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Japan's giant economy in peril

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Japan, the world's second biggest economy, has racked up debt totalling $9.4t while its gross domestic product (GDP) is only $5t, making its debt to GDP ratio 181 per cent - the highest among rich countries.

Too much debt could render a country's bond worthless and impact economic growth.

A recent example of a country that has faced a troubled economy due to its massive accumulation of debt is Greece.

But Tomohiko Taniguchi, a professor at Keio University in Japan's capital Tokyo, told Al Jazeera the difference between Japan's economic situation and Greece's is that "Japan's government debt has been almost exclusively purchased by domestic investors. Unlike Greece, the Japanese are indebted not significantly to the outside world".

"It is more sustainable than the case of Greece, but you have to boost demand, you have to grow. The Japanese government has to make not baby steps but a significant leap," he said.

"And most importantly, the Japanese government has to convince the Japanese domestic investors as well as the international market about the long term projection of the economy, the long term blueprint as to what the government will do to tackle both the lack of demand and ballooning budget deficit."

Naoto Kan, Japan's prime minister, has suggested an increase in sales taxes to combat the economic problem.

But Taniguchi said: "I think it's more important that the Japanese administration proposes to reduce corporate tax first rather than increase the general sales tax because corporate tax in Japan is among the highest among other developed nations.

"In order to boost Japanese domestic demand and corporate investment, the corporate tax rate has to be reduced first."