

## Chapter 1: Doing Business In Japan

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### Market Overview

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- Japan is the United States' fourth largest export market, after Canada, Mexico and China, and the second largest foreign investor in the U.S., with more than \$200 billion invested, second only to the UK. Japan is also the world's second largest economy, with a GDP of roughly \$5 trillion in 2007. Measured in dollar terms and at current exchange rates, that is roughly 37 percent of the United States' GDP, although fluctuations in the dollar/yen rate can change this figure significantly. Measured on the same basis, Japan's annual output is almost equivalent to that of Germany and France combined. It is roughly three times the annual output of China, and eight times that of India.
- The U.S.-Japan alliance is a cornerstone of U.S. security interests in Asia and is fundamental to regional stability and prosperity. Despite the changes in the post-Cold War strategic landscape, the U.S.-Japan alliance continues to be based on shared vital interests and values. These include stability in the Asia-Pacific region, the preservation and promotion of political and economic freedoms, support for human rights and democratic institutions, and securing of prosperity for the people of both countries and the international community as a whole. Japan is one of the world's most prosperous and stable democracies.
- Since coming out of the so-called "lost decade" of the 90's, Japan is enjoying its longest period of sustained economic growth, albeit modest, in the post-war era. Largely fueled by domestic demand, and buffeted by strong export sales to Brazil, Russia, India and China, the economy has shown resiliency in dealing with global economic concerns.
- In 2007, according to U.S. Census Bureau data, the U.S. had a trade deficit with Japan of \$82.8 billion, a decrease of 6.5% from 2006. U.S. exports to Japan totaled \$62.7 billion, while U.S. imports from Japan totaled \$145.5 billion.
- In 2006, according to U.S. Department of Commerce data, the U.S. exported \$42 billion worth of services to Japan, generating a surplus in excess of \$16 billion. U.S. service exports to Japan are projected to climb to approximately \$45 billion for 2007. The total of U.S. exports of goods and projected services for 2007 should exceed \$107 billion, the highest annual level on record.
- In 2007, the top ten exporters to Japan were China, the U.S., Saudi Arabia, United Arab Emirates, Australia, South Korea, Indonesia, Taiwan, Germany, and Thailand. The top ten importers from Japan were China, the U.S., South Korea,

Taiwan, Hong Kong, Thailand, Germany, Singapore, the United Kingdom, and the Netherlands.

#### Key Economic Indicators

Gross Domestic Product (GDP) in U.S. dollars:	4.9 trillion
GDP per capita in U.S. dollars:	33,100
Real GDP growth rate:	2.8%
Inflation:	0.4%
Unemployment:	3.9%

#### Market Challenges

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The difficulty of penetrating the Japanese market depends to a great extent on the product or service involved – the presence or absence of local or third-country competition, the number of regulatory hurdles to be overcome, and cultural factors such as language (both spoken and written), strict service and quality expectations, and business practices.

Generally, tariffs on most imported goods into Japan are low. However, cultural, regulatory, or non-tariff barriers continue to exist that can impede or delay the importation of foreign products into Japan. For more details, see Chapter 5 ([Trade Regulations and Standards](#)) of this report.

For extensive details on Japanese requirements with regard to import license requirements, restricted or prohibited imports, temporary entry of goods, certifications, standards, labeling requirements, etc., please refer to Chapter 5 ([Trade Regulations and Standards](#)) of this report.

#### Market Opportunities

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The Japanese market offers numerous opportunities for U.S. companies in a wide variety of sectors. The best prospects for U.S. exporters in the Japanese market are in the following sectors:

- Computer Software
- Cosmetics & Toiletries
- Education & Training Services
- Electronic Components
- Medical Equipment
- Pharmaceuticals
- Telecommunications Equipment
- Travel & Tourism

For more details, please refer to Chapter 4, [Leading Sectors for U.S. Export and Investment](#), of this Guide.

Major public-works projects currently underway in Japan that present significant opportunities for U.S. companies include urban renewal projects in various cities such as the Sasashima Project in Nagoya, the Okinawa Graduate University, and Tokyo Haneda

Airport expansion. For details, please refer to the region-specific descriptions in Chapter 2.

The [Asia Now](#) program brings together the resources of U.S. Commercial Service offices in 14 Asia-Pacific markets and our [Export Assistance Centers](#) throughout the U.S., providing American firms with a single portal for exporting to the Asia-Pacific region. To find out more about [Asia Now](#), please visit our dedicated web site, [www.buyusa.gov/asianow/](http://www.buyusa.gov/asianow/).

## **Market Entry Strategy**

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U.S. companies serious about entering the Japanese market should consider hiring a reputable, well-connected agent or distributor, and to cultivate business contacts through frequent personal visits. Japanese attach a high degree of importance to personal relationships, and these take time to establish and nurture. Patience and repeated follow-up are required to clinch a deal. U.S. business executives are advised to be accompanied by a professional interpreter, as many Japanese executives and decision-makers do not speak English, or prefer to speak Japanese. For more details, please refer to Chapter 8 ([Business Travel](#)) of this report.