

# Trade of Japan



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### External trade

#### Exports

An outstanding feature of Japan's economic development after World War II was the rapid advance in overseas sales, even though the share of exports in the country's gross national product generally remained relatively constant. However, from the point of view of individual industries and as a generator of growth, exports are much more important than their contribution to the national income suggests. Since the late 1960s, Japan has had a trade surplus nearly every year, with the size of the surplus often being the largest in the world.

Reasons for this spectacular export performance are the wide variety of Japan's industrial output, the shift to products with a relatively high value added, the country's export competitiveness, and the dominant position of its industry in a number of fields. However, Japanese exports face increasing challenges. Most notable is strong competition from Japan's industrial neighbors China, South Korea, and Taiwan, as well as from the countries of Southeast Asia. Other factors include protectionist sentiments among Japan's chief trading partners, the valuation of the yen compared with that of other currencies, and a falloff in exports caused by the increased production of Japanese companies abroad. In addition, the global recession that began in 2007–08 is having a significant impact on Japan's exports, notably of motor vehicles.

A major change in the composition of exports occurred in the late 20th century. Textiles and food products constituted a considerably decreased share of total exports, while exports of a wide variety of machinery and apparatuses (including electronic equipment and components) and transport equipment grew dramatically, together accounting for the largest proportion of exports. Other important exports included chemicals, chemical products, and metals. China and the United States are Japan's largest export markets; other countries of East and Southeast Asia and the countries of the European Union (EU) are also important export destinations.

#### Imports

After World War II, Japan established relatively high tariffs and instituted restrictive nontariff barriers for many products in order to protect domestic markets. Consistently high trade surpluses led to mounting pressure by Japan's trading partners—notably the United States—for Japan to open its domestic market to foreign goods. Imports have grown steadily as Japan's trade structure has become more open. Because of Japan's meagre natural resources, the bulk of its imports are fuels, raw materials, and foodstuffs. The major components of imported manufactured goods are machinery and allied products and chemicals. Japan's largest suppliers include East and Southeast Asia (notably China), the Middle East, the United States, and Australia.

Japan: Major import sources Encyclopædia Britannica, Inc.

#### Internal trade

Japan has a long-established and complex system of wholesale distribution and retail marketing, characterized by numerous intermediary levels in the distribution of goods and small, often family-run retail outlets. This system, for years threatened by Japan's large department stores, also has been challenged by the growth of supermarket and discount-store chains and by mail-order sales and, more recently, online commerce. Sales traditionally have been transacted in cash, but the use of charge accounts and credit cards has become widespread.

## Labor and taxation

### Trade unions and employers' associations

Japanese trade unions have had a relatively short history. Although there were several labour organizations before World War II, trade unions became important only after the U.S. occupation forces introduced legislation that gave workers the right to organize, to bargain with employers, and to strike. Because Japanese trade unions were generally organized on a plant or enterprise basis, their number was relatively large, and in many cases there were different organizations for different plants of the same company.

The great majority of the enterprise unions became affiliated to federations that were loosely organized on craft lines, such as the Confederation of Japan Automobile Workers' Unions (Jidōsha Soren). Most of these in turn became affiliated with one of four major national labor organizations established after the war. Interest in uniting the rival national organizations deepened during the 1980s, mainly because of the trend toward ever greater concentration in industry and greater cooperation between the various employers' organizations. In the late 1980s the major national organizations and other private- and public-sector unions were reorganized into the Japanese Trade Union Confederation (JTUC-Rengō); those unions politically more to the left of JTUC-Rengō formed the much smaller National Confederation of Trade Unions (Zenrōren).

While the craft and national federations formulate general policy, discuss and advise on strategy, and coordinate wage offensives, serious negotiations are usually conducted on an enterprise basis by individual unions and the employees, especially during the annual institutionalized "spring offensive" (shuntō) wage drive. JTUC-Rengō serves as a voice for the unions in general, publicizing their demands and dealing with the government and other business organizations.

The unionization rate peaked in the mid-1950s at around two-fifths of the workforce, at a time when Japan was troubled by a series of protracted confrontations between labor and management. However, labor-management relations generally have become nonconfrontational and are now characterized by cooperation, with few working days lost through labor action. Membership gradually fell off, and by the early 21st century the number of employees who were organized was less than half of what it had been 50 years earlier. The major reason for the decline has been the shift in the employment structure itself from manufacturing to trade, coupled with the increasing number of part-time and temporary workers.

Japan has a well-developed system of chambers of commerce and trade and industry associations. These groups serve as a sounding board and make policy recommendations while interacting with politicians, government bureaucracies, and labor. Among the best-known are the Japan External Trade Organization (JETRO) and the Japan Business Federation (Nippon Keidanren), the latter formed in 2002 by the merger of the Japan Federation of Economic Organizations (Keidanren) and the Japan Federation of Employers' Association (Nikkeiren).

### Taxation

Tax revenues account for the single largest source of the government's total income. Since World War II the tax system has been characterized by heavy dependence on direct taxes, and steeply progressive income taxes on individuals and high corporate taxes have constituted most of the tax revenues. In the late 1980s an

indirect consumption (value-added) tax was imposed on most goods and services to augment the tax structure. Initially, the tax rate was 3 percent, but, after it was increased to 5 percent in the late 1990s, the government undertook a general overhaul of the tax system, in which tax rates were cut, the number of tax brackets was reduced, new deductions were introduced, and certain levies were lifted. However, in relation to national income, the total tax burden for Japan is considerably lower than it is for most other developed countries.

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