

# Could the Cultural Service Industries Become Major Sources of Soft Power for Japan?

By Masakazu Toyoda

Japan's current account balance for FY2023 shows a surplus of 25 trillion yen, the third largest in the world. As both the trade and services balances are in deficit, the surplus is mainly the result of the positive income account. Japan is no longer the export powerhouse it used to be many years ago. Reflecting a geopolitical instability that has somewhat subsided recently, Japan's trade deficit improved by 14.2 trillion yen from the previous year and is now 3.5 trillion yen, mainly attributable to rising energy prices. Similar to trade, the deficit for services has shrunk to about half the previous year's results and is 2.4 trillion yen. The main driver of this improvement was a substantial increase in the surplus of the travel balance.

In the March/April 2025 issue of *Japan SPOTLIGHT*, experts in cultural service industries such as tourism, contents, and medical inbound, are invited to discuss the current situation and challenges for those industries. Please take a moment to read the results of Round Table discussion about those industries which are expected to expand in the future. My understanding is as follows.

First, the tourism industry. Tourism, which declined significantly during 2020 to 2022 due to the global epidemic of Covid-19, made a significant comeback in 2023 and reached a record high in 2024. The number of foreign visitors to Japan more than doubled from the previous year to 25 million in 2023, and the figure for 2024 is estimated at about 37 million, a further increase of nearly 50%. Based on international comparative statistics, Japan ranked 14th in the world in terms of the number of international tourists in 2023, but according to the Tourism City Rankings produced by Euromonitor International, Tokyo jumped from the 20th place in 2022, to 4th in 2023 and is in third position in 2024, behind Paris (1st) and Madrid (2nd). "*Tokyo is becoming more popular as a venue for MICE<sup>1</sup> events due to its more affordable prices and superior infrastructure, thanks to the weak yen*". The company also reports that more people are taking advantage of overseas business trips to stay longer to enjoy sightseeing.

Next, let's look at the content industry which is an umbrella term that basically covers mass media industries. The Japanese content market reached 14 trillion yen by 2023, with exports reaching 4.7 trillion yen. In terms of export, the content market is comparable to the value of exports of steel and semiconductors. Although Japan's share of the global content market is only 7%, it is the world's third largest after the United States (43%) and China (19%). The content industry supports many other markets including character products, amusement facilities, tourism, education, Japanese food products and others. The value of those related markets that use content is estimated to be worth 57 trillion yen (Human Media). These contents contribute to a worldwide promotion of the Japanese regions, culture, and products. For example, many young people from around the world are longing to visit Japan after being exposed to Japanese

animation.

Finally, the medical inbound tourism is currently estimated at only 20,000 to 30,000 people. This number is significantly lower than the 1.2 million people in Malaysia, the 500,000 for Singapore and South Korea, and the 300,000 for Taiwan. As Japan's medical standards are excellent, there is potential for dramatic growth provided institutional, cultural and linguistic barriers can be overcome. Institutional barriers include the speed at which visas can be obtained, while cultural barriers include a system that accepts foreign patients. On the other hand, linguistic barriers have greatly diminished with the use and acceptance of AI. Furthermore, just like in other countries, the public health insurance does not apply to visitors therefore the full treatment cost is borne by the foreigner. It should greatly complement the income of Japanese medical institutions and could lead to improved treatment equipment and higher wages for medical personnel. As Japan's life expectancy is 84.3 years, the highest in the world (World Health Statistics), increasing the medical inbound tourism could be an opportunity for Japan to share with the world its culture of health.

In international politics, Soft Power is non-coercive and uses culture, values and foreign policies to perform changes. It is a natural objective for Japan to further develop its Cultural Service Industries as Major Source of Soft Power.

Surprisingly, according to the Economist magazine, the number of democracies in the world has declined to 24 countries in recent years while the number of authoritarian economies has been increasing to 59. It is true that democracies are not perfect and still present many problems but it is also true that no other known forms of government are better. As the former British Prime Minister Churchill famously said, "Democracy is the worst form of government, except for all the others." Until World War II, Japan had strong totalitarian tendencies but, as a result of losing the war, it has been instructed and ordered to implement various reforms based on demilitarization and democratization. The current democracy of Japan is, so to speak, an imposed democracy that Japanese people are still to this day very grateful for. Although this year is the 80th anniversary of the end of World War II, looting and killing continues around the world unfortunately and unnecessarily, while in Japan we enjoy peace.

It is my hope that the world will appreciate the Soft Power of Japan by touring its regions, enjoying its contents, and sharing Japanese health care.

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1 MICE event means Meeting, Incentive Travel, Convention and Exhibition.

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