

International trade between japan and the united states essay

[Business](#), [Industries](#)



Japan 1. Executive Summary Since World War II, Japan started to focus on its economic growth and eventually became the second largest GDP in 1967.

Japan is currently the world's fourth largest exporter and sixth greatest importer in the processing industry and high-technology. As Japan's position has grown, their political, economical power in the world has grown, too. However, as many Asian and Latin countries' economical development efforts are growing rapidly, Japan's former position is threatened.

Especially in the case of China, since they opened the market, now they are 4th biggest country in terms of economic size. The biggest reason that China has a big potential is its big market size and huge population. India or China's economic size can be big, but the national income will be hard to get into high-national income countries group and potential growth limitation will come earlier than other advanced countries had gone through. If densely populated country such as China becomes the highest-national income country, former powerful economic countries such as Japan or the United States will have to give up their wealth in the world market. That is not going to happen in terms of earth energy and resources limitation, environmental pollution, and trade or market share.

The countries which have developed high-technology, fundamental science and intermediate components, such as Japan, will keep their economic position in the world. For example, even now if Japan stopped making components, then most machineries in the world will not work. The economic growth rate can be small, but Japan will steadily grow with the world's top foreign exchange holdings and highly advanced technology, overall low

political and commercial risks, and proximity to other East Asian countries such as China geographically. It's not common that foreign companies invest in Japan. However, we can learn and develop from Japan's successful economic models, policies, and technology. 2. Country Demographic Description - Market Size Japan has the tenth largest world population, around 127 million.

1) However, over the past few years, the population growth rate is decreasing due to falling birth rates and less immigration. (1) In 2007, the Japanese government announced that Japan had an estimated 33, 500 new births in 2006, ranking Japan as one of the least growing nations in the developed world. Due to late marriage, advanced education, increasing numbers of working women, and the high cost of child education the birth rate is low and advanced medical technologies and healthy life styles are making the mortality rate low. Now Japanese industries which are damaged from this aging society, such as railroad companies, universities, children's industry, wedding industry, need to reconstruct their business strategy and organization. Also many Japanese industries are trying to expand their market for the older and focus on both young people and the older people's tastes at the same time. For example, Toyota introduced a mini van ' Raum' which is easy to use and attractive to all kinds of ages. This model is a car especially designed so that a diversified generation can enjoy the style and functions of it. Many universities also try to open various classes for the older generation.

Japan is a homogeneous group ethnically, culturally, and racially. According to the CIA fact book, Japanese ethnics are composed of 99.4% Japanese and they use Japanese as an official language. Japanese places considerable emphasis on the group rather than the individual. From a company's point of view, Japanese people are hard workers and they unify well for the organization's benefits that they belong to. CIA fact books stated in 2002, Japanese gender ratio is almost equally split between male and female. The literacy rate based individuals aged 15 that can read and write is ninety percent of the total population in 2002. (14) Emphasizing education in society makes women more educated and national intelligence level higher.

Now Japan is the most powerful high-tech country in the world, and this comes from the quality of education. Japanese notion of the importance of education through absorbing western ideas and technology has been a key part of Japanese recovery and rapid economic growth since World War II. Even though they have emphasized homogeneity, they have developed their country by learning and absorbing foreign advanced ideas and technology. This shows how Japan became one of the most economically strong countries in the world through qualified human resources and absorbing other advanced skills.

The United Nations World Populations prospects reported in 2005, Japan's population density is 339 persons per square kilometer. Japanese people tend to live in urban areas so the houses are located in the central cities. As the world's most populous city, there are 35,000,000 people in Tokyo-Yokohama area and there is about eighty million of the urban population

concentrated on the Pacific shore of Honshu. (1) So it's easy to get access to customers and markets so that foreign companies can save money on promotions to communication in terms of market access. For example, in Japan's main major cities such as Tokyo, Yokohama and Chiba, young people often come seeking an education and or work. So by investing in the metropolitan areas, companies can not only get a many labor force, but companies also get the benefits of infrastructures, networks, and social services in the urban area easily.

Japanese traditional local religions are mostly from Shintoism which is the very foundation of Japanese value system emphasizing harmony with one's environment. From a business' perspective view, this means that doing business and receiving profits is possible because this is designed to benefit other members of society. Business is an act of receiving and returning interaction which shintoism's main value system- harmony with one's environment. Companies' motivation of profits is commendable and they have a right to be respected as long as their business benefits others. .

Political environment Like the United Kingdom and many middle east countries, Japan is a parliamentary monarchy governed by a Prime Minister and his cabinet.

The Emperor is symbolic figure of the country, but has lost most of its power since WWII. During a forty year period, from 1960 to 1993, especially until 1980 for 20 years, Japanese economy grew 7. 3% and was the third most powerful economic country in the world. During this period, the Japanese generated their conservative economical politic characteristics.

Japanese economic growth is explained by government planning which chooses certain production firm, which they think are the most efficient. The government supported these firms through a universal banking system to finance the companies' strategic industry. The Japanese government and many Japanese companies are very close and internal political stability comes from these relationships. Japan created the financial authority MITI, the Ministry of International Trade and Industrialization, which studied the world's economic trends and targeted industry as the future of Japan's industrialization. The Japanese government guided Japan's future economy and industries which determined the direction of many Japanese companies.

Under government powers, the Japanese economy pursued welfare capitalism, non-liberal capitalism, and coordinated market economies. (2) However these systems did not work well after Japan moved out the infant stage and became one of the world's largest economies. As the Japanese economy moves onto a mature stage, banks and the government have a hard time finding the industry and economical policies for the next generation. Each governmental department has their own economical goals. However, the ultimate purpose of all of the departments is to further globalize Japan's industry. Therefore in order for Japan to stable politically and economically, many scholars insist that a long-term relationship between the state and banks, banks and firms, and government planning and viable industry associations is necessary. (3) Especially from the stakeholder capitalism point of view, it is important to maintain the welfare

of the stakeholders such as the employees, banks, government, and customers not just to make the shareholders' profits higher.

By doing so long time efficiency can be maximized. 3) Recently Japan has been going through serious crises because of their underlying problems and political risks. The British economic magazine, Economist, pointed out Japanese underlying political risks and government problems.

First of all, because of a bureaucratic and political mess, no one can identify where one problem ends and the next begins. Since the government's power and influence is so large, no one can say if it is a political, economic or bureaucratic problem. People can notice that there's a problem, but it's difficult to know where to begin. The government's practice of ensuring all people are employed can lead to many problems. Whether or not it is necessary, politicians spent lots of money on some industries, especially on construction in order to avoid unemployment. Government-financed construction is an economic force and about half the industry might collapse, throwing millions out of work if it is stopped. Most industries are under government control and the government is basically socialist.

For example, the bureaucrats have always lent cheap funds equally so there's no difference between the successful and the unsuccessful. The last cause of Japanese political risk comes from Japanese banks' inefficiency problem which is based on bad loans and speculative bubble deflates. Also, because Japanese banks and business have had huge collaboration together, the speculative bubble would bring problems to both of them. However,

there is no government which does not have problems. Compared to other countries, Japan's overall political and commercial risk is low. Japan has been active in diversified international organizations economically and politically and is one of the leader countries. According to the CIA world fact book in 2007, Japan has the world's second largest economy by nominal GDP and the world's fifth largest defense budget.

Events in 2004 also show the impact on international affairs and participation in the world that Japan has. Japan is the world's second largest donor of official development assistance and has huge economic power as the world's fourth largest exporter and sixth largest importer and a world leader in technology and machinery. Other economic international organizations that Japan joined and participated in are IBRD, WTO, IMF, and OECD. 4.

Economic environment Since 1940 Japan's economy has been grown substantially as a major producer and exporter of manufactured goods such as automobiles, electrical products, chemicals, and steel. Their basic important economic system is focusing on large, quasi-monopolistic industrial companies supported by the government. Their economics system is in both the industrial and information basis which is a combination of both capitalist and socialist economic systems. This economic system helped Japan to be a one of the most developed countries in the world, with one of the highest standards of living.

Compared to the huge economic growth about 4% per year in the 1980s, growth rate slowed in the 1990s due to excess of stocks, real estate markets from government policy, and after-effects of over investment in the late 1980s. In the early 1990s, even government efforts did not work to revive the economy. However, from 1993 to 2007, GDP per worker increased steadily and real GDP in Japan grew at an average of roughly 1.5% yearly between 1991-1999. (4) The growth from 2003 to 2005 was strong again with a GDP growth for 2005 of 2.8% and an annualized fourth quarter expansion of 5.5%. 5) However in 2008, Ota Hiroko, the Minister of State for Economic and Fiscal Policy, announced that the Japanese economy will not grow as a first class economy because of the sixth straight annual decline in the country's per capita gross domestic product, resulting from the fall of Japan's GDP per capita to 18th among the 30 member nations of the Organization for Economic Cooperation and Development (OECD) in 2006 and the decreasing of Japan's share of aggregate world income to below 10%.

(6) (7) According to World Bank in 2004, GNI per capita of Japan was ranked fourteenth, as \$28,450. When it comes to country economic size and population, Japan's actual GNI shows how the economic productivity of Japan is huge. (3) Usually higher GNI per capita countries like Japan tend to have higher literacy rates and secure social systems. Foreign rights news in 1998 stated that Japanese income distribution is moving toward inequality which resulted from a complex interplay of factors, including wage inequality and the rapid move toward a large aging society.

Most of all, 'bubble economy' from rising in land share prices in the late 1980s accelerated inequalities in the distribution of assets. As late as 1955, over 40% Japanese people worked in agriculture. But this number had decreased to 17% by 1970 and 4.9% by 2000, so Japan imported more and more food every year. (8) Japan had always been the source of the world's largest donations. However, as the table shows above, Japan's ODA has been decreasing continuously since 2000. OECD stated that Japan's ODA as a percentage of GNI will be 0.21% and be ranked 5 or 6 country after US, UK, Germany, France and Italy in 2010.

Because Japan has been going through financial difficulties for about 10 years, the Japanese government deducted the budget. However, European countries have been increasing donations due their return to prosperity after September 11th. Japan is worried about this situation because Japan's political and economic power was strong for 10 years as the largest donation country in the world. Compared to National income, agriculture in Japan contributes only 1.3% to the GDP and employs 7% of the active population.

(10) Since Japan has only 15% of suitable land for cultivation and has few natural resources, Japan's industrial sector is well diversified. As the world's second producer of cars and ships, Japan produces from basic products such as steel and paper to very advance technological goods. Automobiles, robotics, and micro-technology are very competitive and these sectors contribute almost 30% to the GDP. However the biggest sector which contributes to the national income is service as 68% of the GDP. (10) Like other countries' budgetary system, Japanese government's sources of

revenues are government bonds and other revenues. Usually expenditures go to social security, public works, economic cooperation, and nation defenses. As Japan's bubble economy was decreased rapidly since the early 1990s, the Japanese government disbursements are increasing every year.

In order to recover the economy, the Japanese government issued national bonds over and over again with reducing taxes which made the Japanese government disburse lots of money. Issuing national bond and financial supports from manufacturing industry helped the Japanese government, but a decline of saving rate due to decreasing population was another reason that there were red figures in the Japanese finance. OECD reported in 2005, the ratio of government gross debt to GDP was 123. % in 2000 and 158.

9% at the end of 2005. S&P said that the Japanese government' gross debt to GDP will be 204% and 287% in 2020, if Japan does not make an appropriate system for the aging population. (11) Since Japan has few natural resources, international trade is an essential for the Japanese economy. According to the Federation of International Trade Associations in 2007, Japan was the 6th greatest importer and the 5th greatest exporter in the world. Japan's major trade partners for exports-vehicles, electric equipment, machinery- are the USA, China, and South Korea. And the top three import partners mainly for mineral, oils, and machinery are China, the USA, and Saudi Arabia. (5) Ministry of Internal affairs and Communications reported in 2006 that Japan's current account has continuously been a surplus in recent years.

In 2006 the surplus increased to 19.85 trillion yen and the trade balance totaled 9.46 trillion yen. Income increased by 20.

8% over the previous year to 13.75 trillion yen, making a surplus for the fourth consecutive year. (12) Japan has been famous for their foreign exchange rate intervention. In the 1970s Japanese government intervened heavily in foreign-exchange marketing. Since Japan is a huge export based country, they wanted to lower the value of yen not to protect export growth.

Recently in 2003, Japan has intervened especially heavily in the market again by selling yen and buying dollars. (6) Through this intervention and '0% interest rate policy', Japan actually solved some big problems such as companies' competitive power and deflation. Because of end of the deflation, Japanese real interest rate decreased below zero and the Japanese companies' investment in plant and equipment increased. Since the latter half of the 1990s, the level of inward FDI in Japan is very low compared to other countries. It is a measure of the extent to which a host country receives inward FDI relative to its economic size. It is calculated as a ratio of the country's share in global FDI inflows to its share in global GDP. According to the results of the Survey of Trends in Business Activities of Foreign Affiliates conducted by the Ministry of Economy in 2002, high cost structure such as rent and tough customer demands are the main obstacles of inward FDI.

(13) Many regulations also affect the FDI. For example, the Japanese government set limits on foreign investors' stock ownership in Japanese

companies to avoid foreign companies' takeover attempts. Many foreign companies are still saying that starting business is complicated by regulatory authorities' detailed guidance on product approval, government procedures excluding competition, complex application procedures, and no tax incentives. The complicated and confusing regulations and the high taxation of foreign companies make FDI harder. As the charts and table show below, the countries which get opportunities to export to Japan are the countries which have many natural resources. Countries such as China, USA, Middle East, and Oceania can get exportation opportunities through mineral fuels, electrical machinery, foodstuffs, and raw materials.

But if the countries try to export the processing industry or high-tech industry which is Japan's major field, there will be many restrictions. (8)

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