

Section 3 Measures to support companies

This section sets out the progress that has been made with measures to support companies, as well as future policy in this area.

1. Enhancing top-level sales pitches and systems for interministerial collaboration

Table III-2-3-1 shows the top-level sales pitches undertaken by the Prime Minister and Cabinet members since the inauguration of the Abe administration.

All possible means – from top-level sales pitches by the Prime Minister and Cabinet members to interaction at the private sector level – have been employed in a nationwide effort uniting the public and private sectors, with the aim of enhancing the environment for overseas expansion by Japanese companies, in order to secure resources and win contracts for infrastructure projects. For example, in the case of Russia, Prime Minister Abe has already held five summit meetings with President Putin since taking office, and the Public-Private Coordination Meeting for Promoting Japan-Russia Relationship has been established to further promote economic relations between Japan and Russia. In the case of Turkey, the fruits of the nuclear power agreement signed during Prime Minister Abe's May 2013 include Japanese companies acquiring the right of first refusal in the Sinop Nuclear Power Plant project.

In future, to respond accurately to demand for infrastructure and the like, direct dialogue with top-level representatives from counterpart countries should be undertaken and appropriate personnel dispatched to provide advice on the development not only of infrastructure, but also of the country as a whole. As well as being part of strategic missions tailored to the places visited by the Prime Minister and Cabinet members, industry must dispatch its own independent missions and strengthen partnerships with the government.

In addition to conducting top-level sales pitches, the government will enhance the systems for follow-up by the public and private sectors and for ongoing local lobbying. There are actually many cases in which deficiencies in local systems hinder overseas expansion by Japanese companies into emerging markets. To resolve such issues, it is essential to work in partnership with local commercial and industrial associations to establish a system for lobbying in the counterpart country.

It is vital to continue to identify potential, utilizing all possible policy tools, including hosting international conferences, dispatching missions, concluding investment treaties, and providing ODA and public finance.

Table III-2-3-1 Top-level sales pitches by the Prime Minister and Cabinet Members (as of May 2014)

	Group 1: China & ASEAN	Group 2: Southwest Asia, Middle East, Russia, CIS, Latin America	Group 3: Africa
Prime Minister	Vietnam Thailand Indonesia (twice) <u>Myanmar</u> Philippines Malaysia Singapore Brunei Laos Cambodia	<u>Russia</u> (twice) *Only 1 economic mission <u>Saudi Arabia</u> <u>UAE</u> <u>Turkey</u> (twice) <u>Bahrain</u> <u>Kuwait</u> <u>Qatar</u> Oman <u>India</u>	TICADV (to African nations) Djibouti <u>Côte d'Ivoire</u> <u>Mozambique</u> <u>Ethiopia</u>
Minister of Economy, Trade and Industry	Indonesia (twice) <u>Vietnam</u> Brunei Myanmar <u>Cambodia</u> <u>Laos</u>	<u>Saudi Arabia</u> (twice) <u>UAE</u> (twice) <u>Colombia</u> <u>Brazil</u> <u>India</u> <u>Russia</u>	TICADV (to African nations) <u>Kenya</u> <u>Tanzania</u> * Underlining indicates an accompanying mission

Source: Compiled by METI.

2. Measures to promote Overseas Expansion by Mid-Ranking SMEs and the Service Industry

Japanese companies expanding overseas have a range of needs in such areas as intelligence gathering and procedures, but although the support options offered by various bodies can be hard to understand and there are many local challenges in terms of legal and labor-related matters, it is difficult for companies to find experts capable of helping them to deal with such issues. Consequently, the following domestic and overseas measures have been promoted in order to put in place a system that offers seamless support to highly-motivated companies with potential.

Within Japan, the SMEs' Overseas Development Fastpass program was launched on February 25, 2014 with the cooperation of 321 organizations, to enhance support in the wake of the rise in the number of middle-ranking SMEs expanding into emerging economies to cultivate demand for their products/services. The launch of the Fastpass program enabled regional financial institutions and chambers of commerce and industry to introduce client companies to bodies able to offer support for overseas expansion, such as diplomatic missions overseas and JETRO, thereby ensuring that organizations providing assistance can offer consistent support.

In the field of intellectual property, measures introduced to ensure comprehensive support for everything from the acquisition of intellectual property rights by SMEs to the exercise of those rights include measures to alleviate the financial burden of fees for foreign patent applications, the provision of information about foreign patent applications, and support for surveys of trends in counterfeit goods overseas and for measures to combat infringements.

In terms of measures outside Japan, the establishment of SME Overseas Expansion Platforms in ten locations worldwide has created a one-stop point of contact that enables a variety of problems to be addressed swiftly, including issues relating to legal matters, labor issues, and intellectual property.

3. Revision of the trade insurance system

It is vital to tap into strong demand overseas – above all, in emerging economies achieving remarkable economic growth – by supporting the overseas expansion of Japanese companies. The trade insurance system indemnifies those doing business overseas against losses suffered due to events such as war or terrorism; as such, it is essential to the overseas expansion of Japanese companies. However, the environment surrounding foreign business is changing rapidly: overseas risks are growing, as seen in the case of the January 2013 terrorist attack in Algeria, and forms of transactions and financing techniques are becoming increasingly diverse. Moreover, there is growing overseas expansion by SMEs from Japan's regions. To strengthen trade insurance functions in light of this situation, the Trade Insurance and Investment Act was revised in April 2014, providing trade insurance coverage for the following for the first time.

(i) Personnel costs, cargo storage costs, and other additional costs incurred by Japanese companies building plants overseas, in the event that the project is canceled due to terrorism or war.

(ii) Transactions such as exports undertaken by overseas subsidiaries of Japanese companies or local sales companies handling Japanese products.

(iii) Loans from the overseas offices of Japanese banks or from foreign banks to facilitate the financing of projects in which Japanese companies are participating, such as overseas resource development projects.

In addition, the foreign business insurance policies offered by Japanese nonlife insurance companies that are used by SMEs in Japan's regions have been made eligible for reinsurance.

4. Conclusion and revision of investment treaties and tax conventions

The government is promoting the conclusion of investment treaties in order to ensure a business environment conducive to stable operations by Japanese companies that have expanded overseas, as well as safeguarding the assets in which they have invested, and abolishing barriers to expansion in those markets and to the repatriation of funds to Japan. Amid an increase in protectionist measures that discriminate against foreign capital, especially in emerging economies, the government has completed a series of negotiations with Southeast Asian countries concerning investment treaties and is now engaged primarily in negotiations with countries in the Middle East and Africa.

In FY2013, Japan signed investment treaties with Saudi Arabia (April), Mozambique (June), and Myanmar (December). Investment treaties are currently being negotiated with Ukraine, Algeria, Uruguay, Qatar, and the United Arab Emirates (as of April 7, 2014).

Moreover, it is hoped that concluding new tax conventions and revising existing ones to adjust the scope of taxable income on both sides will not only ensure the legal stability of the taxation of companies operating overseas, but also contribute to facilitate flow back to Japan of income earned overseas by Japanese companies.

In terms of developments in FY2013, the tax convention with Kuwait entered into force in June, and tax conventions were signed with the United Arab Emirates in May and with Oman in January 2014. It will be vital to expedite initiatives for upgrading and expanding the network of tax-related

conventions that assist in supporting the overseas expansion of companies, taking into consideration the overall perspective in terms of the needs of Japanese industry and appropriate means of securing Japan's right of taxation.

5. Providing faster, more flexible public finance

In April 2013, to improve the Japanese ODA loan system, disaster preparedness and healthcare were added to the environment and human resource development as fields in which Japan's strengths could be utilized, and interest rates on loans in these fields were then lowered. In addition, eligibility for Special Terms for Economic Partnership (STEP) was extended to include the overseas subsidiaries of Japanese companies for the first time.

Moreover, in October that year, the government introduced Equity Back Finance (which supplements funds invested by the governments of developing countries in infrastructure development projects) and Viability Gap Funding (support packages that include loan assistance, with a view to securing the right to operate projects). Its aim in doing so was to promote deliberations aimed at increasing the flexibility of Japanese ODA loans, thereby providing backing for participation by Japanese companies in PPP projects in developing countries, in accordance with the Infrastructure Systems Export Strategy (approved by the Infrastructure Strategy Committee in May that year).

As well as improving systems in this way, it is necessary to consider measures for ensuring that the process from applying for a Japanese ODA loan through to the implementation of the project becomes even faster and more efficient.

6. Deepening technical cooperation

A market-oriented approach and efforts to resolve the challenges faced by emerging economies are required, as these will be the key to building win-win relationships with such economies. Consequently, it will be essential to utilize technical cooperation aimed at achieving a balance between resolving the issues faced by emerging economies and ensuring that Japanese companies can secure markets. In addition, effective use of relationships between cities will be vital in order to identify and resolve the challenges faced by various cities.

Furthermore, an enhanced system for the dispatch of interns from Japan and joint training courses for Japanese and local personnel must be used to cultivate "Emerging Economy Innovators" who can develop and create new markets. Moreover, it is necessary to upgrade the institutional environment through such initiatives as cooperation with local research institutes and the introduction of standards.