



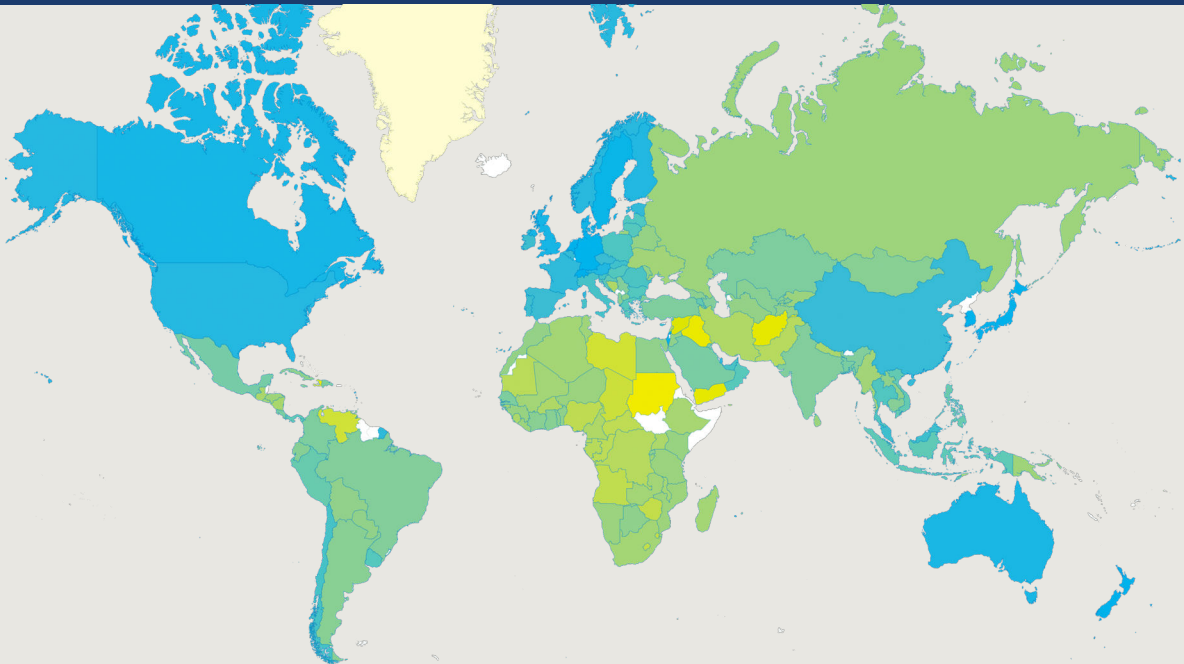
**ELITE QUALITY
INDEX**
EQx2024

This is a contribution from the following book:

ELITE QUALITY REPORT 2024

Japan: Seizing its Moment in the Spotlight?

Etsuro Shioji, Professor, Department of Commerce, Chuo University and
Specially Appointed Professor, Hitotsubashi Institute for Advanced Study,
Hitotsubashi University, Japan



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Japan

Seizing its Moment in the Spotlight?

Japan has maintained its position at #4 in the EQx2024 after radically improving from #18 in the EQx2022. In fact, Japan has been in the spotlight for the past year. On 20/21 May 2023, the *Financial Times* ran an article in its 'Big Read' section entitled: 'Japan gets its swagger back'. This reported a surge of interest among international investors in the Japanese market. An influx of foreign money followed, and in February 2024, this propelled the Nikkei Average, the country's representative stock market index, above the previous record set at the height of the asset price bubble in 1989.

As the article mentioned above alludes to, the reasons for this influx of capital are, at least partly, geopolitical. Japan has benefited from not being China. Many investors and firms would like to maintain their presence in Asia, but are wary of the uncertainty surrounding China, both in terms of its relationship with the West and its regulatory policies. They are therefore re-discovering Japan as a stable democracy with rule-based economic policies. In the EQx2024, Japan is ranked #6 in the Regulatory Capture Pillar (i.2). Likewise, the *Worldwide Governance indicators*, published by the World Bank in 2022, ranked Japan within the better 20% for two of its categories and within the top 10% for the other four. The *Democracy Index 2023*, published by Economist Intelligence Unit, classifies Japan as a "full democracy", placing it second in Asia after Taiwan.

But such relative gains from de-risking and friend-shoring are likely to be short-lived. Japan is in the middle of the global supply chain and thrives and declines depending on the fluctuations of international trade. If Japan wants to prosper in the long run, it would have to lead international efforts, especially among Asian countries, to strengthen economic cooperation through deregulation and lowering barriers to trade. Hopefully, someday, the US and China will recognize that the benefits of re-joining such endeavors outweigh the costs.

However, the EQx2024 also highlights that for Japan to be a true leader in the path towards a more open and liberal world, it needs to do more domestically. Japan is near the bottom of the ranking when it comes to the *Share of imports targeted by protectionist measures* (both stock and flow) (IPM & IPS, iv.10, rank #110 and #93, respectively) and the *Share of discriminatory government interventions as % of total interventions* (both stock and flow) (DGI & DGS, iv.10, rank #101 and #140, respectively). It is also ranked #111 in *Subsidies and transfers as % of expenses* (SNT, iii.7) and #129 in *Regional redistribution as % of government budget* (REG, iii.7). Even though Japan ranks exceedingly highly in the Political Value Index Area (iii, rank #3), showcasing state capacity at its best, limiting the scope for governmental interventions and its inclination towards too much redistribution would not only set an example for others to follow but also provide widespread benefit to the country's own private sector.

Another warning sign is the *Suicide rate* (SUI, iii.8, rank #133), which is in sharp contrast to the *Homicide rate* (HOM, iii.8, rank #3). People who entered the labor market during the post-1990 stagnation have borne the brunt of the economic losses. They have had few chances to land formal, well-paid jobs with ample opportunities for on-the-job training and promotions. Many of them struggle to envision a brighter future. One way of addressing this would be to reconstruct a vibrant economy that produces many new businesses with flexible hiring practices. That would offer a second chance to the unfortunate generations, giving them much-needed hope for their lives.

Etsuro Shioji, Professor, Department of Commerce,
Chuo University and
Specially Appointed Professor, Hitotsubashi Institute for
Advanced Study, Hitotsubashi University, Japan

Japan

EQx2024 Country Scorecard

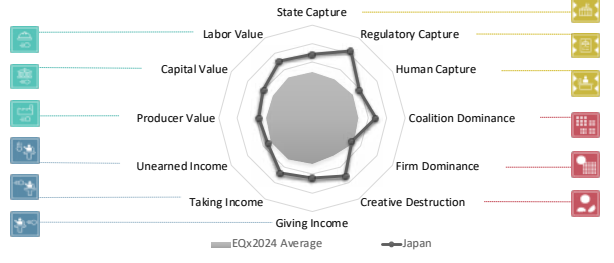
Population 125.1 million
 GDP (nominal) 4'256 billion USD
 GDP per capita 34'017 USD



Level 1 – Index	EQx Rank / 151 4	EQx Score 64.4	NextGen VCB Rank Rank 14	Very High Quality Elites
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Level 2 – Sub-Indices & Index Areas	EQx Sub-Indices				EQx Index Areas							
	Power		Value		Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
	13	67.4	4	62.9	20	70.6	10	65.8	3	62.7	9	63.1

Level 3 – Pillars		Rank / 151	Score
Political Power (i)	State Capture	22	68.4
	Regulatory Capture	6	83.5
	Human Capture	44	59.0
Economic Power (ii)	Coalition Dominance	12	68.6
	Firm Dominance	89	49.4
	Creative Destruction	11	71.5
Political Value (iii)	Giving Income	15	64.0
	Taking Income	8	67.7
	Unearned Income	54	54.2
Economic Value (iv)	Producer Value	42	57.1
	Capital Value	22	60.2
	Labor Value	7	70.5



Level 4 – EQx Indicators		Rank / 151	Score
State Capture (i.1)	COR Political corruption	16	86.4
	COC Control of corruption	16	93.1
	OPG Open government	20	79.0
	RTC Government's responsiveness to change	29	68.0
	EPR E-Participation Index	1	100.0
	PFDD Press freedom	54	59.0
	NJK Nr. of journalists killed per 1 million people (2yrs avg.)	1	55.4
	PDE Political decentralization	1	100.0
	ADE Administrative decentralization	36	69.4
	PGL Political globalization	53	61.3
	WPI Women's Power Index	122	28.7
	MOB Social mobility (upward) (dev. fm optimum)	20	74.5
Regulatory Capture (i.2)	INE Top 10% share of pre-tax national income	64	53.6
	GWL Gini coefficient on net national wealth dist. - level	42	65.8
	GWC Gini coefficient on net national wealth dist. - 3-year growth	133	49.3
	GIL Gini coefficient on income dist. - level	44	64.2
	GIC Gini coefficient on income dist. - 1-year growth rate		
	ECR Ease of challenging regulations	16	81.2
	CGP Constraints on government power	20	78.0
	REQ Regulatory quality	15	88.0
	REN Regulatory enforcement	14	92.8
	PRI Property rights	10	90.8
	CRO Crony capitalism	11	62.6
	INO Informal output as a % of GDP	4	94.7
Human Capture (i.3)	GSI Global Slavery Index	9	79.7
	FDP Forcibly displaced people as % of population	1	57.3
	HRI Human Rights Index	29	76.9
	AFI Academic Freedom Index	36	62.8
	GRI Religion - Government Restriction Index	6	84.4
	LIN LGBT+ inclusiveness	53	59.2
	WSB Women self made billionaires	15	27.9
	WBL Women, business and the law	86	51.2
	WMA Proportion of women in senior and middle mgmt positions (%)	101	5.4
	IEE Top 3 industries exports as % of exports	44	67.3
	IEO Top 1 industry exports as % of exports	41	68.8
	IVA Top 3 industries as % of value added	38	61.9
Coalition Dominance (i.4)	HHI Domestic market diversification	60	59.8
	ECI Economic Complexity Index	1	100.0
	PUE Public employees as a % of total employment	38	61.9
	MIL Military expenses as % of GDP (dev. fm optimum)	94	51.2
	UNI Unionization rate (dev. fm optimum)	57	59.2
	BSN Barriers in service & network sectors	10	72.5
	CRA Criminal actors	39	66.6
	SME SMEs per 1,000 people	14	62.7
	FAM Family business revenues as % of GDP	30	32.5
	BIW Billionaires' wealth as % of GDP	103	52.6
	FKG Top 10 firms market cap as % of GDP	44	55.8
	FRG Top 3 firms revenues as % of GDP	45	43.3
FRR Top 30 firms revenues as % of GDP	44	53.9	
Firm Dominance (i.5)	ENT Entrepreneurship	22	76.4
	GSE Governmental support to entrepreneurship	18	76.3
	VCK Venture capital finance	20	41.9
	VCA Venture capital availability	15	84.8
	RND R&D as a % of GDP	7	88.7
	EXR Firm exit ratio		
	BCD Billionaire's creative destruction	16	91.7
	IWE Index of Women Entrepreneurs	42	42.3
	LEW Life expectancy women	1	93.3
	LEM Life expectancy men	3	93.0
	COM COVID-19 mortality rate, age-adjusted	27	72.2
	COF COVID-19 fatality rate, age-adjusted	2	62.7
Creative Destruction (i.6)	SCI UHC Service Coverage Index	23	75.6
	PTR Pupil-teacher ratio	45	66.4
	EDU School life expectancy	39	58.6
	PIS PISA mean scores	3	91.3
	UNV Top universities	36	40.2
	GEE Government education expenditure	97	36.1
	GAR Government AI Readiness Index	9	91.1
	OSI Online Service Index	10	83.1
	NRI Network Readiness Index	13	88.8
	INT Internet access	56	65.5
	GHI Global Hunger Index		

		Rank / 151	Score
Giving Income (ii.7)	FSQ Global Food Security Index - availability, quality & safety	3	86.8
	GPS Expenditure on general public services as % of GDP (dev. fm optimum)	6	77.1
	GEX General government expenditure as % of GDP (dev. fm optimum)	73	44.3
	SNT Subsidies and transfers as % of expenses	111	13.6
	REG Regional redistribution as % of government budget	129	13.3
	CSG Construction supply gap	19	61.8
	SPO Social protection	26	82.5
	SFA Sanitation facilities	1	82.2
	ELA Electricity access	1	65.1
	FOS Fossil fuel subsidies	85	51.5
	SUB Death rate from substance use disorders	9	88.6
	BRD Battle-related deaths per capita	1	53.6
Taking Income (ii.8)	HOM Homicide rate	3	97.2
	SUI Suicide rate	133	30.2
	DTR Tax revenue as % of GDP (dev. fm optimum)		
	DCT Corporate tax rate (dev. fm optimum)	79	47.9
	DPS Delta public vs private sector salaries		
	FDE Fiscal decentralization	11	79.9
	GCI Global Cybersecurity Index	12	86.7
	GEG Gender education gap (dev. fm optimum)	9	75.7
	CRM Criminal markets	13	84.1
	DBT Government debt as % of GDP	140	0.0
	NRR Natural resources rents as % of GDP	8	94.3
	GPA Green patents per capita	1	100.0
Unearned Income (ii.9)	EPI Environmental Performance Index	22	79.7
	RES Renewable energy share	123	26.8
	OLI Ocean litter	55	50.3
	DER Deforestation rate	91	55.0
	FUS Fertilizer usage kg per hectare	122	46.1
	TLP Terrestrial land protected	23	77.0
	CDD CO2 emissions embodied in domestic final demand per capita	46	31.1
	CDO CO2 emissions (metric tons per capita)	136	28.5
	AIR Air Quality Index	22	70.4
	HAZ Hazardous waste per capita		
	WPC Waste collected per capita	46	54.8
	MWR Municipal waste recycling rate	35	49.2
FIS Fish consumption per capita	140	0.0	
MET Red meat consumption kilograms per capita	94	43.6	
Producer Value (ix.10)	PAT Nr. of patent applications per capita	1	100.0
	FBH Financial burden of healthcare	93	49.8
	HEI Health Efficiency Index	8	78.6
	DMS Density of medical staff	72	46.6
	FSA Global Food Security Index - affordability	16	76.6
	HAI Housing Affordability Index	17	69.7
	RTD Rail track density		
	GAI Global AI Index	12	63.4
	FDS Inward FDI as a % of GDP (stock)	35	53.4
	FDI Inward FDI as a % of GDP (flow, 3yrs avg.)	110	44.9
	BTF Barriers to FDI	29	62.1
	OFB Open for business	37	51.8
EGL Economic globalization	47	64.6	
TRF Trade freedom	62	61.4	
IPM Share of imports targeted by protectionist measures (flow)	110	25.3	
IPS Share of imports targeted by protectionist measures (stock)	93	44.6	
DGI Share of discrim. govt. intervent. as % of total intervent. (flow)	101	56.1	
DGS Share of discrim. govt. intervent. as % of total intervent. (stock)	140	14.2	
DOI Inflation (dev. fm optimum)	20	57.1	
DEF GDP deflator index growth rate (dev. fm optimum)			
DNI Neutral interest rate (dev. fm optimum)	26	57.7	
FMI Financial Markets Index	1	100.0	
GCF Gross capital formation	46	57.1	
GOL Gold demand as % of GDP	1	71.0	
CRY Crypto ownership	1	86.3	
UNN Unicorns	14	43.1	
UNC Unicorns as % of GDP	32	0.0	
BSG Billionaires self-made per capita	33	41.9	
BSM Billionaires self-made as % of total billionaires	23	63.8	
LPG Labor productivity growth	36	61.8	
WLP Delta real wage vs labor productivity increases	3	82.7	
LFP Labor force participation rate	60	54.0	
LFR Labor force participation ratio - male vs female	86	54.0	
UEM Unemployment rate	22	70.6	
YUN Youth unemployment rate	13	76.0	
BRN Human flight and brain drain	24	78.7	

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