

China replaces Japan as second-largest economy

By Radio Free Europe / Radio Liberty

Figures released by the Japanese government indicate that China has replaced Japan as the world's second-largest economy, after the United States. The statistics show that Japan's economy faltered in the second quarter of this year, compared with China's continued strong growth.

The difference in size is small, but it signals China's growing regional and global presence, which is bound to spill over into the political sphere. The figures show that Japan's gross domestic product ([GDP](#)) for the second quarter of this year, seasonally unadjusted, totalled \$1.28 trillion. That compares with \$1.33 trillion for China.

Caution is needed in interpreting the figures, however, because they cover such a short period, only from April to June this year, when economic growth in Japan slowed to a miserable 0.4%. Taken over a longer period, for instance the first half of this year, Japan is still ahead. But with China's growth proceeding at a breakneck pace - at present an estimated annualized rate of 10% - nobody really expects Japan to win back the laurels it gained as long ago as 1968, when it surpassed West Germany to become the world's second-biggest economy.

In Tokyo on August 16, Economy Minister Satoshi Arai sought to play down the importance of the numbers. "Whoever is top or bottom has no meaning. It only represents each country's current economic health. Our country's development closely follows that of China and other Asian nations, and that is also part of our growth strategy," Arai said.

Living next door to a powerhouse

The ordinary man in the street in Japan seems to be facing the inevitable with resignation. A poll conducted this year indicated that more than half the Japanese believe it's not important for their country to be an economic superpower.

And analysts point out that there are many advantages for Japan to be living next door to a powerhouse. Heideki Matsumura, senior economist at the Japan Research Institute, says, "There is a negative element in that as China's technology improves, Chinese companies will compete with Japanese companies. However, there is a large positive element in that with more growth in China, more people will be buying Japanese products, so overall the development of the Chinese economy is a good thing for Japan."

China's achievement is bound to have echoes in the broader world, where economic power brings political clout. As correspondent David Barboza writes in the August 16 New York Times, China is already a major driver of global growth. He says the country's leaders have grown more confident on the international stage, and have begun to exert greater influence in Asia, Africa, and Latin America, with things like special trade agreements and multibillion-dollar resource deals.

Economists estimate that if present trends continue, China will be ready to surpass the United States as the world's biggest economy by 2030. It still has some way to go, however, as the US GDP is about \$14 trillion per year.

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