fastest growing economy, but it is not without its problems. Two problems restricting India’s growth are frequent power outages and terrible roads. Infrastructure investment has not kept pace with the growth of India’s population. In small towns, power is only available a few hours a day so that large cities can have power 24 hours a day. This is one of the reasons that, although India’s economy is growing rapidly, much of India’s population remains poor—especially in rural areas. Today, the Indian government is undertaking a massive effort to improve India’s roads, airports, railways, and power plants.