China and Japan: How Asia’s Economic Giants are Shaping the Region’s Outlook

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Japan’s Economic Performance is Better Than You Think

In fact, it’s the highest among the G7 over this period if you adjust for the size of the working age population.

Source: OECD
Demographics a Constraint, Productivity Lags

Working Age Population Aged 15-64 (% of population)

Source: OECD

GDP per hour worked (US$ constant 2010 prices)

Japan, Italy, United Kingdom, Canada, Germany, France, United States

Source: OECD
Japan Goes Out


Outbound FDI flows (US$bn)

- United States
- China
- Germany
- France
- Italy
- United Kingdom
- Hong Kong, China
- Japan

Outbound FDI Stock (US$ bn as of end-2014)

- Italy
- Canada
- China
- Japan
- France
- Hong Kong, SAR
- Germany
- United Kingdom
- United States

China and Japan’s Evolving Roles in the Global Economy

1995
- United States: 25%
- Japan: 17%
- China: 3%
- Rest of World: 24%
- European Union: 31%

2015
- United States: 24%
- Japan: 6%
- China: 16%
- Rest of World: 32%
- European Union: 22%

Source: International Monetary Fund.
China’s New Normal: The Good, the Bad, or the Ugly?

Real GDP growth (%)


IMF projections (As of 10/2015)

Successful reforms: 4-6%

"Lost decade": 1-3%

Hard landing: negative growth

Note: The three scenarios are taken from a recent survey by the Council on Foreign Relations. Sources: International Monetary Fund, Council on Foreign Relations.
One Country, Two Business Climates?

YoY growth rate, %

Industrial sector

Tertiary sector

Contribution to GDP growth, %

Consumption

Investment

Cold Politics, Warm Economic Ties?

Chinese visitors, % of total foreign tourists traveling to Japan

- 1990: 0%
- 1995: 5%
- 2000: 10%
- 2005: 15%
- 2010: 20%
- 2015: 25.3%

2015:

Sources: Japan Tourism Marketing Co., Japan Bank for International Cooperation.

China's importance for large multinational Japanese manufacturers

- Produce in China (to sell in China): 53.7%
- Produce in China (to export to Japan): 7.0%
- Produce in China (to export to other countries): 2.6%
- Produce in China (both selling in China and exporting): 9.1%
- Have sales operations in China but no production bases: 0.6%
- Others: 27.0%

Share of companies surveyed that...

- Produce in China (to sell in China)
- Produce in China (to export to Japan)
- Produce in China (to export to other countries)
- Produce in China (both selling in China and exporting)
- Have sales operations in China but no production bases
- Others
# China and Japan’s importance in regional trade (2014)

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank as an export destination</th>
<th>Rank as an import origin</th>
<th>Share of exports (%)</th>
<th>Rank as an export destination</th>
<th>Rank as an import origin</th>
<th>Share of exports (%)</th>
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<td>2</td>
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<td>26.2</td>
<td>5</td>
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<tr>
<td>China</td>
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## 1990 Japan vs. 2014 China

<table>
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<tr>
<th></th>
<th>1990 Japan</th>
<th>1990 USA</th>
<th>2014 China</th>
<th>2014 USA</th>
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<tbody>
<tr>
<td><strong>GDP Per Capita, PPP</strong></td>
<td>29,550</td>
<td>37,062</td>
<td>12,609</td>
<td>52,118</td>
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<tr>
<td>(Constant 2011 international $)</td>
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<tr>
<td><strong>Urban population (% of total)</strong></td>
<td>77</td>
<td>77</td>
<td>54</td>
<td>81</td>
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<tr>
<td><strong>Services value added</strong></td>
<td>59.8</td>
<td>--</td>
<td>48.2</td>
<td>78.1*</td>
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<td>(% of GDP)</td>
<td></td>
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<tr>
<td><strong>Household final consumption</strong></td>
<td>53</td>
<td>64</td>
<td>36*</td>
<td>68</td>
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<tr>
<td>(% of GDP)</td>
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</tbody>
</table>

Source: World Bank Development Indicators

*2013 figure

Sources: International Monetary Fund and World Bank.
TPP vs. RCEP

Source: Center for Strategic and International Studies.
Asia Infrastructure Investment Bank

Founding members: 57
Leading country: China

Source: China Daily
Thank you!

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