

# Statement of the Japan Investment Council

– Toward the Promotion of Foreign Direct Investment in Japan –

June 13, 1995

Japan Investment Council

## 1. SIGNIFICANT ROLE OF FOREIGN DIRECT INVESTMENT IN JAPAN

Increased foreign direct investment in Japan contributes to structural reform of Japanese economy, such as enhancement of Japanese economic vitalization, creation of new business, reduction of the disparities between international and domestic prices, import expansion, through introduction of the new technology, management know-how and various kinds of competition among domestic and foreign firms. Also it will benefit Japanese consumers, bringing a supply of less expensive and better goods and services and greater selection. Moreover, it further opens Japan's economy, society, and culture.

Additionally, investment activities of countries throughout the world, including foreign direct investment in Japan, contribute to a balanced development of the global economy and to the creation of peaceful and cooperative international relations.

Toward the 21st century, the Government of Japan acknowledges that increased foreign direct investment is essential for constructing a dynamic Japanese socioeconomic structure open to the world.

In line with this positive attitude of the Government of Japan, the Japan Investment Council declares at home and abroad its determination to strengthen the action for increasing foreign direct investment in Japan.

## 2. POTENTIAL OF JAPAN'S MARKET

The level of foreign direct investment in Japan remains low as a whole, and also less than that for Japanese direct investment abroad, which, in turn, has created a large inward-outward investment imbalance. This is due to economic factors such as the macroeconomic climate, including the appreciation of the yen, and high business related costs in Japan, including land prices as well as to institutional factors such as regulations based on laws or administrative guidance. On the other hand, with the world's second-largest economy, a high level of demand, opportunities for

technological and other business tie-ups, a geographical location within the fast-growing Asian region, plentiful of high-quality labor force that can take part in management, and the availability of well-maintained infrastructure, Japan has excellent potential as an investment market.

In nature of the things, decisions on investment are based on the discretion of independent firms, so there are limits to the scope and effect of the Government's measures to promote foreign direct investment. But the Government does have an important role in leading the way and the Government will play its part to the maximum extent possible to create an environment conducive to foreign direct investment in Japan, which has the potential above described.

### **3. EXPECTATIONS FOR THE PRIVATE BUSINESS SECTOR**

Since the business climate, in terms of transparency of business practices, is also an important factor maintaining smooth business operations among foreign firms, the Government of Japan solicits the understanding and cooperation of the private business sector in order to create a desirable investment environment. In this regard, it is now understood that M&A, which has been pointed out to be difficult in Japan, is an common form of foreign direct investment as a free economic activity, and it is expected that the M&A would have a positive and stimulating effect on increase of foreign direct investment and vitalization of industrial activity in Japan.

### **4. THE BASIC POLICY FOR EXPANDING FOREIGN DIRECT INVESTMENT IN JAPAN**

The Government will actively take the following policy measures, including deregulation and the providing of incentives, to expand foreign direct investment. While implementing these measures, both transparency and the simplification of procedures will be assured.

- (1) Promote deregulation to reduce business operating costs and to create new businesses opportunities. In particular, regulation of direct investment should be kept to a minimum.
- (2) Provide special treatment in taxation and financial incentives, so as to facilitate smooth business operations.
- (3) Make active use of the OTO with rapid and appropriate resolution of any complaints concerning business activities of investors.

- (4) Support recruitment by providing labor-related information, job consultation and employment exchange.
- (5) Disseminate information extensively by JETRO and others concerning the Japanese investment environment.
- (6) Provide comprehensive services for foreign firms by drawing on expertise of the Foreign Investment in Japan Development Corporation (FIND).
- (7) Support the setting up of Facilities to support Foreign Business Participation in Japan.
- (8) Approach the private business sector to help create a business climate with more transparent business practices.
- (9) Expect that local public bodies that could be closely involved in attracting foreign businesses, to make greater efforts to attract foreign direct investment.
- (10) Improve statistics-keeping, etc. to provide more accurate information on foreign investment and business activities of foreign affiliates in Japan.
- (11) Continue to promote in every way the current framework of "The Outline of Promoting Comprehensive Land Policies" in order to achieve reasonable land price levels, which would be beneficial to the location of foreign firms.
- (12) Contribute to fostering a free international investment climate by actively participating as a major player in multilateral discussions at the OECD, APEC and WTO.

According to these basic policies, the Government of Japan will also carry out within fiscal 1995, the investment promotion measures that have been decided upon, including those described in the attached list.

## **5. ACTION OF THE JAPAN INVESTMENT COUNCIL**

By utilizing the Expert Committee, the Japan Investment Council thoroughly discusses important themes and collects opinions and requests from foreign businesses and others in order to have these ideas reflected in the Government programs. The Expert Committee, in particular, will immediately begin to examine the future direction of the Law on Extraordinary Measures for the Promotion of Imports and Facilitation of Inward Investment, which expires in May 1996, ways to improving the climate for M&A, and ways to support employment in foreign firms.

The Japan Investment Council expresses its determination to continue to play a major role in ensuring that policies reflect these opinions and requests and in disseminating information concerning policies adopted through this process in order to improve the investment environment in Japan and it welcomes opinions and requests

to promote foreign direct investment in Japan from both domestic and foreign concerns. At the same time, the Council addresses foreign businesses to take full advantage of these measures and take a positive attitude toward investing in Japan in the years ahead.

(Omitting the List of Investment Promotion Measures in 1995)