

## 2011 IT INDUSTRY COMPETITIVENESS INDEX

# Japan

### OVERALL RANKING

COUNTRY	2011 RANK	2011 SCORE	2009 RANK	2009 SCORE
Singapore	3	69.8	9	68.2
Australia	8	67.5	7	68.7
Taiwan	13	64.4	15	63.4
<b>Japan</b>	<b>16</b>	<b>63.4</b>	<b>12</b>	<b>65.1</b>
New Zealand	18	61.3	19	58.8
Hong Kong	19	60.8	21	57.5
South Korea	19	60.8	16	62.7
Malaysia	31	44.1	42	35.6
India	34	41.6	44	34.1
China	38	39.8	39	36.7
Thailand	50	30.5	49	31.8
Philippines	52	27.9	51	28.5
Vietnam	53	27.1	56	25.0
Indonesia	57	24.8	59	22.8

### HIGHLIGHTS

- > Japan has slipped four places in this year's ranking largely due to score declines in the areas of support for IT industry development and IT human capital.
- > Having a mature IT market, growth in IT spending in Japan is likely to remain slow. But it remains well advanced in terms of broadband and other IT infrastructure, and advances in mobile technology and markets should benefit Japanese producers.
- > Key challenges for Japan include its ability to remain competitive at the global level in the supply of IT and communications services and adapting to an increasingly competitive R&D environment.

Japan has achieved a position of 16th in the world in the 2011 IT Industry Competitiveness Index, a drop of four places from 12th in 2009. This is mainly due to slight declines in scores in two categories: support for IT industry development and IT human capital. Japan ranks 4th in the Asian region, just behind Taiwan (13th in the world) and ahead of New Zealand (18th), South Korea and Hong Kong (both joint 19th).



## ABOUT THE INDEX

The IT Industry Competitiveness Index gauges the information technology (IT) industry environment of 66 countries by assessing the enablers of competitiveness and determining their relative importance in IT sector performance. Now in its fourth year, it is the centerpiece of a major program of research, created by the Economist Intelligence Unit for the Business Software Alliance, into the forces that drive the competitiveness of countries' IT industries.

A complete description of the Index indicators, scoring methodology, and definitions, as well as written analysis, case studies, video interviews and other content, can be found at [www.bsa.org](http://www.bsa.org).

**Business environment:** In this category Japan is ranked 23rd in the world, dropping one place from 2009. This is mainly due to other countries' improvement, namely that of Estonia, which accelerated past Japan. The latter ranks well in terms of private property protection, government regulation on setting up new private business and freedom to compete. However, its foreign investment policy remains relatively unfavourable in global comparison.

**IT infrastructure:** Japan has maintained its ranking of 13th on this measure, sharing its current position with Austria. Broadband penetration, IT investment and PC ownership have all increased from 2009. Though Japan's mobile subscription rate is lower than many other developed countries, growth is expected with the adoption of fourth generation (4G) technology and a growing supply of smartphones. Foreign smartphone producers such as Apple and Samsung are expected to gain a bigger foothold in the demanding Japanese market, where they do not currently have a significant presence. Demand for network equipment is expected to rise as Japan's reconstruction of essential infrastructure occurs after the major earthquake and tsunami that struck in March 2011.

**Human capital:** Japan ranks 14th in the world in the area of human capital, dropping two places from 12th in 2009. This is mainly due to the fact that while it has maintained its higher education enrolment rates, other countries have improved in this area. Japan's enrolment in tertiary science programmes and rate of employment in the technology sector have also remained relatively constant, with Japan having one of the highest scores in the world in terms of IT employment. Japan's technology skills score remains high relative to most other countries in the Index.

**R&D environment:** Japan ranks 6th in the world when it comes to the strength of its R&D environment, unchanged from 2009. Public and private sector spending on R&D have both increased. Although high, Japan's private sector R&D spending has improved at a slower rate than in other countries, as firms seek lower R&D costs elsewhere. Japan's IT patent score has fallen back slightly from 2009, due to a decrease in the share of IT-related applications in the country's overall patent applications.

**Legal environment:** Japan has maintained its scores in key indicators in this category, but declined one place in the category ranking (to 20th) owing mainly to improvements in the legal environment in other countries. With a mature IT market and regulation, Japan already has developed intellectual property protection and enforcement legislation, and effective data privacy and anti-spam laws.

**Support for IT industry development:** Japan ranks 29th in the world on this measure, falling three places from 26th in 2009. This is mainly due to a decline in access to investment capital from both foreign and domestic sources. Government spending on IT hardware, software and services has risen marginally. Japan's e-government strategy continues to rank relatively highly, although when it comes to government technology neutrality (maintaining an open playing field for all players and technologies), Japan fares poorly compared to other developed countries in the Index.