



Comparative Analysis of Economic and Social Status of Japan and South Korea

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Abstract. Japan and South Korea are both countries with high per capita GDP. Japan and South Korea have become a highly urbanized countries, but are disadvantaged in terms of natural resources. Japan and South Korea have very few agricultural laborers, choosing instead to focus on the service industry. And employment problems and aging populations in Japan and South Korea portend a grim economic outlook for the next few years. This paper uses the methods of data collection and analysis to analyze the problems existing in the development processes of Japan and South Korea from the aspects of economic development and society. The conclusion is that the economic and social development of Japan and South Korea seems to be stable, but there are potential problems. At present, it seems that South Korea's economic development prospects are much better than Japan's, but if it is only compared to economic strength, Japan is the undisputed winner.

Keywords: Japan · South Korea · Economic Development · Difference

1 Introduction

Both Japan and South Korea achieved economic growth after World War II. In the context of economic globalization, Japan and South Korea have an increasing global share. In terms of economic development, this paper mainly analyzes from the perspectives of GDP and industrial structure, production efficiency, urbanization level, etc. and then analyzes the current situation of major social problems from the perspective of population aging and unemployment. Japan and South Korea are developed countries, both of which have opted for a capitalist democracy. So which of the two has the better overall strength? The purpose of this paper is to analyze and compare the current development status of Japan and South Korea through data research, which can be used for reflection to seek a development model that is more in line with the status quo of the two countries.

2 Economic Development

2.1 GDP

Gross domestic product (GDP) refers to the market value of all goods and services produced within a country, and it is one of the most important indicators of economic health.

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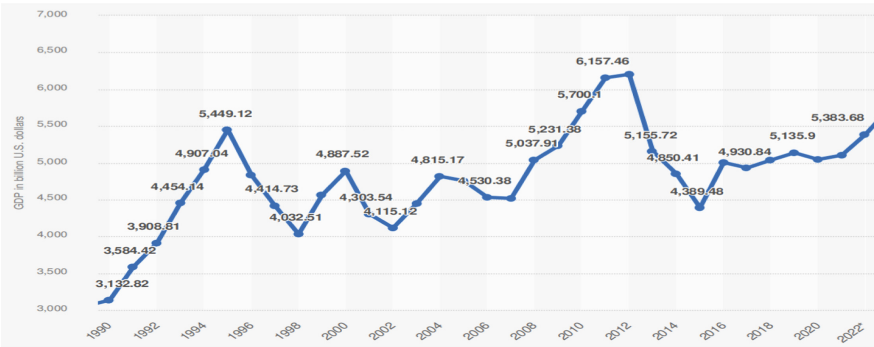


Fig. 1. Gross domestic product (GDP) of Japan in current prices from 1986 to 2026(in billion U.S. dollars) [1] (Source: Statista, Licensed by Statista)



Fig. 2. South Korea: Gross domestic product (GDP) in current prices from 1986 to 2026(in billion U.S. dollars) [1] (Source: Statista, Licensed by Statista)

Figure 1 shows Japan’s GDP from 1986 to 2020. Japan’s GDP in 2020 is about \$5.05 trillion. This makes Japan the third largest GDP in the world. Inflation has remained below 3% since at least 2004. Japan has managed to maintain positive GDP growth itself despite a global recession in 2008 and 2009, where GDP growth declined.

Figure 2 shows South Korea’s GDP from 1986 to 2020. South Korea is one of the fastest growing economies in the world. Its economy has been growing since 2009. By 2020, South Korea’s GDP will be about \$1.64 trillion. Although South Korea’s GDP growth has been erratic over the past few years [2], South Korea is still one of the leading countries with the largest GDP/GDP ratio in the world in terms of purchasing power parity. The above data can reflect the economic situation in South Korea is very good. South Korea has grown from one of the poorest countries before the 1960s to a developed country with high income levels. It is considered to be one of the core economies driving the next generation of economic growth together with the BRIC countries (Brazil, Russia, India, China).

2.2 Industrial Structure Distribution

Figure 3 shows the distribution of Japan's economic sectors in GDP from 2009 to 2019. In 2019, the contribution rate of agriculture to Japan's GDP was about 1.01%, the contribution rate of industry was 28.75%, and the contribution rate of the service industry was 69.3%. Japan is disadvantaged in terms of natural resources. Most of Japan's landmass is inhabited by humans, with little or no animal husbandry and agriculture. It has become a highly urbanized country with little agricultural labor, opting instead to focus

Characteristic	Agriculture	Industry	Services
2019	1.01%	28.75%	69.3%
2018	1.05%	29.06%	69.46%
2017	1.13%	28.88%	69.54%
2016	1.12%	28.63%	69.89%
2015	1.03%	28.58%	69.8%
2014	1%	27.31%	70.88%
2013	1.07%	26.65%	71.62%
2012	1.12%	26.56%	71.75%
2011	1.08%	26.7%	71.69%
2010	1.11%	28.34%	70.54%
2009	1.08%	27.11%	71.91%

Fig. 3. Japan's Gross Domestic Product (GDP) Distribution by Economic sectors from 2009 to 2019 [1] (Source: Statista, Licensed by Statista)

Characteristic	Agriculture	Industry	Services
2020	1.76%	32.8%	57.02%
2019	1.62%	32.83%	57.08%
2018	1.75%	34.05%	55.69%
2017	1.85%	34.77%	54.85%
2016	1.86%	34.3%	55.36%
2015	2%	34.15%	55.58%
2014	2.06%	34.09%	55.64%
2013	2.1%	34.45%	55.21%
2012	2.19%	34.13%	55.07%
2011	2.21%	34.45%	54.65%
2010	2.14%	34.12%	54.7%

Fig. 4. South Korea's Gross Domestic Product (GDP) Distribution by Economic sectors from 2009 to 2019 [1] (Source: Statista, Licensed by Statista)

on services. Figure 4 shows the distribution of South Korea's economic sectors in GDP from 2010 to 2020. In 2020, the service industry accounted for 57.02% of South Korea's GDP, industry accounted for 32.8%, and agriculture accounted for less than 2%.

2.3 Comparison of Urbanization Levels

Urbanization refers to the proportion of urban population to the total population of a country. Japan is known for its high population density, with 347.78 people per square kilometer in 2017. From 2010 to 2020, Japan's urbanization level has been stable at around 91.78%, much higher than the global 55%. By 2020, 81.41% of South Korea's total population will live in urban areas.

2.4 Differences Between Import and Export International Trade and Enterprise Competitiveness

Taking the import and export trade between Japan and South Korea in 2017 as an example, the bilateral import and export volume of goods between South Korea and China in 2017 was 239.97 billion US dollars, an increase of 13.5%. Among them, South Korea's exports to China were 142.12 billion US dollars, an increase of 14.2%; its imports from China were 97.86 billion US dollars, an increase of 12.5%. South Korea's trade surplus with China is US\$44.26 billion [3].

The following mainly analyzes the economic dependence of the two countries. In 2017, Japan's total exports were 77.1955 trillion yen, an increase of 11.9% over the previous year; total imports were 72.2647 trillion yen, an increase of 13.9%; the trade surplus was 4.9308 trillion yen, a decrease of 10.8% over 2016. In 2017, the total economic volume in Japan reached 545,792.5 billion yen. In this way, the dependence of Japan's foreign trade in 2017 is: the import and export volume of Japanese goods/total economic volume of Japan = $\frac{77.1955+72.2647}{545.7925} * 100\% = 27.38\%$ $\frac{77.1955+72.2647}{545.7925} * 100\% = 27.38\%$.

South Korea is also one of the major importing countries in the world. The core of the Korean economy is the production and export of technological products [4]. The main exports are electronics, automobiles and machinery. According to the statistics of South Korea Customs, the import and export volume of South Korean goods in 2017 was 1,052.13 billion US dollars, an increase of 16.7% over the previous year. Among them, the export was 573.72 billion US dollars, up 15.8%; the import was 478.41 billion US dollars, up 17.8%. The trade surplus was US\$95.30 billion, an increase of 6.8% [5]. The total economic volume of South Korea in 2017 was 1,529.7 billion US dollars, so South Korea's trade dependence is: the import and export volume of South Korean goods/total economic volume of South Korea = $\frac{10521}{15297} * 100\% = 68.78\%$ $\frac{10521}{15297} * 100\% = 68.78\%$.

In contrast, the South Korean economy is more dependent on foreign trade than Japan [6], and has a trade surplus of US\$44.2 billion with China. The Korean economy is more dependent on foreign trade.

3 Social and Human Development Analysis

3.1 Aging Problem

Japan's population growth has stopped, or even reversed, as it has been in deficit for several years [7]. Japan's elderly population accounts for 30% of the total population and is considered to be the most aging country in the world. The main demographic problem that Japan is currently facing is the aging problem in which the population over 65 years old accounts for an increasing proportion of the total population [8]. In South Korea, the population aged 15 to 64 accounted for 71.67% of the total population in 2020, and the population over the age of 64 accounted for 15.8% of the total population. The youngest generation is even less represented than the elderly. As the aging population increases, the decline in the birth rate leads to a decrease in the overall population.

3.2 The Employment Market

In 2020, the unemployment rate in Japan is about 2.97%. In 2020, South Korea's unemployment rate was about 3.94%. In 2018, the Korean service industry employed more than 70% of the labor force [9]. Most of South Korea's more than 51 million people are employed, and the unemployment rate is expected to remain below 4 percent by 2024. South Korea is experiencing the effects of an aging workforce [10], i.e., the proportion of the population entering the labor force decreases, while the number of people over 65 years of age increases simultaneously [11].

Japan's financial system is inefficient due to tightly controlled interest rates, discrimination against small businesses, a lack of a bond market, and excessive borrowing. Japan's labor relations are integrated, but at the expense of workers' interests. The Korean financial system is characterized not only by an uneven internal structure, but also by a large and active informal financial sector. Although labor-management relations have become increasingly tense since mid-1987, and labor and management are at odds with each other, workers' wages have been increasing rapidly. Korea's successful industrial policy and Korean work ethic have produced high productivity that is complemented by a high propensity to save and a strong entrepreneurial spirit. The right policies, the government's commitment to economic development, technological capabilities, and the firm determination of Koreans to develop the country are also some of the important factors that make South Korea's future optimistic.

4 Conclusion

There are two main reasons why Korea is different from Japan, despite the positive economic growth of both countries. The first is historical inheritance, which is a major factor in the per capita income difference between Japan and South Korea. South Korea's economy grew from scratch after the Korean War. But it took 10 years for Japan to fully recover after World War II. Therefore, Japan's economy is starting from a higher base than Korea's. In addition, the size of countries' populations is another reason causing the difference. The size of a country's population has a great influence on its economic

development. Japan has a large population with a corresponding number of talents and a large market size, which is conducive to the development of science and technology.

The economy changes society, and society in turn acts on the economy. Both Japan and South Korea are among the fastest growing economies in the world. Its standard of living is also considered to be quite high, and the difference in per capita GDP between the two is not large. With the economic growth, the two countries have also entered ranks of developed countries one after another. Although the economies of the two countries have also been hit by the economic crisis, from the current stage, South Korea's economic recovery is obviously stronger. However, both countries are foreign trade-oriented economies, which makes them vulnerable to the economic crisis. This is, of course, a common problem with capitalist market cycles. In terms of society, the aging of Japan and South Korea is gradually increasing, and the unemployment rate of the two countries is generally high, which has gradually caused a greater social burden. This may lead to negative factors such as a decline in the labor participation rate and aggravation of social conflicts, which will drag down the country's economic growth rate.

This paper lacks data research and mainly focuses on the economic and social data of Japan and South Korea in the past ten years. The data collected is relatively limited. It will focus on longer time periods if there is an opportunity in the future. Based on the existing data analysis of deep-seated problems and solutions, the author will also automatically model, incorporating the latest data beyond 2022 and predicting future trends.

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