# The Development of International Cooperative Industrial Structure and Investment in Japan

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**Contents**



## 1. Japanese Economy and Domestic Investment

According to "Results of the Annual revision of National Accounts for 2006", the ratio of Japanese GDP to the world GDP is 9.1%, the smallest since 1980. Amid economic globalization progressing, Japan's presence is substantially getting weakened, the major reason of which is the stagnation of Japanese economy and the rapid economic emergence in China and India. The nominal GDP per capita, which once was the top of the most advanced 7 countries, now goes back to the 18th among 30 OECD members.

As well known, Japanese economy couldn't grow out of the deflation, nor continuously increase its nominal economic growth rate. On the basis of effective economic growth rate, adjusted to price growth rate, Japanese economy is growing, but its rate is largely behind that of China and India with rapid economic growth.

Incidentally, comparing the nominal economic growth rate in past 5 years with that of China, Japanese growth rate is only 1.2%, whereas Chinese rate is 17% on average. According to the ranking in 2007 on the aggregate market values of major companies' stocks, 44 companies in China and Hong Kong occupied the superior positions among them, the number of which is doubled from 2006, and numerously exceeds 40, the number of Japanese companies (8 decrease from 2006). This is because the investment capital all over the world has been flowed into China, the country with continuous double-digit economic growth, as other investor countries are looking for Chinese economy to grow more. On the assumption that China could continuously achieve such economic growth, it would outpace Japan in 2010 on the basis of nominal GDP. In fact, China has already surpassed Japan on the basis of PPP (Purchasing Power Parity). Japan, confronted by the problems of population reduction, falling birthrate and aging population, has difficulty in competing on the scale and amount with China and India. In this way, it is most serious problem that Japan has lost its position in the nominal GDP per capita, the real measure of economic growth.

Furthermore, ODA by Japan, which had been the top in the world for consecutive 10 years till 2000, went back to the third after the US and UK. Japan has thus fallen its position, mainly due to the unbalance between foreign and domestic investment, that is, the sluggish investment in Japan from other countries. Increased investment in foreign countries by Japanese enterprises, of course, doesn't directly lead to its lower competitive edge nor the hollowing of domestic industry: even if the foreign investment by Japanese enterprises increases, the hollowing of domestic industry and other problems wouldn't occur when the investment in Japan from foreign countries would increase as much.

Comparing the Japanese domestic & oversea investment by major countries, there is a large unbalance between them. Measuring the domestic investment balance in Japan, it is only 2.1% (against GDP), which is extremely small, compared with 22% of the US, 37.5% of UK, 27.4% of Germany, 42.6% of France, 31.9% of Canada, 36.9% of Australia, and even 10.9 % of South Korea, the next country to Japan in Asia.

In this way, it is as small as a tenth of the US, a ten-seventh of UK and Australia, a

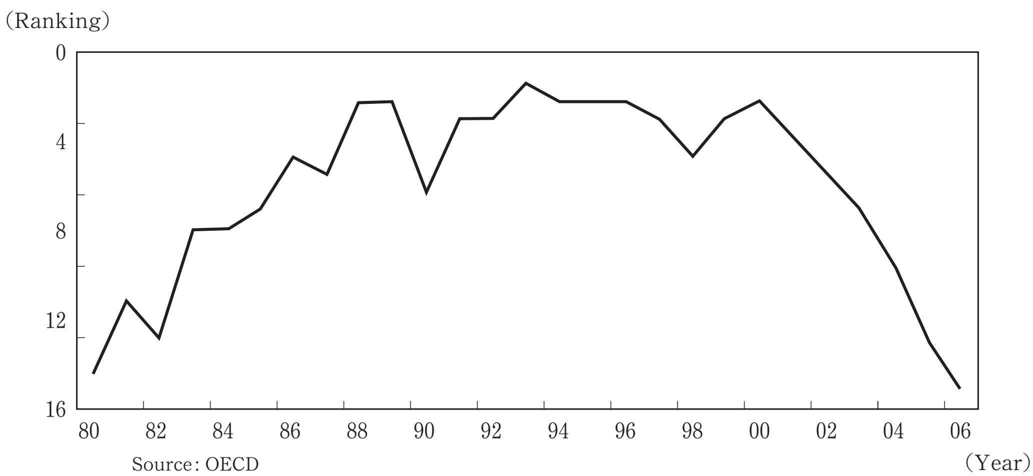



**Figure 1** The Ranking Transition of Japanese GDP per Capita in terms of OECD

**Table 1** The GDP Per Capita in Each OECD Country (2006)

| | | | |
|---|---|---|---|
| 1 (1) | Luxemburg | 7 (7) | the US |
| 2 (2) | Norway | 8 (8) | Sweden |
| 3 (3) | Iceland | 9 (9) | Netherlands |
| 4 (5) | Ireland | 10 (10) | Finland |
| 5 (4) | Switzerland | 18 (15) | Japan |
| 6 (6) | Denmark | | |

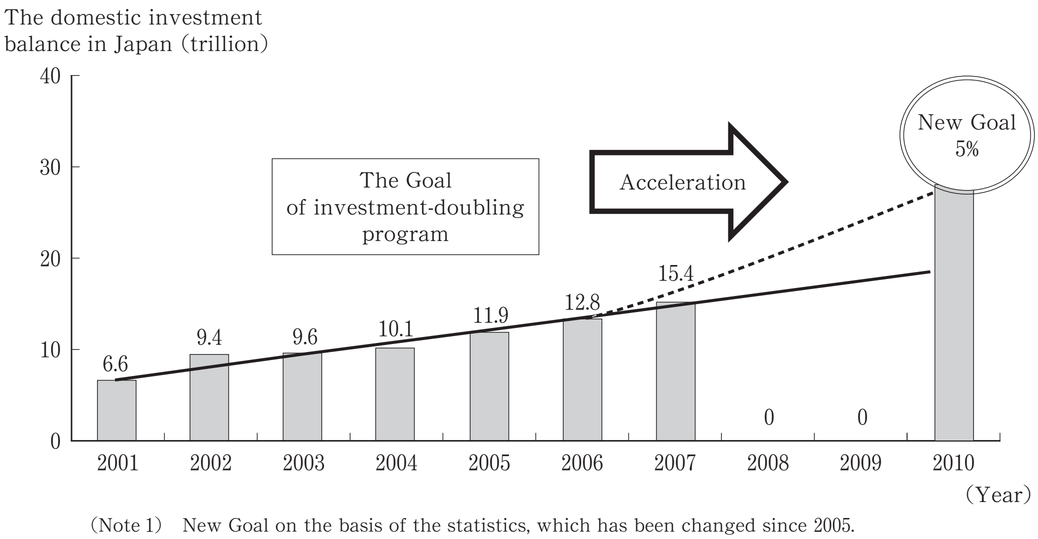
(The bracketed figure is the previous year's ranking)
Source: OECD

twentieth of France, and a fifth of South Korea (see Figure 1). The domestic investment in Japan at the end of 2007 is ¥15.4 trillion, the ratio (against GDP) of which is up to 3% in 2007 from 2.1% at the end of 2003.

## 2. The Inhibitory Factors against Domestic Investment in Japan

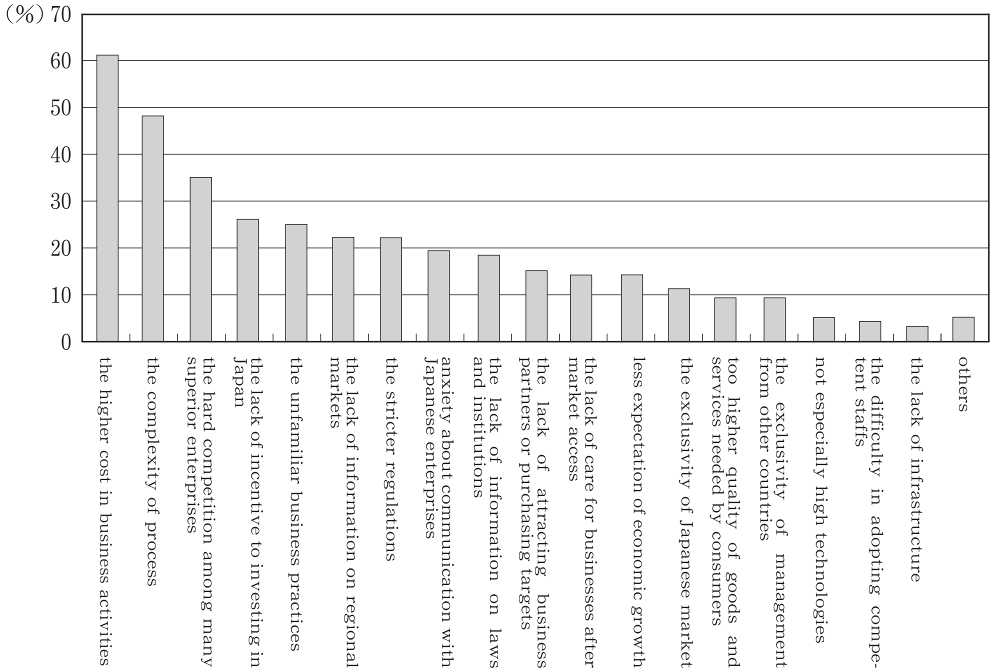
As described above, it is proved that the domestic investment in Japan from other countries is extremely small, comparing with those in other countries. What are the inhibitory factors against domestic investment in Japan? According to "The Study on Inhibitory Factors against the Access by Foreign Enterprises", 60.7% of the enterprises already operating in Japan give their answers "the higher cost in business activities" as the biggest inhibitory factor. They give the second biggest factor "the complexity of the process" and "the hard competition among many superior enterprises." In addition, they give other answers as follows; "the lack of incentive to investing in Japan," "unfamiliar business practices in Japan," "the lack of information on the regional markets," "the stricter regulations," "the anxiety about communication with Japanese enterprises," "the lack of information on the laws and institutions," "the lack of attracting business partners and investment targets," "the less expectation of economic growth," and so on.

According to the study on the enterprises not operating in Japan yet, 40% of them give as the major answers "the complexity of process" and "the higher cost in business activities," and as follows according to its percentage; "the lack of information on regional markets," "the lack of incentive to investing in Japan," "the lack of information on laws and institutions," and "the stricter regulations." Although some factors contributing to Japa-



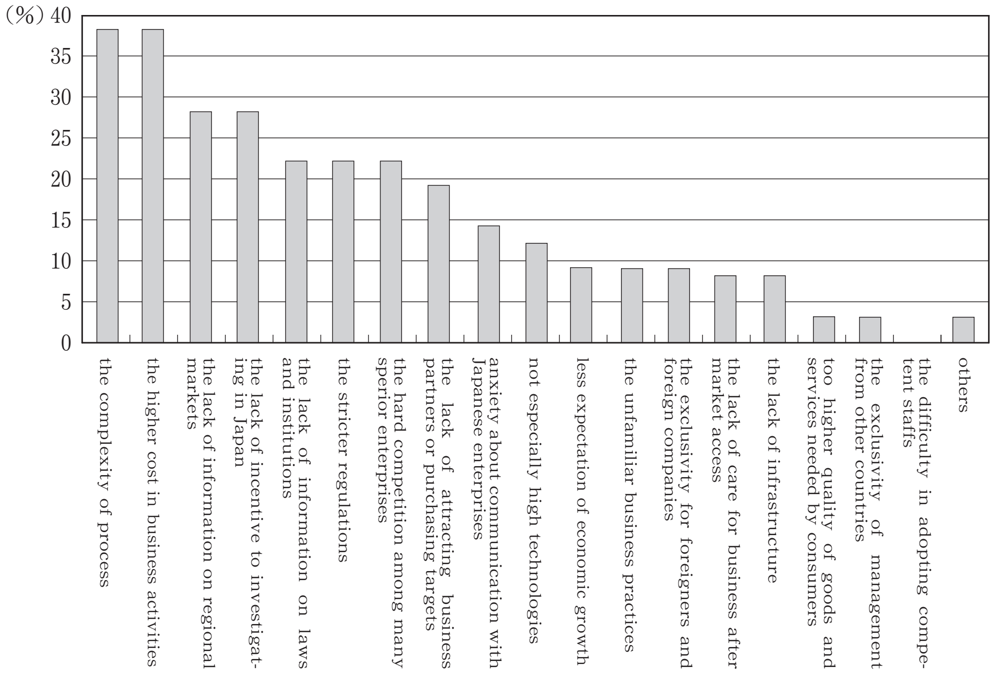

(Note 1) New Goal on the basis of the statistics, which has been changed since 2005.
(Note 2) The figure above is according to the trial calculation on the basis of the growth rate in "The Mid-Term Survey in Structural Reform, Economy and Finance—revised in 2005", The figures in 2005, 2006 and 2007 are corrected by S. Yasuda.
Source: Ministry of Economy, Trade and Industry "New Economic Growth Strategy" 2006, p. 88

**Figure 2** The New Goal of Investment in Japan




Source: Cabinet office 2005

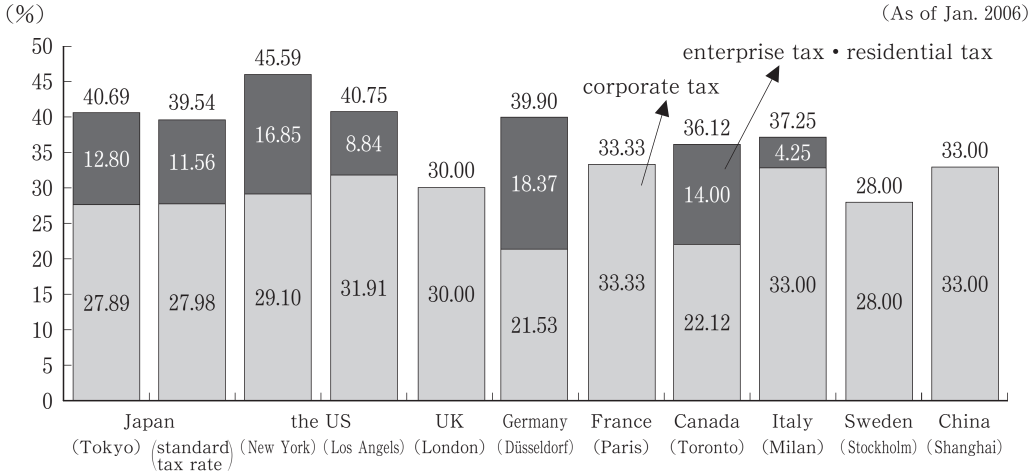
**Figure 3** The Unsatisfactories and Improvements in Foreign Enterprises' Activities in Japan (by foreign enterprises already operating in Japan)




Source: Cabinet office 2005

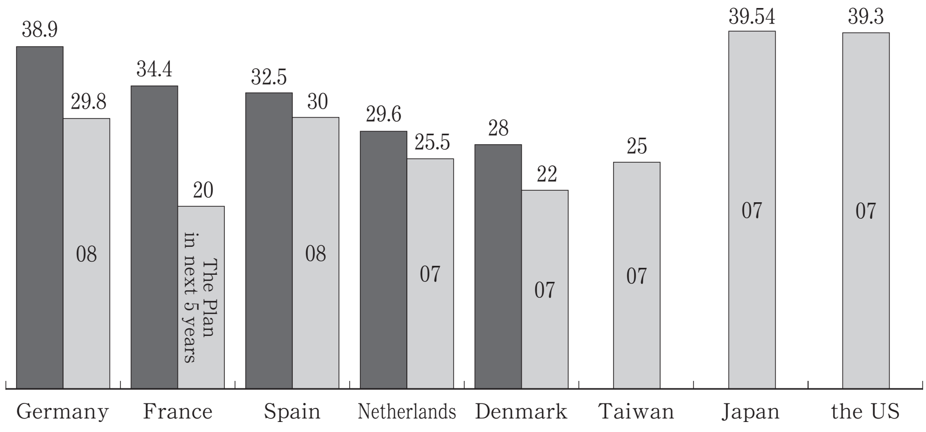
**Figure 4** The Recognized Inhibitory Factors against Access to Japan nese higher cost structure are changing for the better after bursting of bubble economy, the wage level and distribution cost in Japan still remain higher than in other countries.

Furthermore, another inhibitory factor is the high effective corporate tax rate in Japan. As Figure 5 and 6 show, the effective corporate tax rate in Japan is approximately 40%, the highest level in the world. In Asian countries, with historically higher corporate tax rate, the rates have traditionally been higher than in European countries. Besides, the rate is likely to decrease in major countries mainly in Europe; for example, in Germany the plan is under consideration that the effective rate including national and local tax is to decrease from current 38.9% to less than 29%. French government has a plan that they will reduce it from present 34.4% to 20% for 5 years ahead. Netherlands has reduced it from




Source: MOF

**Figure 5** The Comparison of The Effective Corporate Tax Rate in Major Countries




(on the basis of effective tax rate in 2006 and the date of OECD and others)

**Figure 6** The Enterprise Taxes of Major Countries or Regions and The Trend of Tax Reform

29.6% to 25.5%. Denmark is planning to reduce it from 28% to 22%. Spain is going to reduce it by 5%, from current 35% to 30%.

Some EU countries in Eastern Europe, which became new legal members of EU, have lowered their effective tax rate to around the higher half of 10%. So, as well known, their direct investments have been increasing. Like these countries, Asian nations have tendencies toward decreasing the corporate tax. For example, Singapore decreased the corporate effective tax rate from 20% to 18%, and Malaysia is going to decrease it by 1% in 2007 and 2008, respectively.

In this way, the 20% level of the corporate effective tax rate has been becoming the mainstream in many countries. The reason they are changing the tax rate downward is that, as globalization is developing, many enterprises are likely to move their production bases to the countries with lower tax rate. In the time when enterprises thus can choose their production bases among the countries with lower tax rate, it is important for many countries not only to enhance the competitive edges of their domestic enterprises, but to take countermeasures in order to invite foreign enterprises into them, to stop deindustrialization, to expand employment, and to achieve their economic growth.

In addition, the various regulations in Japan are also one of inhibitory factors, as well as the higher cost of real estate and the higher corporate tax rate, as described above.

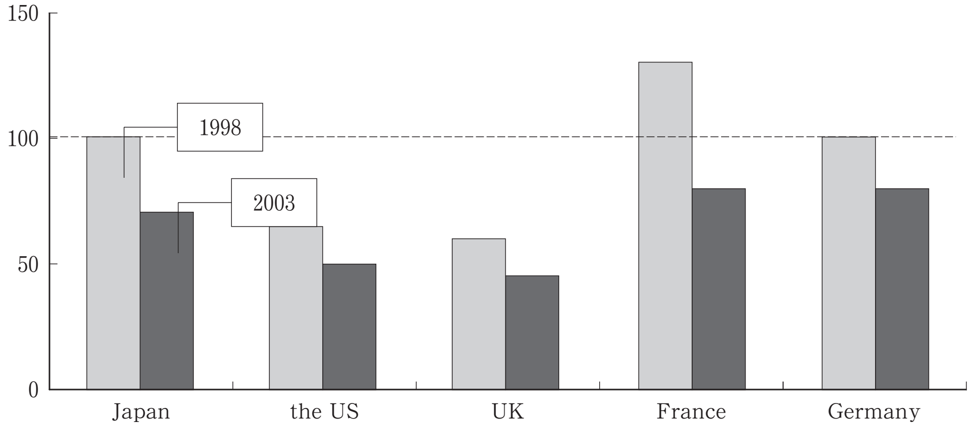
Japan has moved ahead the deregulation since the 1990s, setting upon “Implementing Deregulation in 3 Years” and other plans. Although they have relieved the restrictions in many sectors of manufacturing industry since the 1970s, the deregulation hasn’t been enough developed in service sector.

Especially in medical, social welfare and public service sector, they need further deregulation. As the people’s lifestyles are diversifying and maturing with aging society in Japan, they become increasingly interested in their health and social welfare. The potential market scale in medical-related sector reportedly amounts from ￥120 trillion up to ￥130 trillion. In order to meet people’s need, Japanese government should provide as various options as possible.

Amid aging population, they need the low cost and high quality services in medical, social welfare, nursing care and other sectors. Should only the domestic businesses supply their products and services in these sectors, they would have difficulty in fulfilling a wide range of people’s needs.

It is important for them to invite increasing number of foreign businesses with high technologies, rich experiences and excellent know-how, which will bring more profits to Japanese customers; more concretely, increasing number of foreign businesses should be invited in such businesses as health-promotion, preventive medicine, nursing care, leading-edge medicine and others.

By the way, take a look at how strict Japanese regulations are from an international perspective. There is an investigation by OECD, which presents numerically individual country’s regulation and estimates it in 6 grades about more than 800 items. On the basis of the investigation, Figure 7 shows the relative strictness of each country’s regulation, against the standard of Japan in 1998, numerically represented as 100. According to Figure




Source: OECD
the standard of Japan in 1998, numerically represented as 100

**Figure 7** The International Comparison of relative strictness of major countries' regulations

7, Japanese numerical value in 2003 stood at 68, declining due to the deregulation mainly in transportation and telecommunication. It's still high, compared with those of the US and most European countries, but lower than those of French or Germany: the US, UK and other countries, which have worked on the deregulation problem from the early stage, have achieved good results. Incidentally, the numerical value of the US in 2003, declining to 53, shows how much the deregulation has developed.

## 3. The Foreign Countries' Policies to Accelerate Investment in Japan

How convenient the Japanese location is to the foreign-owned enterprises? According to the study by the Ministry of Economy, Trade and Industry, it has been pointed out as its convenience "Japanese market scale," "the base for developing international division labor," and "high level of its technologies."

In this way, our country still has some obvious advantages to foreign enterprises in terms of market strategies and international production bases.

It is important for Japanese industry to invite increasing number of foreign enterprises to Japan as well as to recover its competitive edge, through its improvement of high cost with productive activities, acceleration of deregulation, reform of corporation tax and others. The development of foreign enterprises' investment in Japan is expected not only to stop the hollowing of domestic industry but to activate its economy through new competition. For these reasons, it is one of the major political tasks for Japan to accelerate their investments in our country.

Figure 8 shows the political system under which they could get rid of the inhibitory factors against investment in Japan. The direct investment in Japan by foreign enterprises is expected to have various positive effects, such as introduction of new products, creation of new markets by supplying new services, introduction of management know-how and of

## The Policies to Accelerate Export to and Investment in Japan

### Faciliation of direct investment in Japan

- Promotion of the program to accelerate direct investment in Japan
  - The program to enhance regional attractions
    - ● the Industrial Cluster Plan; enhanced support for medium- and small-sized companies and for closer linkage among them
      the advanced activities to attract investment capital in regions, advisory for business support (budget)
      Business support by "The Investment Navigation Plan" and acceleration of planning and realizing it
      18 local governments set up "The Investment Navigation Plan" (2006)
    - ● Sending off the information on regions
      Setting up, building up and operating "The Navigation for Investment in Regions" (budget, JETRO subsidy)
      Facilitation for oversea enterprises to collect information (Improvement of the problems on their access to information)
  - Further Development of Investment Conditions
    - ● Improvement of systems including taxation for forward triangular merger (Tax Reform)
    - ● Better information service at "The Front Desk in charge of Direct Investment in Japan" (the government office concerned, JETRO)
    - ● Active use of the special economic zone with the Structural Reform
    - ● Simplification and streaming of the process to facilitate the Regulational Reform
    - ● Translation by government offices of Japanese laws into foreign languages (2006–2008)
  - Further Disclosure of Domestic and Oveasea Information
    - ● The radical reform of setting off information and PR
      The top-level advertisement by the cabinet officials, holding symposium and seminar for investment in Japan
    - ● Facilitation for oversea enterprises to collect information
    - ● Exhibition in the world fairs (budget)
- The Proper Operation of the Regulation on Direct Investment in Japan and The Reconsideration of Institutions
  - The facilitation and proper practice of notification system, complied with the Foreign Exchange and Foreign Trade Control Law

### Facilitation of Trade and Investment by Japanese government

- Support for Japanese Companies to internationally transact and develop their markets
  - Support for the Capital (with Trade Insurance, JBIC International Finance)
    - ● Preperation for and operation of Trade Insurance system against high risks of international trade
    - ● Operation, Control and budget for account of Trade Reinsurance (transferred into general account)
    - ● Reconsideration of the system for businesses' needs
    - ● Contribution to the enourmous amount Finance to Asia; active use of Trade Insurance (Asia Reinsurance/Asia Credit Insurance, The countermeasure for Asset Backed Securities market)
    - ● Support for small-and medium-sized companies to develop oversea market through JBIC International Finance operation
  - Support for gaining information
    - ○The information service for foreign investment process and investment choice
      →Sending specialists overseas, holding seminar and exhibition (budget, JETRO subsidy)
      →The domestic business support center, The exhibitions held by buyers (budget, JETRO subsidy)
    - ● Support for medium- and small-sized companies to develop international their markets (redescribed)
    - ● Accelerating export of agricultural products
    - ○Information service for import/export procedures and imported goods
      →Advisory and information service for small business transactions (MIPRO) (budget)
  - Support for staff employment
    - Priority of staff training to other business (budget, economic coorperation expenditures (redescribed), expenditures for small- and medium-sized companies (redescribed)
- Development of Trade and Investment in foreign countries
  - EPA, the agreement on bilateral investments and the coorperation compliant with WTO framework
    - redescribed (trade policy)
  - Development of economic coorperation for building up infra-structure
    - redescribed (development of economic coorperation)
- Facilitation of capital back-flow by the reconsidered international taxation system
  - 〈The prevention of double taxation: the study of support taking the business needs and conditions into account〉
    →the study for reexamination of transfer price taxation (the study group of transfer price taxation)
    (→Support for the revision of bilateral tax agreement)

Source: Ministry of Economy, Trade and Industry "Accountability Report 2006" p. 38

**Figure 8**

new technologies, creation of new employment, development of new businesses, insurance of risk money for business rehabilitation, and enhanced competitive edge with international conjunction.

In order to achieve stable economic growth, it is necessary for Japan, which confronts catch-up by new industrializing economies in Asia and the problem of declining birthrate and aging population, to keep stable capital from oversea, enhance the domestic productivity, and activate its economy. With this consciousness, Japanese government has ever set a goal of doubling the direct investment balance in Japan. As of the end of 2005, the balance is ￥11.9 trillion, that is, 1.8 times from ￥6.6 trillion at the end of 2001, which is the standard amount of the investment-doubling plan in Japan. However, these investments have concentrated on the metropolitan area, and not always activated local economy.

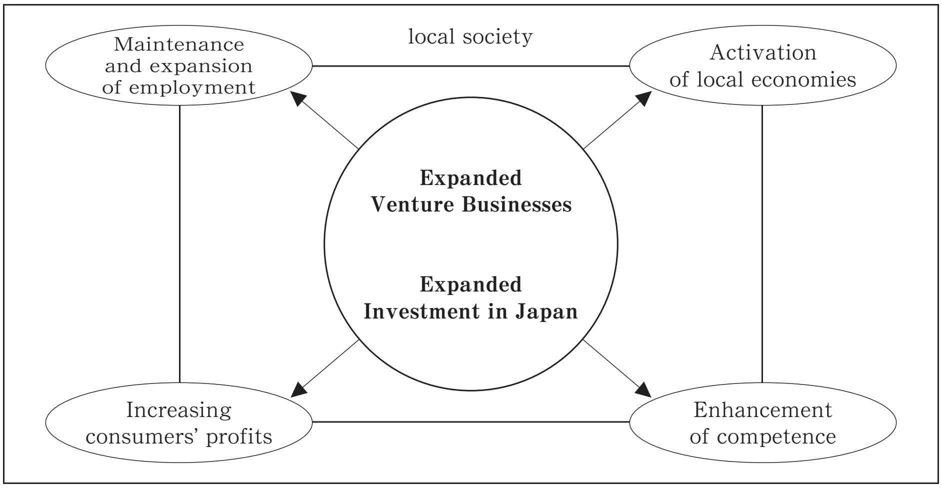
Considering this present condition, Japanese government has been trying to attract the investment capital in local areas, expand disclosure of information, and develop the investment condition. Through these various policies, they are expected to make a synergistic effect on investment in Japan. In order to increase investment especially in local areas, the activities by local governments are important to attract investment capital.

As illustrated in Figure 8, the local governments are working on the industrial cluster plan, enhanced support for medium-and small-sized companies by governmental measures for them and closer linkage among them, advanced activities to attract investment capital in regions, advisory for business support, accelerated planning and realizing of local investment, the planning and operation to navigate investment in Japan as a measure of disclosure of local information, and facilitation for foreign enterprises to collect information.

As a part of development policies for investment, they have carried out improvement of the systems including taxation for forward triangular merger, better information service at the front desk in charge of direct investment in Japan, active use of the special economic zone with structural reform, simplification and streaming of the process to facilitate the Regulation Reform, translation by government offices of Japanese laws into foreign languages, disclosure of domestic and oversea information and increasing PR, the top-level advertisement by the Cabinet officials, holding symposium and seminar for investment in Japan, and facilitation of foreign enterprises' access to information.

Through these policies, more collected industries in regions, the invitation of foreign enterprises with full regional advantages, and building up the effective relationship with business partners are expected to realize. As well known, Japanese government has ever implemented various policies to invigorate local industries: concretely, the Techno-polis Law in 1983 for building up the research park in 26 regions, the Cyber-location Law in 1998, Act on Activation of Regional industrial Agglomeration in 1997, the Industrial Cluster Plan in 2001, and Enterprise Location Promotion Law in 2007. However, these policies have not necessarily made sufficient effects, because they couldn't meet business needs, and there was no strong industrial policy to develop new technologies, as it is pointed out.

In order to activate local economy, it is important to develop the enterprise location according to its individual conditions and qualities, which leads to welcome enterprises with active use of the local relative advantages and the potential management resources,




Source: Illustrated by S. Yasuda

**Figure 9** The Effects of Investment in Japan and Expanded Venture Businesses

and to have the economic ramification. As mentioned above, the environment around Japanese economy has been drastically changing with declining birthrate and aging population. The regional disparities, as well known, are expanding as globalization and industrialization are developing. Amid global competition getting fierce, the key factor is the local economic growth and development, which make good use of individual local advantage and nature. There many local resources, with its relative advantage, such as the regional original technologies, the characteristic agriculture and fishery, and the original peculiar sightseeing attractions. It is important for each region to create the original brand, trying to differentiate itself from other regions, and to actively or originally use the local resources.

According to the investigation by Nikkei newspaper in 2007 on 64 local governments, including prefectures and government ordinance-designated cities, 60 local governments of them have the department of welcome enterprises, 57 develop top-level advertisement by the head, 56 have subsidies to get lands and buildings for businesses, 46 have the one-stop service counter, 42 reduce tax obligation, 30 adopt the retired persons in private businesses and 29 ask the retired to supply information (Nippon Keizai Newspaper, 19 Dec. 2007). In this way, a lot of local governments are keen on inviting domestic/oversea enterprises, which activates local economy, develops job creation and ramifications on the local industries, and increases tax revenues.

## 4. The Trend of Investment in Japan by Foreign Enterprises

As well known, the capital of M & A (Merger & Acquisition), which is related to the rehabilitation of Japanese companies, had much contributed to the investment in Japan during 2003 to 2004, and has tended to investment in medium-and small-sized companies since 2005. Surveying in 2006 by country or by region, the M & A targetting at Japanese

**Table 2** M & A tageted at Japanese companies

| | the acquired company | Industry sector | the acquirning company | Country • Region | Industry sector | amount (million dollar) | Investment ratio after capital recovery |
|---|---|---|---|---|---|---|---|
| 2007. 4 | the Nikko Cordial Group | Securities | Citigroup Principal Investments Japan Co., Ltd | the US | Holding company | 7,921 | 61.1 |
| 2007. 6 | the hotels directly managed by ANA group | Air transportation | Shiroyama Properties | the US | Finance | 2,361 | 100.0 |
| 2007. 3 | Nissan Diesel Motor Co., Ltd | Coach building | NA Co., Ltd | Sweden | Automobile | 2,294 | 94.6 |
| 2007. 3 | Hawks Town | Department store | GIC | Singapore | Securities investment adviser | 862 | 100.0 |
| 2007. 3 | JAPAN AIR GASES | Chemicals | Air Liquid Group | France | chemistry | 778 | 100.0 |
| 2006. 1 | Kokudo Corp. | Recreational facility | Cerberus Global Investment Advisor LLC | the US | Finance | 751 | 49.3 |
| 2006. 9 | MITSUBOSHI BELTING LTD. | automotive component | International Automotive Components Group Japan LLC | the US | Finance | 305 | 100.0 |
| 2006. 4 | Fin Tech global | Securities | Goldman Sachs Ltd. | the US | Securities | 255 | 12.7 |
| 2007. 2 | Fujita Kanko Inc. | Hotel | SSF III Asia Holding Partner LP | the Cayman Islands | Finance | 124 | 14.9 |
| 2006. 8 | Msk | Semi-conductor and related apparatus | Suntech Power Holdings Co., Ltd. | China | Semi-conductor and peripheral equipment | 107 | 66.7 |
| 2006. 2 | Yokogawa Analytical Systems | Computer and peripheral equipment | Agilent Technologies Inc. | the US | Voltmeter manufacture | 105 | 100.0 |

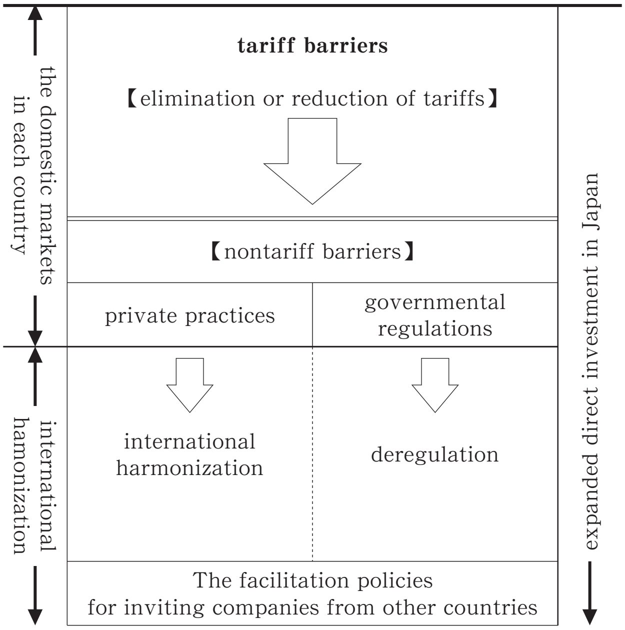
Source: JETRO "White Paper on Trade and Investment 2007" p. 36

companies by North-American enterprises had its large share, with 46 matters and US$1.971 billion. East Asian enterprises has been remarkably increasing their share in M & A toward Japanese businesses, with 14 matters and US$ 0.866, the highest in this area on the basis of the amount, which was funded mainly by the investment funds in Hong Kong and Singapore.

Besides, the enterprises in China and South Korea have performed M & A toward Japanese businesses. For example, Suntech Power Holdings Co., Ltd., a solar cell battery manufacturer in China, acquired MSK, a solar power generation system maker in Japan, an investment group in South Korea bought up Kaga Central Golf Club, and CYKAN GAME, an online game maker in South Korea made a TOB toward COMMSEED, a computer program service company. By industry, the number of acquired businesses in Japan is increasing in the rehabilitated companies such as golf-related and other resort facilities.

In 2007, Citigroup took over the Nikko Cordial Group as its subsidy, Morgan Stanley Group acquired the hotels directly managed by ANA (All Nippon Airlines), Volvo Group bought up Nissan Diesel Motor Co., Ltd., General Electric Company purchased Sanyo Electric Credit Co., Ltd., and so on.

In the course of these M & A cases, the development of laws and institutions for




Source: Illustrated by S. Yasuda

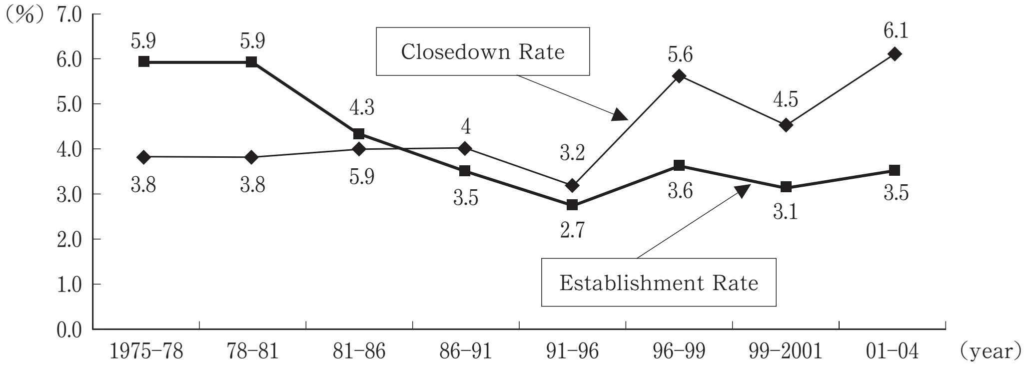
**Figure 10** The Facilitating Model of Investment in Japan

corporate realignment was further accelerated, including derestricted triangle affiliation in May 2007.

## 5. The Venture Business Creation, and The Closedown and Establishment Rate of Japanese Companies

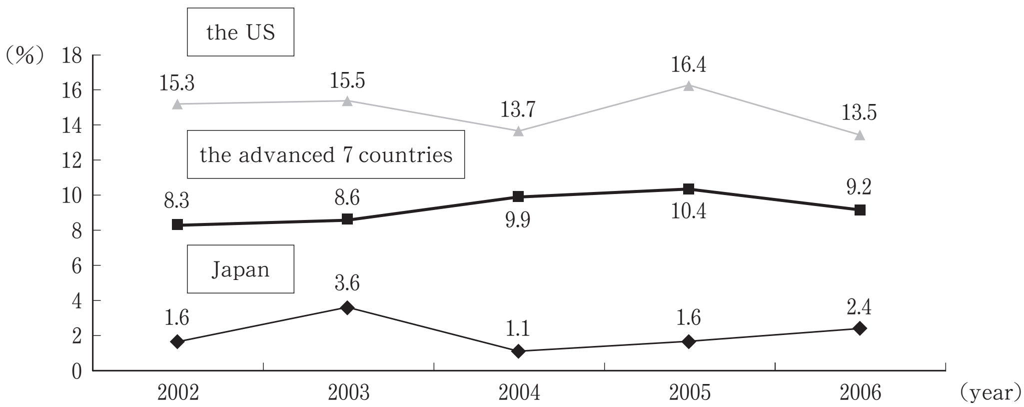
As often pointed out in recent years on Japanese economy, there is a discrepancy between macro economy and micro economy. Although some sign of recovery in its economy is seen on the whole, the discrepancies exist among regions, and the economic disparities are growing. Under these circumstances, it is the key factor to activate and develop the small and medium-sized companies in order to stimulate Japanese economy and to keep its power. The reason is that the share of such companies against all the companies is 99.7%, and the share of employment is occupied around 70% by them. As well known Japan is substantially behind the US and European countries in the venture business creation. Besides, the discrepancy between the closedown rate and establishment rate is recently growing, and the problem of declining the economic power is getting serious.

To stop the hollowing of domestic industry and enhance economic activities, the government policies are important to encourage the management revolution and totally help the companies with gathering information, procuring funds, adopting competent persons, technological innovation, cooperation among different sectors, by means of building up new linkage among the companies, and stockpiling and spreading the information on establishment and achievement of them all over the country.




Source: Multi Discipline Laboratory of Public Finance Corporation "White Paper on New Businesses 2007" p. 31

**Figure 11** The Change in Closedown and Establishment Rate of Japanese Companies (on the basis of companies, converted into annual rate, private businesses, except for agriculture, forestry and fishery)




(Note) The figure is the answer rate of "Yes" against the question that "Are you ready for new business within next 3 years, including a self-management and one-man business with one or more staffs?"

Source: Multi Discipline Laboratory of Public Finance Corporation "White Paper on New Businesses 2007" p. 147

**Figure 12** The Change in The Venture Business Creation Program

Needless to say, the Angel Fund is essential to developing the venture businesses, and the "judging persons" who decide on production and business operation, play an important part. In our country, the venture businesses with high-tech are not satisfactorily progressed for the lack of such staffs, who are in charge of supporting venture business creation on fund, technology and business operation: in short, there isn't enough supporters who well know the quality of products to satisfy consumers' needs, develop technologies compatible with the quality, and supply products and services, that is, the lack of the key persons who well understand the process to establish business foundation. As the first step to expand the Angel Investments, it is included in *The Tax Reform Outline in 2008* that the investment amount in developing venture businesses with their existence for less than

3 years, is deducted from taxable income, as a tax deduction for a donation to charity.

In this way, it is key factor in new business creation to develop fund collecting system, educate staffs, implement the laws and institutions for venture business support, and improve financial and capital market: it is necessary to build a society and economic system in which should they fail to start a new business, they could get another support to reconstruct their business: they need not Gresham's law under which "Bad money drives out good," but Darwin's law under which "the law of dominance" governs them.

As described above, we've first analyzed the unbalance between the foreign investment and domestic one, then considered the inhibitory factors against domestic investment and facilitating policies of the investment in Japan, and finally surveyed the movement of foreign capitals toward Japanese market.

In the future, the international division of labor with Asian countries will be accelerated mainly in manufacturing industry.

We Japanese have to create the equal footing economic environment, that is, an internationally cooperative system both in economy and in society in accordance with the comparative advantage law, while trying to stop the hollowing of domestic industry. To realize it, further deregulation, institutional reform and the policies to increase competition, are required in medical, welfare, nursing-care, public services and other sections.

In addition, it needs the induction program of domestic industries to high-value added sectors, and the newly developed basis for new business creation. As well known, today is the time when enterprises can choose their productive and operating bases in abroad, considering the economic environments, society systems, institutions, promising future and other factors, with economic globalization and borderless economy developing. Therefore, foreign enterprises as well as Japanese ones have to establish a free and attractive environment in which they can make creative and dynamic business activities in order to construct the structure of international cooperative industry and to reactivate Japanese economy.

To accomplish our purpose, indomitable resolve and daring actions are required for accelerating institutional reforms.

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