

Pestle analysis of japan economics essay



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After the Second World War, the United States and Great Britain directed Japan's political change to a constitutional monarchy with a parliamentary government in 1947 (Bureau of East Asian and Pacific, 2010). Maintains an Imperial Family headed by Emperor Akihito and operates under a cabinet system headed by a Prime Minister (Darlington, 2009). Executive power is vested in the cabinet. The Prime Minister is selected from among members of parliament by a vote by both houses of the Diet (parliament). The Prime Minister submits bills to the Diet, reports to the Diet on domestic and foreign issues, and supervises and controls administration (DFAT, 2010). Japan's governmental structure has three levels: national, prefectural, and local. Beneath the Tokyo-based national government there are 47 prefectures and beneath these 1788 local municipalities. Each tier is governed by elected assemblies (ibid).

The different political parties in Japan include the Democratic Party of Japan (DPJ), the Social Democratic Party (SDP), the People's New Party (PNP), the Liberal Democratic Party (LDP), the New Clean Government Party (Komeito), and the Japan Communist Party (JCP). At the national level the conservative LDP had been in power continuously since 1955 until the August 2009 election when the DPJ came into power (DFAT, 2010). There is no term limit for Prime Ministers also under the rules of the LDP party Presidents are limited to two terms of three years each. In the Freedom in the World ranking of countries Japan's political freedom is classed as 1 (most free) and civil rights as 2 (free) on a scale from 1 to 7, showing that the country is overall very politically free (Freedom House, 2009). According to Transparency International, Japan was the world's 18th least corrupt nation

in a survey of corruption in 180 countries in 2008; it ranked 25th in 1999 (Facts&Details, 2010).

Meanwhile, there is some pressure for the constitution to be revised so that it becomes “ a normal country” (Darlington, 2009), able to maintain and deploy military forces. Many Japanese are keen for its economic power to be reflected now in the political structures of the United Nations, especially with the country admittance to permanent membership on the Security Council (ibid).

ECONOMICAL:

After World War II in 1945 Japan’s economy was in ruins but in the 50s and 60s the country achieved miraculous economic growth. In 1964 it joined the OECD and by 1968 it had the second largest economy in the world (Araki, 2008). Japan’s economic growth in the 60s and 70s was based on the rapid expansion of heavy manufacturing in areas such as automobiles, steel, shipbuilding, chemicals and electronics. By the late 1970s however the Japanese economy began to move towards a more service-oriented base in retailing, finance, real estate, transportation and communication (Dolan and Warden, 1994). The Japanese yen lost most of his value during and after World War II and only started to regain value after 1985 when the Plaza Accord was signed affirming that the yen was undervalued. Since then the Yen has been increasing in value 90. 37 per US dollar in 2009 (Bank of Japan, 2009).

In October 2007 Japan’s longest post-war period of economic expansion after 69 month and Japan entered into recession in 2008, with 2009 marking a

return to near 0% interest rates. Japan is ranked 42 in the world in terms of its GDP per capita of \$32, 600 in 2009, a decrease from 2007 levels of \$34, 700 due to the recession. The country has the fourth lowest inflation rate of -1. 3% in 2009 (CIA Factbook, 2010).

Deflation has been persistent in Japan for two decades due to a very unemployment rate in Japan for the very low GDP growth rate. Japan's service sector account for about three quarters of its total economic output. Growth in Japan throughout the 1990s was slower than growth in other major industrial nations. From 4. 5% per year in the 1980s real GDP rose 1. 5% per year in the 1990s and 0. 8% in the 2000s. Subsequently, the global financial crisis and a collapse in domestic demand saw the economy shrink 1. 2% in 2008 and 5. 0% in 2009 (Shedlock, 2009). GDP in 2009 was \$5. 049 trillion and \$32, 600 per capita.

The level of unemployment is rising, now at 5%, though still not high by OECD standards. Contributing to this is the fact that the traditional seniority-order wage system and life-time employment custom are collapsing. The unique lifetime employment system has meant that people join companies and working them for the rest of their lives, moving up the management levels according to seniority and experience. This system contributed to the rapid economic growth in Japan as it benefits from full employment, dedication and knowledge within jobs. However, the Japanese government has recently taking some conservative policies and many companies are introducing a result-related wage system as the US and EU (Araki, 2008).

SOCIAL:

Japan's population, currently just over 127 million, has experienced a phenomenal growth rate during the past 100 years as a result of scientific, industrial, and sociological changes, but this has recently slowed due to falling birth rates to -0.19% in 2009 (CIA Factbook, 2010). In 2005, Japan's population declined for the first time, two years earlier than predicted. High sanitary and health standards produce a life expectancy exceeding that of the United States (Bureau of East Asian and Pacific Affairs, 2010). The speed of aging of Japan's population is much faster than in advanced western European countries or the US. Although the population of the elderly accounted for only 7.1% of the total population in 1970, by 1994 it had almost doubled to 14.1% and again to 22.1% in 2008 (Statistic Bureau, 2008). On the other hand the percentage of the younger age population in Japan has been shrinking since 1982 therefore the ratio of the dependant population is 55.2% (ibid).

In the 70s and 80s Japan was said to have the most equal society and studies showed that most Japanese thought they were middle class.

However, today the word 'gap-widening' is common, a recent phenomenon of increasing income inequality in many developed countries. Japan's Gini Coefficient (measure of inequality) has been increasing, however studies have shown that the reason for this is the increase in the number of old people in the country, who have an income of zero yet a fair amount of savings. Therefore this is due to the aging society and not to inequality per se. The Gini Coefficient also rose among young people because of the rising unemployment rate and the number of part time workers (Araki, 2008).

Total health spending accounted for 8.1% of GDP in 2006-7, almost 1% lower than the OECD average. Japan has fewer physicians per capita than most other OECD countries with 2.1 physicians per 1000 population (OECD Health data, 2009). However, people who live in Japan can expect to remain in good health longer than anybody else in the world according to the World Health Organisation (BBC, 2000). It has the highest life expectancy with 82.6 years. Japan is also among the countries that have the lowest rate of infant mortality with 2.6 deaths per 1000 live birth in 2007. It also has a very low prevalence of obesity among adults of 3.4% (compared to 34.3% in the US in 2006). On a less positive note 26% of adults report smoking everyday in 2007 one of the highest in the OECD (OECD Health Data, 2009).

Japan is now second out of the thirty OECD countries in tertiary attainment with 53% of 25 to 34 year olds attaining tertiary qualification. 41% of today's young people in Japan will enter a university level or equivalent program during their lifetime and this rises to 70% when including vocational programs, and most of those who enter complete their degree successfully with 91% survival rate. The number of science graduate remains below the OECD average mainly because of low female participation of 573 females against 2302 male graduates. Students' expectations are 50.7% which higher than the OECD average and Japan is the only country with higher expectations for males and females. Japan is devoting 4.8% GDP in 2004 a low share but one that has remain roughly constant (OECD, 2007).

Japanese is the sixth most spoken language in the world, with over 99% percent of the country's population using it. The origin of the Japanese language has many theories in reference to it; some believe it is similar to <https://assignbuster.com/pestle-analysis-of-japan-economics-essay/>

the Altaic languages, namely Turkish or Mongolian. The writing system of Japanese itself comes from the Chinese, but the differences between the two languages are immense (Japanese Embassy, 2000).

Japan has been entrenched in a patriarchal framework for many centuries. However, with the turn of 20th century women status began to rise and today women have a significant impact on the country dynamics. Unlike North American values of men and women roles, in Japan culturally the statues of working women and house wife is viewed as equal to their professionally employed husbands. After World War II women got the right to vote, run for parliament, be educated and own property rights and between 1970 and 1985 the number of employed women increased by 50% (no author, 2010).

Japan has a vigorous and free media and boasts the second highest daily news paper circulations per capita in the world after Norway. However, there is considerable homogeneity in reports which are dominated by three big news papers. Press freedom is constitutionally guaranteed and the independent court system has emerged in recent years as a bulwark against political pressure on journalist (Freedom House, 2008).

Japan has a relatively low crime rate, due to a very high and strict gun-control. As to juvenile crime, in 1990 juveniles were responsible for very slightly over half of the crime (52%), but over 70% of those crimes involved shoplifting and theft of motorcycles and bicycles rather than rape, murder and drug use and possession as in U. S. juvenile crimes. Another factor that may play a large part in the lower crime level in Japan is the use of their

police forces. There are kobans, (fairly small police stations) in profusion in Japanese cities (Darkchilde, no date).

Shintoism and Buddhism are Japan's two principal religions. Christianity, first introduced into Japan in 1549, was virtually stamped out by the government a century later; it was reintroduced in the late 1800s and has spread slowly (BEAPA, 2010). Beyond the three traditional religions, many Japanese today are turning to a great variety of popular religious movements normally lumped together under the name " new religions" (ibid).

TECHNOLOGICAL:

Japan is becoming one of the frontrunners in industrial technology, which mean that prominent science and technology policy researchers all over the world now pay more attention to Japan. The government has channelled research and development efforts, directed financing and protected market for business. Hence, talk has begun of a new ' technoeconomic' paradigm emerging in Japan from a pattern of industrial catch up and efforts to build a position in advancing technologies (Thornton, 2004). Japan is a leading country in areas such as transport, infrastructure, and intelligence transport system and in water management.

Japan ranks second among major industrialised countries, following the USA, in terms of expenditure on science and technology, which supports its positions as a technology based country. They were 827 000 researchers in the fields of science and technology by March 2008 and total research and development expenditure in 2007 was 18. 9 trillion yen or 3. 67% of Japan's GDP. Universities and colleges spend more than 90% of their research and

development expenditure on natural sciences, while business enterprise allocate over 70% for development purposes (Statistic Bureau, 2010). In 2007 Japan exported 2482.3 billion yen of technologies. Also in 2007 the total number of patent applications submitted in Japan amounted to 396,291 which represented an increase of 1.2% over 1997.

Japan has virtually no domestic oil or natural gas reserves and is the second largest importer of oil and the largest importer of natural gas in the world. Including nuclear power Japan is still only 16% energy self-sufficient. It remains one of the major exporters of energy sectors equipment and Japanese companies provide engineering, construction and project management services for energy project around the world (US Department of Energy, 2008).

Japan Highway Public Corporation (JH) is a public corporation founded in 1956 and fully owned by the national government based on the Japan Highway Public Corporation Law. As its main task, it is committed to the construction and operation of toll highways nationwide, including expressways.

JH has constructed 7,200 km of expressways and approximately 1,200,000 km of general roads, and is now constructing 2,100 km nationwide. JH has also constructed and is operating 900 km of other toll highways, and 300 km more are currently under construction (Road Bureau, 2003).

The number of Internet users has been growing steadily since the start of commercial Internet use in 1993. As of the end of 2008, the number of people who had used the Internet in the past year totalled 90.91 million, or <https://assignbuster.com/pestle-analysis-of-japan-economics-essay/>

75. 3% of the population. Among enterprises, the Internet user rate at the end of 2008 was 99%. Currently, mobile networks are expanding. The number of fixed phone subscription contracts was 41. 37 million (down 7. 6 percent year-on-year) at the end of March 2009. Meanwhile, the number of mobile phone subscribers totalled 107. 34 million at the end of March 2008, marking a rise by 4. 4% year-on-year. There were 24, 540 post offices and 192, 157 mailboxes in service nationwide at the end of March 2008 (Statistics Bureau, 2009).

LEGAL:

The Civil Code of Japan was created in 1896 and was heavily influenced by the German and French Civil codes and emphasised law and order over individual freedom. Within the legislative process there is a separation of three branches: legislative, executive and judiciary (Gono 2004). The highest organ of state power and the sole law-making body of the state is the Diet, or parliament, made up of the House of Representatives and the House of Councillors. The executive power is vested in the Cabinet, through which the Prime Minister works. The whole judicial power is vested in the Supreme Court and inferior courts established by law. The inferior courts consist of 8 High Courts, 50 District Courts, 50 Family Courts and 438 Summary Courts (Gono 2004).

Japan's corporate law is based on the Corporations Code implemented in 2006. Corporate law requires new branch offices or businesses to be registered with the Legal Affairs Bureau. Under Japanese law the basic types of companies are Kabushiki kaisha (KK) similar to a business corporation, Godo kaisha (GDK) similar to a limited liability company, Goshi kaisha (GSK)

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similar to a limited partnership, Gomei kaisha (GMK) similar to a general partnership, and a limited liability partnership (Japan External Trade Organisation, 2010).

The Labour Standards Law and the Labour Contract Law are the primary statutes governing employment relationships in Japan and contain mandatory provisions that apply to all employees working in Japan. The Labour Standards Law establishes, among other things, a minimum standard for terms and conditions of employment and the Labour Contract Law governs the contractual relationship between an employer and an employee (Okada 2009). As a general rule, employers can freely determine the person they would like to hire as an employee. There are certain limited exceptions to this right, such as the requirement that men and women are given equal opportunities, the requirement that a certain percentage of hires are persons with disabilities and certain limitations on using age in hiring criteria. In some industries, it is common for an employment contract to include a non-competition clause (a clause prohibiting employees from working with a competitor for a certain period of time after termination of employment) and/or a non-solicitation clause (a clause prohibiting employees from soliciting other employees to move to other firms) (Okada 2009).

Under the Labour Standards Law, the general principle is that employers cannot require employees to work for more than eight hours per day and 40 hours per week. Employers must provide employees a 45-minute break if the daily working hours exceed six hours and a one-hour break if the working hours exceed eight hours (see below). Employers must also provide employees at least one rest day per week. Under the Labour Standards Law,

employers are required to pay 125 per cent of the employee's base hourly wage for overtime work and 135 per cent for rest-day work. Employers are further required to pay an additional 25 per cent for night-time work (ie work undertaken between 10pm and 5am) (Okada 2009). Under the Labour Standards Law, an employee who has been continuously employed for six months and whose attendance has been at least 80 per cent of the total number of working days during that period is entitled to a minimum of 10 days' annual paid leave. The number of minimum days' entitlement for annual paid leave increases with the length of employment to a maximum of 20 days a year. A pregnant employee is entitled to maternity leave for a period of six weeks before the expected date of birth and eight weeks after the birth (Okada 2009).

During the expansion of mass production and the rapid industrial development of the high economic growth era from the mid-1950s and 1960s, many incidents occurred that hurt consumers due to defective products and false labelling. Public interest in product safety increased markedly, and consumer awareness also grew. The Consumer Protection Fundamental Act, which was enacted in 1968, had functioned as the basic framework for Japan's consumer policies. The Consumer Contract Act was enforced in April 2001, which sets out new civil rules to contribute to fair and smooth resolution of conflicts related to consumer contracts. Japan's Product Liability Act took effect in July 1995, stipulating that if life, body, or property of a consumer suffers damage caused by the defect of a product the manufacturer must compensate the consumer for his or her loss. Recently, a series of cases in which corporate misdeeds that betrayed consumer trust,

such as the false labelling of food products and the automobile recall cover-up scandals, were revealed by information provided by concerned persons within corporations. Based on these circumstances and studies at the Quality-of-Life Policy Council, detailed work to prepare a system to protect whistleblowers was undertaken, and a bill to protect whistleblowers for public interest reasons was submitted to the Diet. The bill was approved and enacted by the Diet in June 2004 (International Affairs Office, 2006).

ENVIRONMENTAL:

Japan's environmental policy has reflected a tenuous balance between economic development and environmental protection. Current environmental policy and regulations are a consequence of a number of environmental disasters in the 50s and 60s. In 1993 the government recognised the environment law system which restricts industrial missions, restricts product, restricts waste, improve energy conservation, promote recycling, restrictions on land utilisations, and arranges environmental pollutions, control programs, relief of victims and provision of sanctions. The OECD's Environmental Performance Review of Japan in 1994 applauded improvements in air quality but was worse for water quality. In the 2006 Ministry of Environment report showed major issued of global warming, conservation of the atmospheric environment, waste management, measure for chemicals substances, conservation and participation in the international cooperation (Ministry of the Environment, 2010)

Japan is the world's leading importer of exhaustible energy resources and the world's fifth largest emitter of greenhouse gases. Nuclear power provides about 35% of Japan's electricity. Hydroelectric power and renewable energy

account for only 4% of total energy consumption in the country (US Energy Department, 2009). Some 18, 000 tonnes of carbon emissions are generated by food-related road traffic each year, much of it linked to restaurants; 75 per cent of the 600, 000 tonnes of glass bottles junked every year by restaurants, cafés, bars, hotels and clubs never gets even close to a recycling plant; and a third of the food ordered by the trade is thrown away.

However, Japan has one of the most sophisticated recycling systems in the world. Due to land scarcity in Japan up to 80% of garbage is incinerated and there are 44 garbage categories for recycling and incineration. It has also passed a law requiring retailers and manufacturers to take back used appliance and to publicise their recycling, in an attempt to create a closed loop economy (Onishi, 2005).

Japan is one of the world's largest consumers of fish. However, due to depleting ocean stocks the annual catch has been rapidly decreasing. Japan is the world's third largest consumer of fish, following China and Peru. Japan's whaling for "research purposes" has also attracted a great deal of negative international attention. The whale meat harvested from the research campaigns is sold in supermarkets and restaurants in Japan (Trevino, 2010; BraveNewWorld, 2010).