

Brief summary of minutes of the Conference on Promoting Japan as an Asian Business Center
and Direct Investment into Japan – the first meeting

(Provisional Translation)

Date & time: 9:30-10:00 A.M., Tuesday 29 Nov 2011

Venue: The third special conference room, the Headquarters of the Cabinet Office

Present:

(Chairman):

Hiroshi Ogushi Parliamentary Secretary for the Cabinet Office

(Vice-chairman):

Keiro Kitagami Parliamentary Secretary for Economy, Trade and Industry

Takashi Morita Parliamentary Secretary for Internal Affairs and Communication

Hiroyuki Tani Parliamentary Secretary for Justice

Jo Nakano Parliamentary Secretary for Foreign Affairs

Takashi Kii Parliamentary Secretary for Education, Culture, Sports, Science
and Technology

Yataro Tsuda Parliamentary Secretary for Health, Labour and Welfare

Tetsuo Morimoto Parliamentary Secretary for Agriculture, Forestry and Fisheries

Kenji Umetani Director General for Economic and Fiscal Management, Cabinet
Office

Hiroaki Ishii Deputy Director General for Economic and Fiscal Management,
Cabinet Office

Zentaro Yamashita Director General, Office of Foreign Direct Investment Promotion,
Cabinet Office

Kenji Goto Deputy Director-General, Trade and Economic Cooperation
Bureau, Ministry of Economy, Trade and Industry

Junichiro Kuroda Director, Trade and Investment Facilitation Division, Ministry of
Economy, Trade and Industry

Yukiyoshi Minehisa Secretariat general, Reconstruction Headquarters in response to
Great East Japan Earthquake

Hiroto Izumi Secretariat general, Regional Revitalization Bureau, Cabinet
Secretariat

Itsushi Tachi Secretariat general, Office of Regulation and System Reform,
Government Revitalization Unit, Cabinet Office

Toshiyuki Nanbu Deputy Director-General, the Fair Trade Commission

Masato Takaoka Deputy Director-General of the Minister's Secretariat, Ministry of
Finance

Ryuhei Maeda Director General for international affairs, Ministry of Land,
Infrastructure and Transport

Nobutoshi Miyoshi Deputy Director-General of the Ministry's Secretariat, Ministry of
Environment

Hidehiro Yokoo President, Japan External Trade Organization (JETRO)

Proceedings:

- (1) Discussion on the “Conference on Promoting Japan as an Asian Business Center and Direct Investment into Japan”
- (2) Discussion on the results of the “Survey of the Status of Measures to Promote Direct Investment into Japan (Interim Report)”
- (3) Discussion on measures related to Promoting Japan as an Asian Business Center

(4) Discussion on “Key points of Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan (draft)”

1. Opening address

○ Mr. Ogushi, Parliamentary Secretary for the Cabinet Office

Hello, every one! I am Ogushi, chairman of the “Conference on Promoting Japan as an Asian Business Center and Direct Investment into Japan”.

So far, in the “New Growth Strategy” and “Interim Report on Strategies to Revitalize Japan”, we have been promoting the program for “Promoting Japan as an Asian Business Center and Direct Investment into Japan”. This time, we decided to hold this “Conference on Promoting Japan as an Asian Business Center and Direct Investment into Japan” to direct our course towards the formulation of a program to promote direct investment into Japan from the perspective of focusing on Asia.

Although this initiative is technically a joint operation by the Cabinet Office and METI, since this program will be carried out by the government as a whole, it would be appreciated if you, the government offices concerned, could also assist with this program.

In terms of the flow of the discussion today, I anticipate that, on the basis of the draft proposal, we will try to develop the discussion in such a manner as to incorporate all the opinions presented from your offices and ministries so as to reach an agreement at the end. It would be appreciated if you could present your opinions in an honest and frank manner.

○ Mr. Kitagami, Parliamentary Secretary for Economy, Trade and Industry

I am Keiro Kitagami, vice chairman of this conference. I anticipate that we will need your cooperation in a variety of forms from now on; so, it would be appreciated if you could kindly provide such support.

As you know, it is no secret that direct investment into Japan has always been relatively small. On top of that, we currently have the problem of the appreciation of the yen, and newly developing countries in Asia are attracting foreign businesses.

Although called foreign-affiliated companies, as 97% of employees are actually Japanese nationals on average, so there is also the issue of employment. In addition, with regard to the R & D facilities, we are also losing opportunities in the exchange of highly advanced technologies and so on.

Therefore, we would like to try our best to create an attractive investment environment so that we can attract as many foreign-affiliated companies as possible.

So far, we have put in place a location subsidy scheme, a program of which the government will bear a part of the cost when businesses make investment. In addition, currently, we are submitting to the Diet a draft legislation to establish a framework for qualified businesses to receive preferential treatment which will reduce the effective corporate tax rate by 7-8%. Although enactment is not yet in sight, we will keep working on this as best we can.

METI would like to strengthen the one-stop services provided by JETRO, a framework to provide assistance to foreign-affiliated companies in relation to resident status as well as tax/labor/registration related matters. It would be appreciated if you, the government offices concerned, could assist with this in a variety of ways; for example, it would be appreciated if foreign companies were able to conduct procedures online and use English when they go through a range of procedures at national and local government offices.

Anyway, as we have to formulate this program by the end of this year, let me conclude my speech by asking you sincerely for cooperation. It would be really appreciated if you could help us achieve this target. Thank you for your attention.

2. Discussion on the “Conference on Promoting Japan as an Asian Business Center and Direct Investment into Japan”

○ Mr. Ishii, Deputy Director General for Economic and Fiscal Management, Cabinet Office, gave a briefing based on reference materials 1 & 2.

3. Discussion on the results of the “Survey of the Status of Measures to Promote Direct Investment into Japan (Interim Report)”

○ Mr. Umetani, Director General for Economic and Fiscal Management, Cabinet Office, gave a briefing based on the reference material.

4. Discussion on measures related to Promoting Japan as an Asian Business Center

○ Mr. Goto, Deputy Director-General, Trade and Economic Cooperation Bureau, Ministry of Economy, Trade and Industry, gave a briefing based on reference material. 3.

5. Discussion on “Key points of the Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan (draft)”

○ Mr. Umetani, Director General for Economic and Fiscal Management, Cabinet Office, gave a briefing based on reference material 4.

○ Mr. Ogushi, Parliamentary Secretary for the Cabinet Office

Just now, we took the opportunity to give you a briefing on the “three targets” and “five central initiatives” as key points of the “Program for Promoting Japan as an Asian Business Center and Direct Investment into Japan” (draft), which we are to formulate by the end of the year. We would like to give body and substance to this by the end of the year.

With respect to this topic, there is the question of why we should promote direct investment into Japan at this particular time. Well, for one thing, it is written in the “New Growth Strategy” that we will formulate a policy by the end of the year. The other thing is that, as my area of responsibility is economic and fiscal policy, I can say that we need to have a long-term vision and view these matters in a broader context. Although Japan has a current-account surplus at the moment, as you know, there is an argument in the market posing the question of how long this trend will continue?” If our current-account turns to deficit in the future, in terms of sustainability of the country, it is possible, in my view, that

Japan could face an extremely precarious situation as this country has a huge fiscal deficit and the current-account balance has also turned to deficit. Undoubtedly, what would help Japan in this situation is a flow of foreign capital and funds into Japan.

The reason why Korea has problems at the moment in relation to the flow of funds in and out of the country is the fact that a large part of the investment in Korea is investment in securities or short-term investments. As investment in securities is unpredictable, at the end of the day, what you can count on is direct investment. I consider that it is important for the future of Japan to increase the amount of direct investment as much as possible.

For that reason, as we think we should put a lot of time and energy into this topic and we are intent on carrying out a range of fine-tuning work as a precautionary measure for the future, while asking the Parliamentary Secretaries of respective ministries and offices to provide us assistance with an eye on the deadline of the end of the year, it would be greatly appreciated if you could support us in every possible way.

6. Discussion

○ Mr. Nakano, Parliamentary Secretary for Foreign Affairs

MOFA would like to focus its efforts on the following three areas: “Improvement of environment”, “Provision of information”, and “Public relations”.

“Improvement of environment” refers to when foreign businesses make investment in Japan. If there is a problem in relation to regulations or procedures, we will cooperate with the government offices concerned to remove any obstacles so as to solve the problem. We would like to, first of all, focus on “Improvement of environment”

With respect to “Provision of information”, as the Basic Reconstruction Law, as you know, includes the phrase “Open Reconstruction”, we are intent on proactively disseminating reconstruction-related information from the perspective of promoting investment, particularly in the earthquake-affected area.

With respect to “Public relations”, we would like to take every opportunity, including various discussion meetings and international conferences, to promote, in an appropriate manner, the programs to promote direct investment into Japan. In addition to this, we are intent on making good use of diplomatic missions overseas for sustained promotional activities in a more proactive manner than ever.

○ Mr. Morita, Parliamentary Secretary for Internal Affairs and Communication

Could you explain if you, in the course of discussions so far and in the process of identifying the key targets and initiatives, have any ideas that you keep consciously in mind about the sort of business areas or targeted areas for investment?

○ Mr. Umetani, Director General for Economic and Fiscal Management, Cabinet Office

At this point in time, with respect to which areas we should focus on, we would like to discuss this with other government offices concerned from now on to look into the matter in depth.

As a matter of fact, the “Program for Acceleration of Foreign Direct Investment in Japan” used to give a lot of priority to the medical area, including the speeding up of approval reviews for medical devices.

However, with respect to the promotion of foreign direct investment into Japan in other areas, as we think it is important, as Mr Ogushi, Parliamentary Secretary, pointed out just a moment ago, to attract long-term capital into a variety of areas so as to ensure that employment opportunities are created in Japan, we would like to discuss a variety of potential investment areas in the future.

○ Mr. Morita, Parliamentary Secretary for Internal Affairs and Communication

Our rough perception was that the target area would include the medical care or materials-related area and, in relation to our ministry, the information and communication field, where Japan has been strong from the beginning and it is possible to take advantage of Japanese infrastructure.

○ Mr. Ogushi, Parliamentary Secretary for the Cabinet Office

Just as you’ve pointed out, ultimately, we must work from the perspective of further taking advantage of Japan’s strengths. In addition, as is the case for any developed country, so-called unit labor costs have become expensive. Therefore, I don’t think that manufacturing simple commodities should be our future direction.

From the view point that we should direct the investment to places where there is added value, Japan is strong in manufacturing that fuses IT and mechanical engineering, and highly knowledge-intensive areas, including pharmaceutical or medical care related areas. For one thing, this time, we really need to think about capitalizing on our existing strengths in each particular area where there is high added value that will allow them to pay the high costs of labor and extending that strength even further.

The other thing, as I have pointed out previously, is that it is not investment in securities, but direct investment that we should be concentrating on. These are the thoughts and ideas that we would like to present.

7. Closing address

○ Mr. Ogushi, Parliamentary Secretary for the Cabinet Office

We apologize for asking you to come today, as it is very close to the end of the year. However, as we think that we should finalize this by the end of the year, it would be greatly appreciated if you could cooperate with us in terms of this time frame.

The rough outline of this program is as described a moment ago, and we are also intent on formulating the Basic Strategies to Revitalize Japan by the end of the year at the National Policy Unit. As the above remark made by Parliamentary Secretary Mr. Morita, is in line with our policy, we are intent on formulating the program for promoting direct investment into Japan in such a manner that it can support the high value-added sources of income for Japan.

I am not a prophet, but still I am pretty sure that in several years time people will be saying that it was good that we worked hard on this. So, it would be greatly appreciated if you could lend your support to this program.

(The end)