



# JRI news release

**The Induction of Foreign Capital into the Kansai Region:  
Present Status and Issues for the Future  
— Harnessing Foreign Capital to Revitalize the Kansai Economy —**

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## Overview

In recent years, as deregulation and the downward trend of land prices have reduced the cost of doing business in Japan, the number of foreign-capitalized companies setting up business in this country has been rising. The establishment of business operations in Japan by foreign companies has a range of benefits not least (i) an influx of new business management know-how and technology, (ii) wider choice and greater convenience for the consumer and (iii) the creation of new employment opportunities and promises to become a new source of energy for the Japanese economy. In the Kansai Region the opening of Universal Studios Japan has had a huge impact on the local economy and Osaka's Shinsaibashi shopping district is seeing a concentration of famous brand stores. Foreign companies are not the only ones moving into the Kansai Region domestic firms such as mass retailers of consumer electronics and cameras are also setting up local operations, and the fresh influx of companies is stimulating and transforming the Kansai economy.

A survey of the number of foreign business operations established by region reveals that approximately 8% of the total are located in the Kansai region, a low proportion given that the net value of production in the region accounts for 17% of the national total. A large number of foreign companies set up in the Kansai region in the second half of the 1990s, but a still larger number moved out and overall numbers fell (as did the Kansai's share of all foreign business operations). Although the influx of foreign companies has continued, the numbers are small in proportion to the size of the economy, and it would appear that there is still considerable leeway to attract foreign capital to the region.

Many other countries around the world, not to speak of other regions of Japan, are also making a positive effort to attract foreign capital. If the Kansai region is to attract foreign companies in the face of such strong competition, it will need to make full use of its advantages, namely (i) the presence of a sizable local market, (ii) a concentration of advanced research organizations and (iii) strong business connections with Asia. It must also step up its efforts to attract foreign capital as a region.

If it is to attract more foreign companies, the Kansai region must set about creating a more favorable environment, with an emphasis on the following points:

- (i) The identification of key themes and resolute use of inducements and support measures, focusing exclusively on these themes.
- (ii) In addition to the proposal of a general system for the induction of foreign capital, the provision of flexible support measures that can be tailored to the needs of individual companies. Former members of companies should be enlisted to help in this area.
- (iii) Full use of the designation of "special zones for economic development" with a view to enhancing the flexibility of legal requirements.
- (iv) The induction of foreign capital through the promotion of mergers & acquisitions, also with a view to aiding the revitalization of Japanese companies.
- (v) The development of connections at many levels, through international exchange, exchange of foreign students, tourism, dissemination of culture, etc.
- (vi) The creation of an environment attractive to foreign residents through the improvement of living conditions, education and medical care.