



Economy of Japan

The economy of Japan is the second largest economy in the world, after the United States at around US\$4.5 trillion in terms of nominal GDP and third after the United States and People's Republic of China when adjusted for purchasing power parity. The workers of Japan rank 18th in the world in GDP per hour worked as of 2006. The Big Mac Index shows that the wages in Tokyo is the highest among principal cities in the world.

Japan's economy is highly efficient, highly diversified, and very competitive, being ranked 19th among 111 countries on productivity. Japan has a well-educated work force and high levels of savings and investment rates.

For three decades, Japan's overall real economic growth had been spectacular: a 10% average in the 1960s, a 5% average in the 1970s, and a 4% average in the 1980s.

Sliding stock and real estate prices marked the end of the "Japanese asset price bubble" of the late 1980s, and ushered in a decade of stagnant economic growth. These problems may have been exacerbated by domestic policies intended to wring speculative excesses from the stock and real estate markets. Real GDP in Japan grew at an average of roughly 1.5% yearly between 1991-1999, compared to growth in the 1980s of about 4% per year. Growth in Japan throughout the 1990s was slower than growth in other major industrial nations, and the same as in France and Germany. Government efforts to revive economic growth have met with little success and were further hampered in 2000 to 2001 by the slowing of the global economy. However, GDP per worker has increased steadily even through the nineties, growing at 2.0% per year in 2003 and 2004, and 2.8 percent in 2005. Unlike previous recovery trends, domestic consumption has been the dominant factor in leading the growth. As predicted, the economic recovery continued in 2006 and 2007.

Infrastructure

As of 2005, one half of energy in Japan is produced from petroleum, a fifth from coal, and 14% from natural gas. Nuclear power in Japan makes a quarter of electricity production and Japan would like to double it in the next decades.

Japan's road spending has been large. The 1.2 million kilometers of paved road are the main means of transportation. Japan has left-hand traffic. A single network of high-speed, divided, limited-access toll roads connects major cities and are operated by toll-collecting enterprises. New and used cars are inexpensive. Car ownership fees and fuel levies are used to promote energy-efficiency.

Dozens of Japanese railway companies compete in regional and local passenger transportation markets; for instance, 7 JR enterprises, Kintetsu Corporation, Seibu Railway, and Keio Corporation. Often, strategies of these enterprises contain real estate or department stores next to stations. Some 250 high-speed Shinkansen trains connect major cities. All trains are known for punctuality.

There are 176 airports and flying is a popular way to travel between cities. The largest domestic airport, Haneda Airport, is Asia's busiest airport. The largest international gateways are Narita International Airport (Tokyo area), Kansai International Airport (Osaka/Kobe/Kyoto area), and Chūbu Centrair International Airport (Nagoya area). The largest ports include Nagoya Port.

Given its heavy dependence on imported energy, Japan has aimed to diversify its sources. Since the oil shocks of the 1970s, Japan has reduced dependence on petroleum as a source of energy from more than 75% in 1973 to about 57% at present. Other important energy sources are coal, liquefied natural gas, nuclear power, and hydropower. Demand for oil is also dampened by higher government taxes on automobile engines over 2000 cc, as well as on gasoline itself, currently 54 yen per liter sold retail. Kerosene is also used extensively for home heating in portable heaters, especially farther north. Many taxi companies run their fleets on liquefied gas with tanks in the car trunks. A recent success towards greater fuel economy was the introduction of mass-produced Hybrid vehicles. Former Prime Minister Shinzo Abe, who was working on Japan's economic revival, signed a treaty with Saudi Arabia and UAE about the rising prices of oil.

Services

Japan Airlines is one of the largest airlines in the world. Japan's service sector accounts for about three-quarters of its total economic output. Banking, insurance, real estate, retailing, transportation, and telecommunications are all major industries such as Mitsubishi UFJ, Mizuho, NTT, TEPCO, Nomura, Mitsubishi Estate, Tokio Marine, JR East, Seven & I, and Japan Airlines counting as one of the largest companies in the world. The Koizumi government set Japan Post, one of the country's largest

providers of savings and insurance services for privatization by 2014. The six major keiretsus are the Mitsubishi, Sumitomo, Fuyo, Mitsui, Dai-Ichi Kangyo and Sanwa Groups. Japan is home to 326 companies from the Forbes Global 2000 or 16.3% (as of 2006).

Industry

Japanese manufacturing is much diversified, with a variety of advanced industries that are highly successful.

Industry is concentrated in several regions, in the following order of importance: the Kantō region surrounding Tokyo, especially the prefectures of Chiba, Kanagawa, Saitama and Tokyo (the Keihin industrial region); the Tōkai region , including Aichi, Gifu, Mie, and Shizuoka prefectures (the Chukyo-Tokai industrial region); Kinki (Kansai), including Osaka, Kyoto, Kobe, (the Hanshin industrial region); the southwestern part of Honshū and northern Shikoku around the Inland Sea (the Setouchi industrial region); and the northern part of Kyūshū (Kitakyūshū). In addition, a long narrow belt of industrial centers is found between Tokyo and Fukuoka, established by particular industries that have developed as mill towns.

The fields in which Japan enjoys relatively high technological development include consumer electronics, automobile manufacturing, semiconductor manufacturing, optical fibers, optoelectronics, optical media, facsimile and copy machines, and fermentation processes in food and biochemistry.

Agriculture

Only 12% of Japan's land is suitable for cultivation. Due to this lack of arable land, a system of terraces is used to farm in small areas. This results in one of the world's highest levels of crop yields per unit area, with an overall agricultural self-sufficiency rate of about 50% on fewer than 56,000 km² (14 million acres) cultivated.

Japan's small agricultural sector, however, is also highly subsidized and protected, with government regulations that favor small-scale cultivation instead of large-scale agriculture as practiced in North America.

Imported rice, the most protected crop, is subject to tariffs of 490% and was restricted to a quota of only 7.2% of average rice consumption from 1968 to 1988. Imports beyond the quota are unrestricted in legal terms, but subject to a 341 yen per kilogram tariff. This tariff is now estimated at 490%, but the rate will soar to a massive 778% under new calculation rules to be introduced as part of the Doha Round.

Although Japan is usually self-sufficient in rice (except for its use in making rice crackers and processed foods) and wheat, the country must import about 50% of its requirements of other grain and fodder crops and relies on imports for most of its supply of meat. Japan imports large quantities of wheat, sorghum, and soybeans, primarily from the United States. Japan is the largest market for EU agricultural exports. Apples are also grown, mostly in Tohoku and Hokkaidō; Pears and Oranges are mainly grown in Shikoku and in Kyūshū. Pears and oranges were first introduced by Dutch traders, in Nagasaki in the late 18th century.

Fishery

Japan ranked second in the world behind the People's Republic of China in tonnage of fish caught—11.9 million tons in 1989, up slightly from 11.1 million tons in 1980. After the 1973 energy crisis, deep-sea fishing in Japan declined, with the annual catch in the 1980s averaging 2 million tons. Offshore fisheries accounted for an average of 50 % of the nation's total fish catches in the late 1980s although they experienced repeated ups and downs during that period

Coastal fishing by small boats, set nets, or breeding techniques accounts for about one third of the industry's total production, while offshore fishing by medium-sized boats makes up for more than half the total production. Deep-sea fishing from larger vessels makes up the rest. Among the many species of seafood caught are sardines, skipjack tuna, crab, shrimp, salmon, pollock, squid, clams, mackerel, sea bream, saury, tuna and Japanese amberjack.

Japan maintains one of the world's largest fishing fleets and accounts for nearly 15% of the global catch, prompting some claims that Japan's fishing is leading to depletion in fish stocks such as tuna. Japan has also sparked controversy by supporting quasi-commercial whaling.

Labor force

In 2008, Japan's labour force consisted of some 66 million workers—40% of whom were women—and was rapidly shrinking. Labour union membership is about 12 million. The unemployment rate for June 2009 is 5.2% (5.4% male (up 0.1% from May 2009), 4.9% female (up 0.3% from May 2009)). In 1989, the predominantly public sector union confederation, SOHYO (General Council of Trade Unions of Japan), merged with RENGO (Japanese Private Sector Trade Union Confederation) to form the Japanese Trade Union Confederation.

One major long-term concern for the Japanese labour force is a low birthrate. In the first half of 2005, the number of deaths in Japan exceeded the number of births, indicating that the decline in population, initially predicted to start in 2007, had already started. While one countermeasure for a declining birthrate would be to remove barriers to immigration, the Japanese government has been reluctant to do so.

In July 2006, the unemployment rate in Japan was 4.1%, according to the OECD. At the end of February 2009, it stood at 4.4% this seemingly modest rate however understates the situation. According to *The Economist*, the ratio of job offers to number of applicants has declined to just 0.59, from almost 1 at the start of 2008, while average work hours also declined. Average wages also went down by 2.9% over the 12 months ending in February.

Current economic issues

The Koizumi administration, which held office until 2006, enacted or attempted to pass (sometimes with failure) major privatization and foreign-investment laws intended to help stimulate Japan's dormant economy. Although the effectiveness of these laws is still ambiguous, the economy has begun to respond, but Japan's aging population is expected to place further strain on growth in the near future.

Keynesians tend to claim that Japan's economy is far stronger than generally believed. Some mainstream economists acknowledge that Japan, which unlike most Western countries has maintained its industrial base, and has vast capital reserves, currently has a strong economic outlook.

The privatization of Japan Post, the Japanese postal system which also runs insurance and deposit-taking businesses, is a major issue. A political battle over privatization caused a political stalemate in August, 2005, and ultimately led to the dissolution of the Japanese House of Representatives. The Postal Savings deposits, which have until now been used to fund public works projects, many of which have had questionable economic value, stands in excess of 1.9 trillion U.S. dollars, and could be a major force in energizing the private sector.

The Japanese monetary authorities' continued desire to depress the price of yen relative to other key specific currencies to protect domestic business from imports may no longer be feasible. The most recent record intervention in 2003 amounted to over 17 trillion yen, more than one third of one trillion US dollars at the time and nearly 3% of Japan's 2003 GDP, being sold in favor of other non-yen denominated assets. However, since 2005, Japan has

not directly intervened to buy currency, as yen carry trade has effectively carried out the same task.

Interestingly, international trade has expanded by 60% from 91.4 trillion yen to 142.6 trillion yen from 2001 to 2006. However, taking in account the economic participation rate, Japan's GDP per worker has increased steadily.

The Organization for Economic Cooperation and Development downgraded its economic forecasts on March 20, 2008 for the Japan for the first half of 2008. Japan does not have room to ease fiscal or monetary policy, the 30-nation group warned. For Japan, the OECD said the pace of underlying growth appears to be softening despite support from buoyant neighboring Asian economies. The organization expects first-quarter GDP to be up 0.3 percent and predicts a rise of 0.2 in the second quarter.

On November 17, 2008, Japanese government officials announced that the economy was in a recession. It was reported that Japan's economy contracted at an annual pace of 1.8% in the third quarter of 2008. It is forecasted to have shrunk 0.8% through the fiscal year that ends March 2009.

