**II. Analysis of the international business situation**

1. **Economic, political and legal analysis of the trading country**
	1. **Describe the trading country’s economic system, economic information important to your**

**proposed business/ product/ service, the level of foreign investment in that country**

In the years following World War II, government-industry cooperation, a strong work ethic, and mastery of high technology, helped Japan develop an advanced economy. Two notable characteristics of the post-war economy were the close interlocking structures of manufacturers, suppliers, and distributors, known as *keiretsu*, and the guarantee of lifetime employment for a large portion of the urban labor force. Scarce in many natural resources, Japan has long been dependent on imported raw materials. Since the complete shutdown of Japan’s nuclear reactors after the earthquake and tsunami disaster in 2011, Japan's industrial sector has become even more dependent on imported fossil fuels. A small agricultural sector is highly subsidized and protected, with crop yields among the highest in the world. While self-sufficient in rice production, Japan imports about 60% of its food on a caloric basis. For three decades, overall economic growth had been impressive - a 10% average in the 1960s, a 5% average in the 1970s, and a 4% average in the 1980s. Growth slowed in the 1990s, averaging just 1.7%. Little economic growth continued after 2000, but the economy has fallen into recession four times since 2008. Government spending helped the economy recover in 2009 and 2010, but the economy contracted again in 2011 as the massive 9.0 magnitude earthquake and the tsunami in March of that year disrupted manufacturing.

The economy has recovered in the four years since the disaster, although reconstruction in the affected Tohoku region has slowed. Japan enjoyed a sharp growth in 2013 on the basis of Prime Minister Shinzo Abe’s “Three Arrows” economic revitalization agenda of monetary easing, flexible fiscal policy, and structural reform. Abe’s government has replaced the preceding administration’s plan to phase out nuclear power with a new policy of seeking to restart nuclear power plants that meet strict new safety standards, and emphasizing nuclear energy’s importance.

Japan joined the Trans-Pacific Partnership (TPP) negotiations in 2013, a pact that would open Japan's economy to increased foreign competition and create new export opportunities for Japanese businesses. Japan in 2014 stood as the fourth-largest economy in the world after first-place China, which surpassed Japan in 2001, and third-place India, which beat out Japan in 2012. While seeking to stimulate and reform the economy, the government must also devise a strategy for getting rid of Japan's huge government debt, which amounts to more than 230% of their GDP. To help raise government revenue, Japan adopted a plan in 2012 to raise the consumption tax rate to 10% by 2015, beginning with a hike from 5% to 8% implemented in April 2014.

* 1. **Describe the trading country’s governmental structure and stability, how the government**

**controls trade and private business**

Japan has a parliamentary government with a constitutional monarchy. In a parliamentary government, parliament meets to decide on laws and they vote on them. A constitutional monarchy has a monarch (king/queen) and they have very little real political power. They are usually a symbol for the country. Japan combined these two because they were formerly ruled over by one, all powerful, emperor. When they had a democratic revolution they kept the long standing tradition of a monarch and formed a parliament to make and vote on laws. Japan’s prime minister is Shinzo Abe. He is the head of Government. Japan’s emperor is Akihito. He has no power related to the government and is mainly ceremonial. The emperor appoints the prime minister and he is approved by the National Diet. The national diet is voted on by the people and they are the legislative branch of Japan’s government. The Monarchy is still hereditary because the Emperor and his family are very important to the Japanese and is a symbol of their strong heritage. The major pressure groups in Japan are business groups and trade unions.

The prime minister serves a maximum term of 4 years. Members of the house of representatives serve for two years and members of the house of councillors serve for three years. The cabinet, which is appointed by the prime minister, resigns after the house of representatives votes on a new prime minister. The emperor serves until death. Japan’s level of corruption is low with a corruption score of 7.8 out of a perfect ten. This means that the bribing of government officials is not too common and is looked down upon. Japan level of political risk is low. It is even lower when compared to the rest of south and east Asia. Japan finally stabilized completely in 2013, though they were still very stable in the last 6-8 years leading up to that point. Japan’s level of political stability is 1.01. This is a moderately strong score. they aren’t too weak but they also aren’t the strongest.

Japan is a very active member of many international organizations. The most notable organization they are a part of is the UN. They are a big proprietor of free trade and express this in the many meetings they attend with their organizations. Japan’s political globalization was low throughout most of the 20th century until around 1995 when they rapidly increased the number of foreign embassies and became an active member of many more international organizations. Japan’s level of government involvement is relatively low in relation to free trade. Japan’s current balance of trade is -114.48.

Privately owned businesses are encouraged greatly throughout Japan. Although locations are harder to find now with most of the big cities already being owned by larger corporations. However these corporations are usually easy to work with to find location for a company. Japan’s business freedom score is 84.1 making it one of the freest places to start a business in the world. Taxes are relatively low for newer businesses and higher for large corporations. This is pretty common among developed countries. The government encourages small business and privately owned business. However they heavily subsidize large industries and have been known to bail out struggling companies. Overall Japan is very similar to the US when it comes to the privatization of business. They encourage it and will come to a company’s aid when they are in desperate need of it.

* 1. **Describe laws and/or government agencies that affect your business / product / service:**

Japan has signed and concluded Free Trade agreements with all of Southeast Asia, Mexico, India, Peru, Mongolia, the Philippines, Australia, and Switzerland. They are also part ASEAN, which is a free trade agreement in Southeast Asia. Japan is also under negotiation with Canada, Colombia, Korea, EU, and the United States. Labor unions in Japan are present but do not have a strong presence. They only consist of 18.5% of the work force. The largest trade union is called the Japanese Trade Union Confederation with 6 million plus people.

**B. Trade area and cultural analysis**

* + - 1. **Geographic and demographic information, important customs and traditions, other**

**pertinent cultural information, competitive advantages and disadvantages of the**

**proposed product and/or service.**

* + - 1. **Market segment analysis target market (age, income level, population estimate, other**

**specific demographic and economic information) customer buying behavior related to the**

**proposed product and or service.**

* + - 1. **Analysis of the potential location- importance and requirements of each trade documents**

**required by the U.S.A. and/or Canada and the country of choice.**

By taking Spikeball to Japan we are greatly widening our market. Because previously we were exclusive to the United States and Canada our market was very narrow. However by going to Japan we not only are breaking into an already thriving ball sports market but we are also getting a foothold in the Asian market as a whole.

Most of the major cities in Japan are either on the coast or are a short drive away from the coast. This will greatly help out our distribution efforts. We are not going to produce Spikeball in Japan because it is more cost effective to continue producing solely in the United States. So, in having the ports extremely close to the major cities our cost of transportation in Japan will be greatly reduced. Also the major airport of Japan, Tokyo International, is also very close to the sea should we decide to fly Spikeball in.

Employees in Japan are very easy to find because of the high population density of the major cities. Our employees will reflect our target market: 20-30 year olds and more specifically college students. We will be in competition with the rest of the countless number of stores in the large cities, mainly Tokyo, but because of the uniqueness of our company and because we are American, we don’t foresee us having a hard time attracting young, energetic employees to help us spread Spikeball to all of Japan’s colleges and universities.