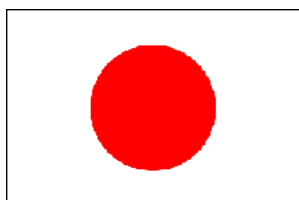


COUNTRY PROFILE



Japan

GLOBAL RANK: 13th of 104



Ranking 13th overall, Japan achieves an outstanding result for Economic Competitiveness (4th), due to substantial capital investment and the commercialisation of innovation. However, in common with Hong Kong and Singapore, strong Economic Competitiveness performance is not translated into a similarly impressive Comparative Liveability rank (22nd).

● BACKGROUND

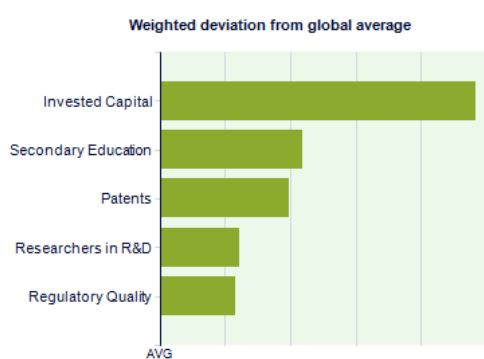
The world's second largest economy and a major regional financial and cultural power, Japan is a stable and technologically advanced democracy. The Japanese population is highly educated, and enjoys remarkably low crime rates and personal income levels far higher than in most Asian countries. Market liberalisation continues, most notably with the recent privatisation of Japan Post. However, the economy still suffers from low growth and high levels of public debt. Anxiety over Japan's ageing population and low birth rate has prompted debate over whether to deal with predicted labour shortages by increasing immigration.

FAST FACTS

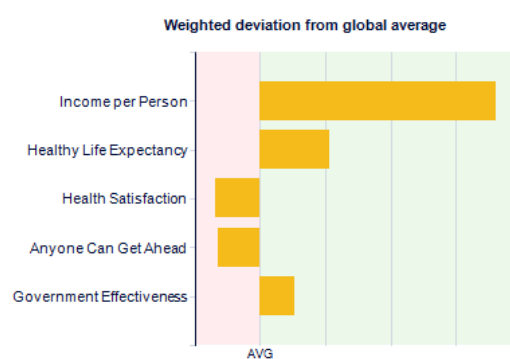
Population:	127.3 million (2008 est.)	FDI (net inflow):	0.25% (2006 est.)
Life Today	6.4 (2007 est.)	Exports	14.88% (2006 est.)
GDP (PPP)	\$4.29 trillion (2007 est.)	Imports	13.27% (2006 est.)
GDP (Growth)	2.1% (2007 est.)	Unemployment:	3.9% (2007 est.)
GDP (per Capita)	\$33,600 (2007 est.)	Life Expectancy	82.07 years (2008 est.)
Political System:	Constitutional Monarchy with a Parliamentary Government		
Foreign Aid:	No data		

● KEY SCORE DRIVERS

ECONOMIC COMPETITIVENESS



COMPARATIVE LIVEABILITY



Japan's advanced industrial economy provides a high level of Economic Competitiveness for its citizens. The post-war 'economic miracle' has been attributed to high rates of investment in both human capital (via health, education and training) and physical capital, as well as close collusion between government and business on industrial policy. However, the 'lost decade' of stagnant economic growth in the 1990s has forced the country to reassess the sources of its success in a fast-industrialising region. Japan has responded by creating political and business initiatives to reform industrial policy and nurture greater innovative capacity in the next generation of Japanese.

Like many East Asian countries, Japan's high Economic Competitiveness rank is counterbalanced by a far lower level of Comparative Liveability. Many of the country's liveability fundamentals are good. Incomes are high, limiting the burden of poverty to a small minority. According to the OECD, Japan spends modestly on healthcare -- 6.6% of GDP in 2007 -- and yet enjoys good health outcomes. Japan has one of the highest longevity rates in the world, at 81.4 years, and health-adjusted life expectancy is similarly high. Japan's delivery of services and execution of policies are evidently good with high scores for government effectiveness.

Still, these results set expectations high, and satisfaction with

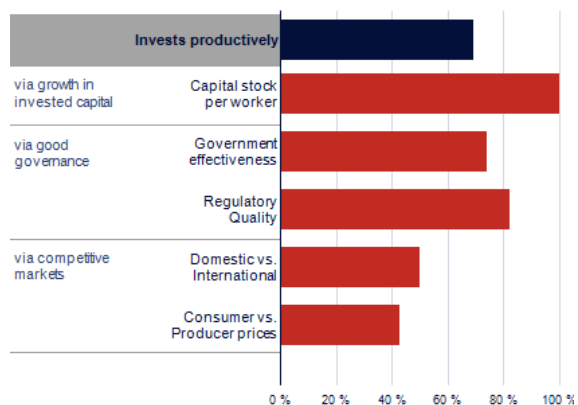
Japan has built up a strong base in the telecommunications and information technology industries, which are extremely competitive in world markets. Due to innovation in these sectors, Japan has become the world leader in applications to register new patents, and in the high number of highly-skilled researchers in its workforce.

Japan's exceptional rates of capital investment are a function of its high domestic propensity to save -- itself linked to lifetime employment practices that couple salary to age -- as well as high levels of regulatory quality that provide an attractive investment environment. However, in the face of near-zero interest rates, Japan's high rates of savings and low levels of consumption suggest an underdeveloped domestic market. Japan's most productive corporations remain highly dependent on exports.

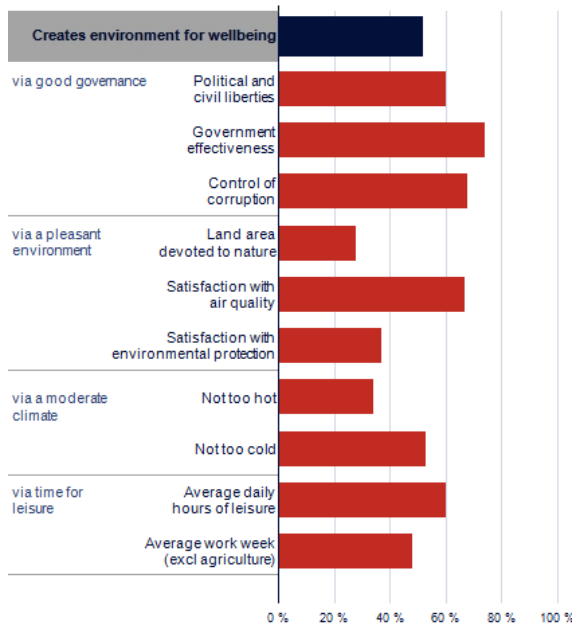
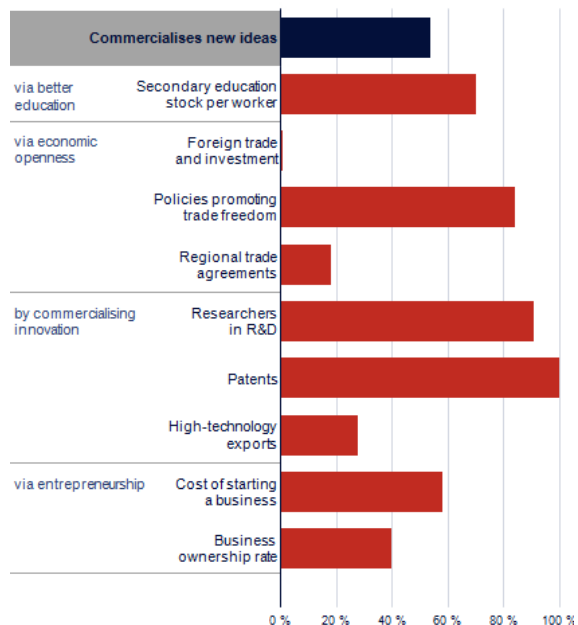
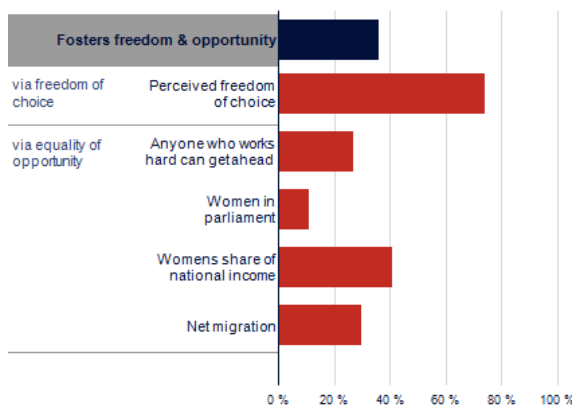
personal health is surprisingly low. This is perhaps partly a function of demographics: Japan's population is rapidly ageing. According to government projections, the ratio of people of working age supporting each pensioner will decrease from 5 in 1990 to 2.3 by 2025. This will cause Japan great difficulties in meeting the fiscal strain of pensions and social services without expanding the labour pool or raising the retirement age.

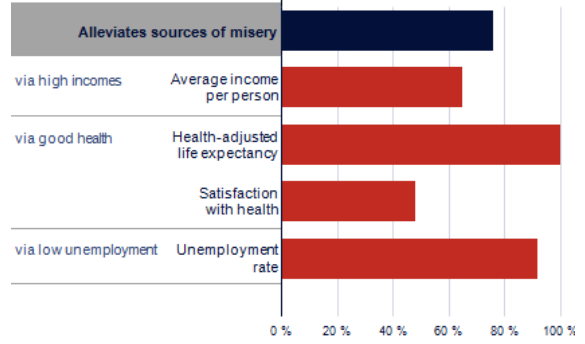
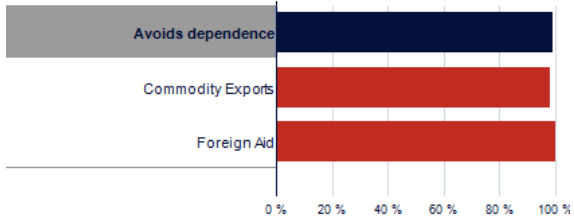
The WHO ranks Japan as having the tenth-highest suicide rate in the world, reaching 24 out of every 100,000 in recent years. . Another surprising indicator is the low proportion of Japanese who say that anyone can get ahead through hard work. This may be due to the limited role played by women in both politics and the economy, resulting in a low opportunity score overall for Japan. Other soft issues to address are dissatisfaction with environmental protection and air quality, which is especially worrying given the country's limited land area devoted to nature.

ECONOMIC COMPETITIVENESS: SCORECARD

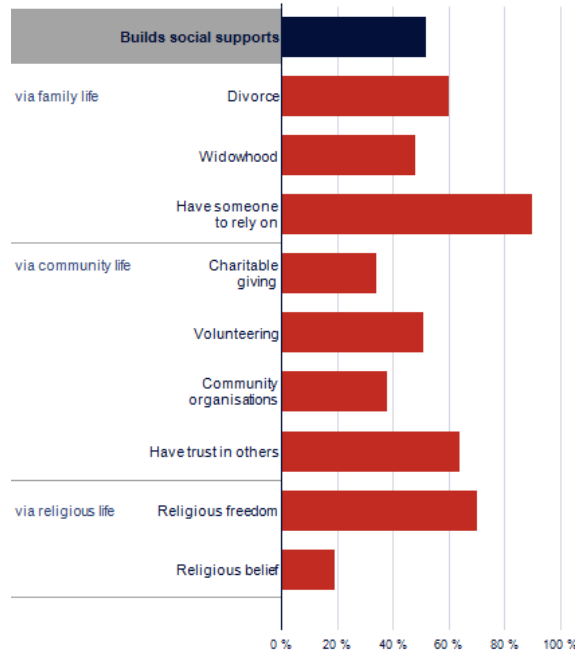


COMPARATIVE LIVEABILITY: SCORECARD





All subindicator scores in the Index are shown unweighted, expressed as a percentage of the score for the best-performing country in the Index. Indicator scores (in dark blue) are derived from the weighted average of relevant subindicators. For more information on how the subindicator scores are weighted to produce indicator scores and an overall Index score and ranking, see Chapter Two of this report.



References:

^{9, w} See www.prosperity.com/references.aspx for further details including date of survey, sample size, and margin of error.