

Analysis and Implications of the Impact of the Sex Industry and Anime Industry on Japan's Foreign Trade

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Abstract: Against the backdrop of intensifying globalisation and competition in cultural soft power, the impact of specific industries on a nation's foreign trade has become increasingly complex and multifaceted. Japan, as the world's third-largest economy, features two seemingly disparate yet equally compelling industries within its foreign trade structure—the sex industry and the anime industry—both playing indispensable roles. This paper aims to systematically analyse the direct and indirect impacts of these two industries on Japan's foreign trade. The anime industry, as a core pillar of Japan's cultural exports, generates substantial trade surpluses through copyright licensing, merchandise, tourism, and other avenues, significantly enhancing the nation's image^[1]. Meanwhile, the sex industry, operating within a legal grey area, though difficult to quantify precisely in terms of direct exports, makes a significant implicit contribution to the trade balance. This is achieved by fostering related content industries such as adult videos and adult games, as well as attracting specific types of inbound tourism. This paper will delve into the economic logic, operational models, and socio-cultural controversies surrounding these two industries. Building upon this analysis, it will explore implications for other nations—particularly China—in developing cultural industries while balancing societal values with economic benefits.

Keywords: Japan's Foreign Trade; Services Trade; Anime Industry; Sex Industry; Cultural Soft Power; Content Industries; Economic Impact

Published: Dec 8, 2025

DOI: <https://doi.org/10.62177/apemr.v2i6.908>

Introduction

Japan's economic miracle and achievements in foreign trade have long been recognised globally for its high-end manufacturing sectors such as automobiles, electronics, and precision machinery. However, entering the 21st century, with the restructuring of global value chains and the rise of the “experience economy”, industries centred on culture, creativity, and services have seen their share in international trade steadily increase. Within this transformative process, two distinctive Japanese industries—the anime industry and the sex industry—have emerged as variables of significant research value within Japan's foreign trade landscape, owing to their unique cultural permeability and economic driving force.

The anime industry, as the core of the ‘Cool Japan’ strategy¹, has long transcended the realm of mere entertainment products to become a global calling card for Japanese cultural identity. Through diverse forms such as manga, animation, films, games, and merchandise, it has established an extensive global industrial chain. This not only generates substantial direct trade revenue but also indirectly boosts exports in sectors like tourism, food, and fashion by enhancing the nation's brand image. Its

success model is regarded as exemplary in converting cultural soft power into economic hard power.

In stark contrast lies Japan's sex industry. While nominally prohibited under the Anti-Prostitution Law, numerous loopholes in this legislation have fostered an extensive and intricate 'adult entertainment' sector. Operating long within a legal and moral grey area, this industry engages in virtually no direct international trade. Yet it is precisely this 'underground' status that has fostered a remarkable synergy with the content industry. The 'sexual content industry,' epitomised by the adult video sector, has not only cultivated a substantial domestic market but also 'exported' globally through various channels, becoming a discreet yet highly profitable component of Japan's content trade. Concurrently, its distinctive sexual cultural landscape attracts significant numbers of purpose-driven inbound tourists, exerting a notable influence on the service trade^[1].

Thus, analysing these two industries side-by-side is not sensationalism, but rather an effort to reveal the complexity and multifaceted nature of modern foreign trade. Traditional trade theory often focuses on tangible goods and standardised services, whereas these two industries exemplify precisely how intangible cultural values, social concepts, and emotional experiences can cross borders and translate into tangible economic benefits. This paper will first outline the current status and global influence of both industries. It will then conduct an in-depth analysis of their combined impact on Japan's foreign trade across three dimensions: direct trade contributions, indirect multiplier effects, and national image shaping. The analysis will explore the underlying challenges and controversies, ultimately distilling valuable insights for China and other relevant nations.

1.Global Influence and Economic Standing of Two Major Industries

1.1 The Animation Industry: From Subculture to Global Mainstream – The Engine of 'Cool Japan'

Japan's anime industry constitutes a highly mature and meticulously specialised industrial ecosystem. Its upstream sector comprises original works (manga, light novels), the midstream involves animation production (TV series, theatrical films, OVA), while the downstream encompasses comprehensive commercial development including copyright licensing, audiovisual products, games, merchandise, theme parks, and stage productions.

Global Market Penetration: Japanese anime has achieved profound global market penetration. From North America and Europe to Southeast Asia, its fanbase spans all age groups. Massive acquisitions by global streaming platforms like Netflix and Crunchyroll have further accelerated its globalisation. According to the Japan Animation Association, the Japanese animation industry reached a market size of ¥2.9 trillion in 2022, with overseas markets accounting for over 47% for the first time – ¥1.4 trillion – demonstrating its high dependence on external markets and formidable foreign exchange earnings capacity^[3].

Cultural Symbol Export: Works like Dragon Ball, Naruto, and One Piece have become shared memories for generations worldwide. Terms originating from ACG (animation, comics, games) culture, such as 'moe' and 'chuunibyou,' have even been incorporated into dictionaries across multiple countries. This export of cultural symbols imbues Japanese products with unique cultural value, granting 'Made in Japan' an emotional resonance among consumers that transcends mere functionality.

The "Content is King" Business Model: The anime industry's core lies in the creation and operation of IP (intellectual property). A successful IP can endure for decades, generating a long-tail effect through continuous content updates and commercial spin-offs. This content-centric model, driving cross-industry synergies, is key to maintaining competitiveness in international trade.

1.2 The Sex Industry: A Grey-Area Economic Giant and the Content Industry's 'Invisible Hand'

Japan's sex industry, known as the 'fūzoku' sector, operates within a legally ambiguous yet astonishingly vast market. Estimates from various research institutions place its scale at several trillion to ten trillion yen, rivalling the anime industry. Its complexity lies in being not a single entity but a conglomerate of diverse business models deeply intertwined with other sectors.

Legal Existence Within the Framework: The Anti-Prostitution Law prohibits the act of 'sexual intercourse' but does not ban derivative services operating under guises such as 'companionship,' 'massage,' or 'socialising.' This has spawned numerous 'grey-area' businesses like 'bubble bath parlours,' 'fashion health salons,' and 'outcall services,' forming a vast underground economic system.

Globalisation of the Adult Content Industry: Unlike physical adult entertainment establishments, the sexual content

industry—represented by adult videos and games—possesses distinct export attributes. Japan's AV industry enjoys worldwide renown, with its productions distributed globally through both legal and illicit channels, particularly dominating Asian markets. Though lacking official statistics, the foreign exchange generated from overseas copyright sales and streaming revenue shares is substantial. Similarly, Japanese adult games like 'bishoujo games' maintain a dedicated overseas player base^[4].

The tourism sector's unique appeal: Japan's distinctive sexual culture—such as the red-light district culture of Kabukichō's Ichiban-gai and maid cafés—has evolved into a singular 'tourism resource,' drawing substantial numbers of overseas visitors seeking 'experiential consumption.' This form of experiential spending is directly recorded within Japan's service trade exports. Though difficult to quantify, its contribution to inbound tourism expenditure is evident.

2. Analysis of the Impact of Two Major Industries on Japan's Foreign Trade

An 'invisible' source of surplus within Japan's services trade and intellectual property trade. Furthermore, inbound tourism expenditure constitutes another significant contributor. Visitors specifically drawn to experience Japan's nightlife or subcultures generate direct increases in Japan's services trade export revenues through their spending on accommodation, dining, and entertainment.

2.1 Indirect Stimulation Effects: Building a Culture-Centred Industrial Ecosystem

The influence of these two industries extends far beyond their own spheres, stemming from their potent industrial linkage effects.

The Multiplier Effect of the Anime Industry:

Boosting Manufacturing Exports: Anime intellectual property (IP) drives substantial exports of manufactured goods. For instance, Gundam models stimulate demand for precision plastic moulds and toy manufacturing; clothing, luggage, and co-branded electronics under Pokémon IP licensing leverage its cultural influence to enhance export competitiveness.

Boosting Tourism Development: 'Anime pilgrimage tours' have become a hallmark of Japanese tourism. Towns hosting filming locations attract vast numbers of fans by establishing themed shops and hosting events.

2.2 Direct Trade Contributions: From Surplus Pillars to Implicit Foreign Exchange

The anime industry's visible trade surplus: The direct trade contributions of the anime industry are readily apparent. Foremost are copyright and content licensing revenues, representing the core intellectual property trade. Foreign television networks and streaming platforms purchasing broadcast rights, overseas publishers acquiring manga publication rights, and gaming companies securing IP adaptation rights collectively generate substantial foreign exchange income for Japan. Secondly, tangible goods exports encompass Blu-ray/DVD discs, manga volumes, figurines, apparel, stationery, and other merchandise. These 'Made in Japan' cultural products command strong pricing power in international markets due to their high value-added nature and cultural resonance, constituting a significant surplus source within Japan's goods trade.

Implicit Foreign Exchange from the Adult Industry: The direct trade contribution of the adult industry is more concealed. Overseas sales of adult videos and games constitute its primary form. Although this revenue is often categorised under 'other services' or 'royalties and licence fees,' making it difficult to isolate, its scale is considerable. Industry estimates suggest the overseas market for the AV industry alone could reach hundreds of billions of yen. This revenue attracts foreign tourists, driving local transport, hotel occupancy, and souvenir sales, creating a perfect synergy between 'content and tourism.'

Elevating Brand Value Across Industries: The overall enhancement of the 'Cool Japan' image imbues traditional Japanese products (such as washoku cuisine, tea ceremony, and katana swords) and modern goods (like automobiles and electronics) with cultural value-added attributes like 'fashionable,' 'refined,' and 'discerning' in the minds of overseas consumers, thereby indirectly boosting exports of these products.

Catalysing Associated Industries:

Fostering Technology and Media Sectors: To meet filming and distribution demands, the AV industry has driven the adoption and advancement of technologies including high-definition camera systems, post-production software, streaming platforms, and VR/AR applications. These spillover effects have catalysed progress within Japan's related technology sectors.

Boosting advertising and publishing: The adult content industry requires substantial advertising and magazine publishing, providing stable advertising revenue and circulation for related media platforms. This sustains a vast subcultural media

ecosystem.

Stimulating specific consumer markets: The fan economy surrounding AV actresses has spawned a range of consumption, including photobooks, fan meetings, and merchandise. This has formed a unique internal market, with some products also finding their way overseas.

2.3 Nation Branding: The Double-Edged Sword of Soft Power

Industrial exports inherently constitute cultural and value transmission, exerting profound and complex influences on national image.

Animation: Shaping Positive Perceptions: The anime industry stands as Japan's most successful instrument of cultural diplomacy. It presents the world with an image of Japan as a nation brimming with creativity and vitality, seamlessly blending tradition with modernity. The universal values embodied in its works—friendship, perseverance, triumph—alongside distinctive Japanese aesthetics, effectively counteract negative perceptions stemming from historical issues. This has cultivated global affinity and goodwill towards Japanese culture (with the exception of China, in the author's view). This 'goodwill dividend' derived from cultural soft power is unmatched by any commercial advertising, creating a more favourable public opinion environment for Japanese enterprises expanding into overseas markets.

Sex Industry: Source of Negative Perception and Subcultural Appeal: The impact of Japan's sex industry on its national image is a double-edged sword ^[5]. On one hand, international criticism regarding Japan's 'developed sex industry' and 'objectification of women' persists, undermining its image as a serious developed nation and potentially providing moral grounds for condemnation by certain countries or organisations. Conversely, within subcultural circles, Japan's 'open' and "diverse" sexual culture exerts a unique appeal, satisfying certain overseas groups' curiosity and desire to explore exotic cultures. This image is fractured: a negative label in mainstream discourse, yet a cultural symbol within specific communities. This complexity often leads Japan to adopt a strategy of 'selective presentation' in its external communications.

3.Challenges and Controversies Facing the Sex Industry and Anime Industry

While generating substantial economic benefits for Japan, these two industries also present profound social, legal, and ethical challenges.

3.1 The Anime Industry's Dilemma: Stagnant Innovation and Talent Shortages

The Drawbacks of the Production Committee System: Although the 'production committee' model disperses risk, it also leads to issues such as overly lengthy profit chains, diminished creative autonomy for artists, and increasingly conservative content ^[6]. To cater to market demands, a flood of homogenised 'isekai' (alternate world) works has emerged, severely diminishing originality and potentially undermining long-term global competitiveness.

'Exploitative Companies' and Talent Shortage: The animation sector is notorious for low wages and high-intensity labour. The lack of safeguards for grassroots animators and creators has led to severe talent drain and a critical shortage of successors. This unsustainable model is eroding the very creative foundations upon which the industry relies.

Overseas Market Dependency and Risks: As the proportion of overseas markets continues to grow, Japan's anime industry faces external risks including geopolitical tensions, cultural differences, and rampant piracy. Any instability in major overseas markets could inflict substantial damage on the entire sector.

3.2 Ethical Dilemmas and Social Costs of the Sex Industry

Human Rights and Exploitation: This constitutes the most contentious aspect of the sex industry. Despite legal constraints, issues such as coercion, deception, and human trafficking persist within the adult entertainment sector. Practitioners, particularly women, face substantial physical and psychological risks alongside societal discrimination. The underlying social costs—including public health, policing, and victim support—ultimately fall upon society as a whole.

Disconnect Between Law and Reality: The vagueness of the Anti-Prostitution Law complicates regulation, allowing deep organised crime involvement and fostering corruption. This situation, where the law fails to punish the many, undermines legal authority and creates fertile ground for criminal activity.

Negative Image Consolidation: Excessive exposure of the sex industry risks cementing stereotypical, one-dimensional negative perceptions of Japan abroad. This undermines the positive national image painstakingly cultivated by sectors like

anime, potentially disrupting Japan's international relations and diplomatic endeavours.

4. Insights for China from Japan's Two Major Industries

The developmental trajectories of Japan's two major industries offer valuable lessons for China in advancing the internationalisation of its cultural industries and balancing social benefits with economic returns.

4.1 Cultivating Content IP to Build a Full Industry Chain Ecosystem

China possesses abundant historical and cultural resources alongside a vast domestic market, yet lags behind Japan in global IP operations and industrial chain extension. Key insights include:

Shifting from 'Traffic-Centric Thinking' to 'IP-Centric Thinking': Rather than settling for short-term online popularity, China should emulate Japan by meticulously cultivating core IPs with enduring vitality and universal appeal. This necessitates respecting creative principles while affording creators sufficient patience and remuneration.

Refining the Industrial Chain: Adopt Japan's 'multi-platform exploitation' model by systematically developing successful IPs into diverse products such as animation, films, games, merchandise, and physical experiences. This maximises value while stimulating exports in related manufacturing and service sectors.

Combining Government Guidance with Market Driven Forces: Drawing from the 'Cool Japan' strategy, governments can provide policy, funding, and overseas promotion support. However, market principles must be respected to prevent excessive intervention that stifles content innovation.

4.2 Balancing Cultural Exportation and Social Values

Japan's experience demonstrates that cultural exportation is a double-edged sword. As China advances its cultural outreach, it must navigate the following relationships:

Balancing 'localisation' and 'globalisation': Outstanding cultural products must be rooted in domestic cultural soil while adeptly employing international narrative and audiovisual languages. They should resonate emotionally with global audiences, avoiding heavy-handed didacticism.

Upholding cultural boundaries to guard against negative impacts: Clear censorship and rating systems must govern sensitive content such as sexuality and violence. Japan's contentious sex industry serves as a cautionary tale that economic gains should not come at the expense of social order, public morals, or a nation's long-term image. Social benefits must take precedence in cultural industry development.

Proactively shaping national image: Rather than passively allowing industries to develop organically, proactive planning and guidance are essential. Through cultural products, we must effectively tell the 'Chinese story,' crafting a credible, endearing, and respectable image of China that serves the nation's overarching strategy.

4.3 Prioritising industry health and safeguarding practitioners' rights

The talent crisis in Japan's anime sector and the plight of workers in its sex industry both underscore the critical importance of sustainable industrial development.

Establishing a Healthy Industry Ecosystem: Market order must be regulated, piracy combated, and intellectual property protected to ensure creators and practitioners receive fair remuneration. Improving working conditions and establishing talent development systems form the bedrock of long-term cultural industry prosperity.

Strengthening Legal Oversight and Social Governance: All industries must operate within the rule of law. China should refine relevant legislation, clarify industry boundaries, rigorously combat illegal activities, protect vulnerable groups, and uphold social fairness and justice.

Conclusion

The sex industry and the anime industry—two sectors occupying vastly different positions within Japanese society—have nonetheless jointly shaped the contemporary landscape of Japan's foreign trade in their own distinct ways. As the flagship of Japan's cultural soft power, the anime industry, with its formidable IP creativity and global reach, has generated significant economic surpluses and fostered a positive national image, serving as a crucial pillar for Japan's sustained trade competitiveness in the post-industrial era. Meanwhile, the sex industry, operating within a grey area, functions as a complex

‘shadow economy’. By fostering associated content industries and attracting specific tourism, it contributes a covert yet undeniable force to Japan’s trade balance, while simultaneously posing profound social ethical challenges and risks to its image ^[7].

A comparative analysis of these two sectors reveals several critical trends in contemporary international trade: firstly, the growing prominence of intangible trade centred on culture, creativity, and experiential value; secondly, the increasingly blurred boundaries between industries, with deep integration across culture, technology, tourism, and services forming complex industrial ecosystems; thirdly, the tension between economic interests, social values, and national image has become a core issue requiring careful balancing in national industrial policy formulation.

For China, striving to become a cultural powerhouse and drive high-quality economic development, Japan’s experiences offer profound lessons. We must learn from its successes in creating global intellectual property and building comprehensive industrial chains, while remaining vigilant against issues such as industrial hollowing-out, talent drain, and high societal costs. Ultimately, a nation’s true strength in foreign trade lies not merely in the scale of its trade surplus, but in the underlying cultural creativity, social governance capabilities, and sustainable, healthy ecosystem that underpin it. While pursuing economic gains, upholding cultural confidence and maintaining fundamental values to achieve a harmonious balance between economic and social benefits represents the enduring path for China’s cultural industries to thrive globally.

Funding

No

Conflict of Interests

The authors declare that there is no conflict of interest regarding the publication of this paper.

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