

Japan

Living standards

- Japan has a high standard of living
- Has relatively equal distribution of income compared to other developed countries. Many people have comfortable standard of living.
- Low unemployment rate (2.64%), job security is high. Many people have long term jobs.
- Social services includes healthcare and pension standards. Elderly population is increasing, leading to discussions about the sustainability of these programs.

Growth indicators

- GDP (4.941 trillion USD) 4th largest in world
- GDP per capita \$52,120
- 4th largest by purchasing power parity
- High GDP = more employment opportunities, increased investor confidence, and increased standard of living.
- Gross national product (GNP) was reported at 1,116.105 USD in Jun 2023.
- This records a decrease from the previous number of 1,150.221 USD for Mar 2023.
- Gross national income averaged 480447.74 JPY Billion from 1980 until 2023, reaching an all time high of 582060.00 JPY Billion
- They are in the top 5 for the highest GNI in world



Culture



Culture plays a significant role in the decision making in Japan.



Culture is deeply rooted in traditions which impacts how businesses, individuals, and the government approach economic decisions.



Consensus decision making – decisions are often made collectively with the involvement of various stakeholders.



Hard work and commitment is a vital part of Japan's culture and plays a part in all decisions and strategies.

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There is a high emphasis on education with many of the population pursuing highly specialised degrees or highly skilled jobs.

Working conditions

While hard work is part of their culture, there are debates over some challenges that workers face.

Long working hours – Japan has very long working hours with working overtime a daily common occurrence. Extra hours referred to as 'karoshi' which means death by overwork. Efforts are being made to put limits on overtime hours.

Gender equality is not so advanced. Women face challenges in career advancement. There is also a gender pay gap (women are paid about 75% as much as men for full time work).

Labour laws – regulations on working hours (limited to 8 hours a day and 40 hours a week), holidays, and conditions of employment.

Imports include:

- One of the largest imports of crude oil.
- Natural gas
- Iron ore
- Aluminium and other metals
- Meat
- Seafood
- Machinery and equipment
- Pharmaceuticals
- Plastic and rubber

Japan benefit from imports for a number of reasons:

- Dependency on access to energy resources
- More diverse consumer choices
- Technological advancement helps innovation and helps to maintain the competitiveness of their industries.
- Importing certain goods can be more cost-effective than producing them domestically

Exports

- Japan export a number of goods including :
 - Cars e.g. Toyota, Honda, Nissan
 - Consumer electronics e.g. TV's, cameras
 - Steel
 - Video games
 - Aircraft and aircraft parts
- Japan benefit from exports because:
 - It contributes to GDP. The revenue generated from exporting goods leads to economic growth.
 - Job creation
 - Balance of trade – Japan has historically operated on a trade surplus (exporting more goods than it imports). Trade surplus brings in more foreign currency into Japan which improves overall economic stability.

Firm operations

- Businesses operate with traditions in mind. E.g. hard work and collective decision making.
- There is a strong emphasis on hierarchy and respect for senior employees. Often more senior people are more likely to get jobs or promotions.
- They focus on customer satisfaction and long-term relationships. The quality of the good or service is vital to a good reputation.
- The government place regulations on businesses:
 - Fair Trade Commission (FTC) – Prevents monopolies, cartels and unfair business practices.
 - Labour laws – Protects workers' rights e.g. working hours, wages, working conditions.
 - Tax – To generate revenue for public services e.g. VAT (10% in Japan) which influences business and financial decisions.

Trading partners

China

- One of Japan's largest trading partners. Engage in significant bilateral trade covering wide range of goods and services.

US

- They have a strong economic relationship. Trade includes automobiles, electronics, machinery.

Australia

- Significant trade relations. Exchange of commodities e.g. natural resources, minerals, agricultural products.

EU (Including Germany, France, UK)

- Japan's main market for exports as well as a source of imports.

Trading blocs

Japan are a part of ASEAN (Association of Southeast Asian Nations, e.g. Malaysia and Thailand). Economic corporations involves trade and investment.

Pros of ASEAN for Japan



Access to a large market



Economic integration



Infrastructure development



Technology exchange



Diversified trade partnerships to reduce dependency on specific regions

Cons of ASEAN for Japan



Difficult to harmonise policies due to economic differences



Increased competition for Japanese businesses



Potential for trade imbalances



Complex and time-consuming negotiations

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History of international trade

Bubble Economy and Trade Tensions

- In the 1980s, Japan experienced an economic bubble characterised by rapid asset price inflation. There were trade tensions, particularly with the US. The US expressed concerns about Japan's trade surplus and market access, leading to negotiations and agreements to address trade imbalances.

1980s

Trade Dynamics:

- Participated in negotiations for the Trans-Pacific Partnership (TPP) and later became a signatory to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Bilateral trade agreements, such as the Japan-EU Economic Partnership Agreement, were also concluded.

21st Century

1990s-2000s

Globalisation and Trade Liberalisation

- Japan actively participated in global trade liberalisation efforts. It played a key role in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) negotiations that led to the establishment of the World Trade Organisation (WTO) in 1995. Japan also entered into various regional and bilateral trade agreements.

Protectionism

Tariffs – Makes imported goods more expensive, encouraging domestic production. E.g. 10.1% on agricultural products.

Import quota – Limits quantity of certain goods that can be imported will protect domestic industries from excessive foreign competition. For example, there is a catch quota on bluefin tuna of 664 tonnes.

Subsidies – At the start of 2022, the Japanese government began subsidizing part of the price of gasoline, kerosene, and other fuels. The annual budget is about 3.2 trillion yen, about USD 24.6 billion.

Non-tariff barriers (e.g. certification requirements) – Ensures the quality and safety of imported goods but also protects the domestic market. For example, an import licence is required for animals and plants.

Specialisation

Japan is renowned for its automotive industry. Companies such as Toyota, Honda, Nissan, and Subaru are global leaders in producing high-quality and innovative automobiles.

Japan is a major player in the electronics and technology sector. Companies like Sony, Panasonic, Toshiba, and Canon are well-known for their consumer electronics, cameras, semiconductors, and other technological products.

Japan's specialisation impacts the overall economy:

Japan's specialisation in industries such as automotive, electronics contributes to export-led growth. The country exports a significant portion of its manufactured goods, leading to a positive impact on the balance of trade and the overall economy.

Contributes to job creation in Japan. The employment generated by these sectors has a positive impact on household income and consumer spending, supporting overall economic activity.

Current events

- Japan's economy has recovered moderately. The pace of recovery in overseas economies has slowed. Although exports and industrial production have been affected by the developments in overseas economies, they have been more or less flat, supported by a weakening of the effects of supply-side constraints.
- Japan has a negative interest rate as of September 2023. Expected to end in 2024.
 - There are two reasons why central banks impose artificially low interest rates.
 - The first reason is to encourage borrowing, spending, and investment.
 - The second reason – when national governments are in severe debt, low interest rates make it easier to afford interest payments.
- In 2023, Japan had an average inflation rate estimated at 3.21 percent, marking the highest rate of inflation in Japan in almost a decade.

Global economic trends

Japan has been affected by the global economic impact of the COVID-19 pandemic. Efforts to recover from the economic downturn, including vaccination campaigns and stimulus measures, have been critical for restoring economic activity and trade.

Japan faces demographic challenges, including an aging population and a declining workforce. Addressing these challenges is essential for sustaining economic growth. Global trends in migration, workforce participation, and demographic shifts can influence Japan's labour market.

Global trade trends, including shifts in supply chains and trade tensions, impact Japan's export-oriented economy. Changes in demand for Japanese goods and services, trade agreements, and geopolitical developments can influence trade dynamics.

Exchange rates

- Japan operate in a floating exchange rate system.
- Value of currency is determined by market forces e.g. supply and demand for the currency in the foreign exchange market.
- 2023 – £1=185.01 Japanese Yen

Pound Japanese Yen Exchange Rate (GBP JPY) - Historical Chart

GBP JPY - Historical Annual Data

Year	Average Closing Price	Annual % Change
2021	151.09	10.12%
2020	137.01	-1.94%
2019	139.27	3.11%



International financial markets

- Japan is a major participant in the global forex market. The Japanese yen is one of the most traded currencies globally. Tokyo is also one of the major financial centres, and the Bank of Japan intervenes in the forex market when necessary
- FDI
 - The United States has historically been one of the significant sources of FDI for Japan. US companies invest in various sectors, including manufacturing, technology, and services.
 - Many Asian countries, particularly in the Asia-Pacific region, have been recipients of Japanese FDI. E.g. China, South Korea.

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Multinational corporations (MNC's)



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MNC's in Japan include:

- Toyota
- Honda
- Nissan
- Sony
- Panasonic
- Canon
- Toshiba

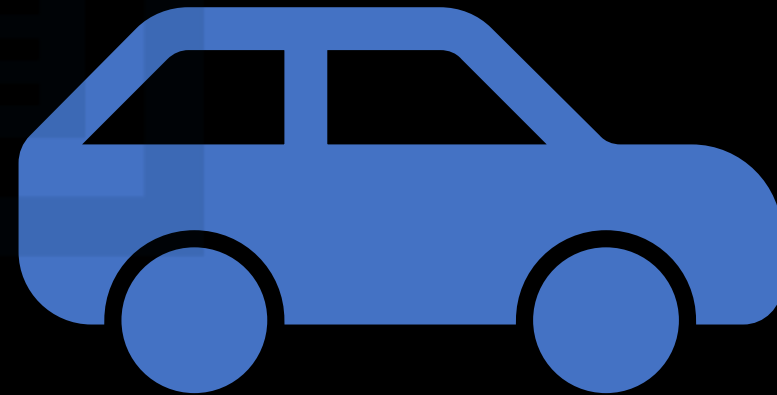
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Impact on economy

- Major contributors to the country's export-driven economy. They play a vital role in promoting Japanese goods and services globally, contributing to the nation's trade surplus.
- Significant employers, both domestically and internationally. They create jobs in various sectors, contributing to overall employment levels.

Global supply chains

- Japanese automakers, including Toyota, Honda, Nissan, and others, are major players in the global automotive industry. Japan's automotive supply chain extends internationally, with production facilities and supply chain links across various countries.
- Japan is a leader in the electronics and technology sectors. Companies like Sony, Panasonic, Toshiba, and others contribute to global supply chains by manufacturing consumer electronics, semiconductors, and other high-tech products.
- Japanese companies often operate complex and integrated supply chains that span multiple countries. This integration allows for efficient coordination of manufacturing, assembly, and distribution processes.



Economic policies of other nations

China

China has been emphasizing the dual circulation strategy, which involves promoting both domestic consumption (internal circulation) and international trade and investment (external circulation).

This strategy aims to reduce dependence on external markets and enhance the resilience of the Chinese economy.

May lead to increased demand for imported goods and services. This could benefit Japanese exporters.

However, could potentially lead to a slowdown in Chinese demand for Japanese exports.

US

The US government sets trade policies to regulate international trade and promote the interests of American businesses and workers.

This includes trade agreements, tariffs, and negotiations to address trade imbalances and protect domestic industries.

The terms of trade agreements, including tariff reductions and market access provisions, can impact the flow of goods and services between US and Japan.

Cross-cultural communication

- Importance
 - Globalisation - essential for fostering international cooperation, conducting global business, and building positive relationships with diverse stakeholders.
 - Vital for promoting inclusivity, understanding different perspectives, and creating environments where people of diverse backgrounds feel valued and respected.
 - Misunderstandings in cross-cultural communication can lead to breakdowns in negotiations, hinder business relationships, and impact the success of international trade.
- Language, behaviour and gestures are interpreted differently. This means that businesses must employ people that have an awareness of the cultures of the markets in which they are operating.
- It looks unprofessional and can compromise a deal if the marketing of a product is let down by poor language.

International trade agreements

- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – A trade agreement among Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. They aim to reduce trade barriers and promote economic integration among its member countries.
 - Provides Japanese businesses with improved market access to the member countries, leading to increased exports and business opportunities for Japanese companies.