Future of manufacturing
Regional Industry Tie-up Programme – Internationalisation policy measure
(Japan)

Born globals and their value chains
Authors: Hang Do, David Smallbone, Robert Blackburn (Small Business Research Centre, Kingston University)
Research managers: Irene Mandl and Valentina Patrini (Eurofound)
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European Foundation for the Improvement of Living and Working Conditions
Telephone: (+353 1) 204 31 00
Email: information@eurofound.europa.eu
Web: www.eurofound.europa.eu

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Contact details
Donald Storrie (Project Manager) Donald/Storrie@eurofound.europa.eu
Alessandra Massaro (Project Administrator) Alessandra/Massaro@eurofound.europa.eu

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1. Context

1.1. Circumstances in which the measure was introduced, rationale, and relevance
This initiative was launched by the Japan External Trade Organisation (JETRO), a government-backed organisation, promoting mutual trade and investment between Japan and the rest of the world in 2007. The programme was designed to meet the Japanese government’s call for ‘Japan revitalisation strategy’ (JETRO, 2016). This strategy aims to increase inward foreign direct investment stock from approximately JPY 16 trillion (about €119.3 billion) to JPY 35 trillion (about €271 billion) by 2020 and enhance international activities between Japanese companies and their foreign partners. In order to reach this target, the Japanese government aimed to:

- Re-evaluate the Japanese market and expand business opportunities.
- Enhance international collaboration between Japanese companies and foreign partners in terms of new product development and R&D.
- Promote the Japanese business environment to attract foreign companies, for example through tax incentives and regulatory reforms.

Since the government called for inward FDI promotion, JETRO has initiated a number of measures (including the Regional Industry Tie-up Programme - RIT) between 2003 and 2015 and has supported more than 14,000 overseas companies interested in investing in Japan, of which 31.5% of companies came from North America (444 projects), 31% from Europe (439 projects) and 31.5% from Asia (444 projects) (JETRO, 2016). The Japanese business environment has become more open to foreign companies, offering numerous incentives to promote collaboration between local firms and overseas partners, as well as to promote the local and regional economy development. JETRO has set up 74 overseas offices in 55 countries worldwide, as well as 46 offices in Japan, including their headquarters in Tokyo and Osaka.

1.2. The process of developing the measure
RIT is one of the initiatives that JETRO launched to promote international collaboration between industrial clusters in Japanese regions and abroad. The programme is managed by the headquarter office in Tokyo, in collaboration with JETRO foreign offices worldwide. Even though the design of the programme was consulted by the government, it is purely operated and managed by JETRO. There has been no evidence yet of this form of collaboration in other countries, hence RIT is innovative in fostering mutual exchange between regional industrial clusters in Japan and other countries.

1.3. Any changes in policy context over time
There have been no changes in policy context over time.

1.4. Evidence of complementarity and/or overlap between the measure and other policy measures
This measure complements existing national interventions to support SME internationalisation, some of which are conducted by JETRO. They are all stand-alone instruments, in spite of sharing the common target to promote internationalisation:

- **Networking events to support business expansion in Japan**: JETRO offers Japanese SMEs opportunities for business matching to help them utilise sales channels and technologies of foreign companies, as well as supporting foreign companies enter the Japanese market. This programme was introduced in 2015. For example, in February 2016, JETRO held the Invest Japan Networking Event, inviting foreign-affiliated companies located in Japan. This event facilitated a networking opportunity for the foreign-affiliated companies which have already
established a presence. The event attracted 190 people from international firms, foreign embassies in Japan, foreign governmental organisations, Japanese government ministries and agencies as well as local governments (JETRO, 2016).

- **Top–level sales and overseas seminars:** This scheme was initiated by the Japanese Prime Minister in 2014, aiming to promote inward investment activities by organising seminars in Europe, America and Asia. As of 2016, JETRO has held six inward investment symposiums (JETRO, 2016). For example, JETRO organised the Japan-US Economic Forum in Los Angeles in May 2015, attracting 500 attendees from the US and Japanese business communities. Besides top-level sales in the US, JETRO held over 30 seminars on investment in Japan in Asia and succeeded to attract 62 projects from the region in fiscal 2015 (about 1.5 times of the result in fiscal 2014).

- **Global Alliance Scheme:** This scheme was launched in 2015, promoting expansion of sales channels and open innovation by encouraging foreign companies to invest and join the business tie-ins with local firms. The scheme was initiated by the Ministry of Economy, Trade and Industry (METI), and operated by JETRO in cooperation with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN), the Central Bank for Commercial and Industrial Co-operatives (Shoko Chukin Bank), and the Small and Medium Business Investment and Consultation CO., LTD. (SBIC). The scheme forms investment alliances between Japanese mid-ranking companies/SMEs, and foreign companies in order to promote overseas expansion (JETRO, 2016).

- **Cluster mapping:** This programme provides industrial information on clusters to both local and foreign firms and organisations. The cluster mapping tool provides information about the industrial clusters (major companies, related research institutions, main sectors, etc.) in different regions of Japan, and various sectors (mainly automobiles and transport equipment, aircraft, food manufacturing, ICT, electronics, life sciences, environment and energy, service, tourism). This mapping is useful for JETRO to disseminate information about international exhibitions to foster international collaboration activities between industrial clusters.

- **Subsidy programme for global innovation centres:** This national programme subsidises the cost of setting up innovation centres for overseas companies which are in collaboration with Japanese companies/organisations. The scheme aims to attract foreign investments, providing subsidy to three areas: i) Establishment of global innovation centres (for example, the establishment of R&D sites), ii) Experimental studies conducted by a foreign company in collaboration with Japanese companies or organisations, iii) Market research studies conducted by a foreign company in collaboration with Japanese companies or organisations, to develop practical application of technologies, products and services in Japan.

### 2. Content

#### 2.1. Objectives of the measure

JETRO introduced the Regional Industry Tie-Up (RIT) programme to promote business collaboration of SMEs between industry clusters in Japan and overseas. This was in recognition of the increasing needs of Japanese SMEs to expand their business abroad and foster their international activities with foreign counterparts. Broadly, the RIT programme aims to:

- Facilitate business tie-ups to develop markets, technical cooperation;
- Boost local economies;
- Attract international collaboration and partnership from foreign regions who lack resources and networking in Japan.

The initiative’s specific objectives are to:
• Share know-how between partner regions and identify opportunities for collaboration. JETRO sponsors foreign experts to Japan to participate in seminars, events or discuss about industry tie-up between the regions.
• Support networking and partnering opportunities in foreign regions. In order to accomplish the overall goal of RIT, JETRO will support Japanese regions’ visiting foreign regions for business matching and networking facilitating.
• Provide networking and partnering opportunities in the Japanese region. This enables overseas delegations to visit Japanese regions for business matching, developing partnering and collaboration.

2.2. General description of the measure
RIT’s main targets are to enhance export, technological partnership and joint development of products. The types of support are in the form of sponsoring the costs related to business matching, networking events, organisation of seminars and symposiums.
RIT offers the opportunities for foreign regions which are interested in collaborating with the Japanese regions, but lack resources to access the market, to extend their networking and enhance mutual economic development. The support duration varies from one to three years, aiming to enhance regional tie-ups between industrial clusters (JETRO, 2016).

• Business matching opportunities in Japan: The programme sponsors the costs of dispatching experts from foreign regions (in target industry or technology area) to Japan to participate in a relevant seminar/symposium, and/or give consultation to individual companies/industry organisations. The sponsorship covers the costs of the experts’ airfare, transportation and accommodation while in Japan, interpretation services, rental fee for event venues/meeting spaces. The foreign delegates are identified via JETRO and Japanese embassies abroad, or via the Japanese industrial clusters.
• Networking in foreign countries: RIT provides networking and partnering opportunities in foreign regions by covering the costs of sending Japanese delegates to visit foreign regions for networking events/business matching activities. The financial support covers air flights of Japanese delegates, interpretation services, and renting venues.
• Consultancy: The programme provides information on investment in Japan via JETRO’s events/seminars and via Japan invest hotline which is operated by JETRO’s staff (as illustrated in Figure 3).
• Organisation of seminars and symposiums: RIT sponsors the cost of organising seminars/symposiums for networking and business matching opportunities in either Japan or foreign countries.

2.3. Available budget
The annual budget of RIT is not publicly revealed. However, according to JETRO, the budget for the entire activities for supporting SMEs’ overseas business expansion is JPY20 billion (or € 211 million) in the financial year 2015 (JETRO, 2015). RIT is part of these activities.

2.4. Target groups of the measure
The measure targets local businesses and industry organisations based in Japan that represent the industry in the region and their associated activities. This could be regional business associations, conferences, chambers of commerce and industry and regional governments.
According to EU-Japan centre, RIT focuses on but is not limited to these three main areas (SME Agency, 2013):
• Machinery and parts: industrial machinery, aircraft parts, and materials for manufacturing.
• Life science: medical machinery, pharmaceutical and biological products.
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- Environment and energy: water treatment, recycling of waste and energy conservation.

Even though the programme aims to support SMEs, it does not directly provide financial support to individual companies but via the business associations or chambers of commerce. The definition of SMEs is based on the SME Basic Act (defined by the Japanese government) as follows:

### Table 1. Definition of SMEs according to the SME Basic Act

<table>
<thead>
<tr>
<th>Industry type</th>
<th>Small and medium sized</th>
<th>Micro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>&lt; JPY 300 million (€2.33 million)</td>
<td>&lt;300</td>
</tr>
<tr>
<td>Wholesale</td>
<td>&lt; JPY 100 million (€777,000)</td>
<td>&lt;100</td>
</tr>
<tr>
<td>Service industry</td>
<td>&lt; JPY 50 million (€388,500)</td>
<td>&lt;100</td>
</tr>
<tr>
<td>Retail</td>
<td>&lt; JPY 50 million (€388,500)</td>
<td>&lt;50</td>
</tr>
</tbody>
</table>

Source: SME Basic Act, 1999

3. Relevance of the measure to SMEs/born globals and internationalisation

3.1. Relevance in relation to different types and stages of internationalisation

The measure supports internationalising SMEs of different types (for example, export, import, joint development, overseas business expansion, FDI) and stages of internationalisation (for example, new as well as established exporters, young and old firms). As the programme aims to facilitate collaboration between local and foreign regions, it does not limit the geographical areas where the foreign firms are based, although these appear to be mainly within Europe and Asia.

3.2. Support for cooperation between SMEs/born globals and wider international collaboration (if any)

By developing collaboration between local associations/organisations and their foreign counterparts, RIT contributes to build industrial hubs/clusters of SMEs to engender their capabilities and capacity in joint development, new product development, or business expansion. This helps to build the industrial network of those SMEs and foster their international collaboration.

3.3. Contribution of the measure to tackle SMEs’/born globals’ internationalisation support needs

The measure contributes to supporting SMEs by having a larger pool of resources for product development and collaboration by utilising know-how of the local and foreign regions. The sponsoring of networking, seminars and company visits also contributes to meeting internationalising SMEs’ needs by helping them establish business contacts, ascertain market information, overcome language barriers and understand cultural differences.
4. The operation of the measure

4.1. Promotion of the measure to internationalising businesses

According to the interviewee, the RIT programme is promoted mainly via JETRO offices located in Japan and abroad and its website. It is not promoted via any contracted-out parties or agencies. The form of promoting the programme can be done via JETRO’s seminars/events, and also via Invest Japan Hotline, via Japanese embassies abroad. The target participants include companies, business associations, chambers of commerce, industrial clusters, local regions.

4.2. The process of application and assessment of applications

The application can be done once a year, following specific calls from JETRO, and it must come from Japanese organisations consisting of at least five companies. In order to prepare for the application, the Japanese region wishing to develop a partnership with an overseas region must follow the procedure:

- Contact local companies who wish to collaborate with foreign companies.
- Provide clear prospects that the collaboration will facilitate the development of the region’s industries/technologies, leading to new product development, forming business tie-ups at joint product/technology development.
- Have had some form of contact with the foreign region in the past and have their confirmation of interest in collaboration/partnering.

The application should include some description of the planned cooperation and the individual services to be covered as well as the cost proposal. After the application is submitted online, it is assessed by the JETRO team in Japan and JETRO offices abroad where the foreign regions are based. The selection strictly follows the three criteria above and the value of the project gained from the collaboration between Japanese and foreign industry regions to assess the eligibility of the candidates and to decide the level of sponsorship.

4.3. Delivery mechanism of the measure

The measure is delivered by JETRO in both Japan and the foreign office. An example of the delivery mechanism is illustrated in Figure 1 below.

![Figure 1: Delivery mechanism of the RIT programme](source: JETRO’s information on the RIT programme)
4.4. Administration of the measure

All the activities of the RIT are administered by the JETRO team in 45 regional regions across Japan plus the three main offices (the JETRO headquarter in Tokyo, in Osaka, and the Institute of Developing Economies). JETRO is in charge of reporting to the Japanese government about its performance and outcomes. The global maps of JETRO offices are demonstrated in Figure 2 below.

**Figure 2: Global map of JETRO**

![Global map of JETRO](source: JETRO, 2016)

The cooperation between JETRO’s headquarters and foreign offices is illustrated in Figure 3. JETRO coordinates between the domestic and overseas offices as well as the Invest Japan Hotline (the one stop service provided by JETRO, which cooperates with government ministries in responding to all the inquiries related to foreign investment issues. JETRO’s domestic offices collaborate with local governments in providing Japanese companies consultation about administrative procedures and information on regulations and systems regarding foreign investment or international collaboration, arranging meetings with officials of regulatory agencies if needed, relaying requests for regulatory reforms to the Japanese government. On the other hand, JETRO’s overseas offices cooperate with Japanese embassies abroad in providing consultation to foreign companies looking to invest to Japan. For any international collaboration activities of the RIT programme, JETRO’s domestic and overseas offices work closely with each other, in cooperation with local regions and Japanese embassies abroad.

**Figure 3: JETRO organisation structure and collaboration**

![JETRO organisation structure and collaboration](source: JETRO, 2016)
5. Monitoring and evaluation

5.1. Monitoring of the implementation: method and contents
According to the interviewee, the monitoring is conducted internally. It is based on an annual survey of participants’ satisfaction levels of JETRO’s services, monitoring the number of projects, the value of project, the types of international collaborations, and the number of supported firms. The information is not publicly available as the document is confidential for internal control and reported to the government.

5.2. Evaluation of the measure: methods and contents
There is no formal evaluation of the effectiveness and the performance of the RIT programme. There are only annual reports of RIT’s activities, measured by JETRO regarding the impact of the collaborations. However, there is no further detailed information on the methods of evaluation disclosed.

5.3. Any changes to the content or delivery of the measure following monitoring and evaluation
The interview shows that there have been no changes in terms of the content or delivery of the measure since inception because the monitoring did not show any need for change.

6. Evidence of outcomes and impact

6.1. Evolution of the measure’s spending
The information is confidential; hence it is not shared with the public.

6.2. The quantitative and qualitative outcomes of the measure
The RIT programme has been active over the last 10 years and has contributed significantly to enhance inward FDI as well as supporting local businesses to expand abroad. It particularly contributes to strengthen the regional tie-up and to boost the economic development of regions.

On average, RIT sponsors 15 international projects annually, targeting collaboration between specific foreign regions and local regions, to boost mutual economic development. During 2014-2016, via the RIT programme JETRO supported the international cooperation between Japanese regions and 13 regions of the EU (five in Germany, two in France, one in the UK, two in Switzerland, two in France, one in Finland), and five in Asia (one in Vietnam, three in South Korea, one in Taiwan). Some of the RIT projects and sectors are listed below:

- **Germany**
  - Automotive: Baden-Württemberg and Ibaraki prefecture;
  - Industrial facilities and equipment: Baden-Württemberg and Kitakyushu region;
  - Life Science: Northern region and Hyogo prefecture;
  - Medical devices: Nordrhein-Westfalen and Fukushima prefecture;
  - Optical technology: Germany and Hamamatsu;
  - Organic electronics: Saxony and Yamabiki prefecture;
  - Renewable energies: Nordrhein-Westfalen and Fukushima prefecture.

- **France**
  - Cosmetic: Cosmetic Valley and Saga prefecture;
  - Pharmaceutical: Ile de France and Toyama prefecture.

- **UK**
  - Marine Renewable energies: Scotland and Nagasaki prefecture.
6.3. Impact of the measure on its beneficiaries and other actors

RIT has contributed to enhancing the performance of Japanese SMEs and attracting more inward FDI from foreign companies. It has enabled the firm clusters to enhance their capacity and capabilities in new product development, technical cooperation, expand markets, accelerate export turnover, and boost mutual cooperation in other international activities, such as R&D and joint ventures (SME Agency, 2013). Based on JETRO’s Manufacturing and Environment Industry Planning Division, evidence of two case studies is described below (SME Agency, 2013).

- **Company A:** Started in 2000 with five employees, the company manufactures a glass protecting coating system to be used for automobiles, cruise ships and large buildings. When the domestic market started to shrink, company A aimed to expand its sales abroad. In 2009, it approached JETRO’s Yamaguchi office to apply for the RIT programme to identify potential partners in Taiwan. This programme enabled company A to meet the representative of a Taiwanese company (a large car-washing company in Taiwan with a network of 70 outlets) in a business matching event, sponsored by RIT in Taiwan. The first sales contract started only four months after its initial business meetings. Company A finally succeeded in expanding its sales to Taiwan. Via the Taiwanese company’s network, company A also had opportunities to access clients in Malaysia, Singapore and China, which contributed to raising its export turnover.

- **Company B:** This is a Japanese software company with 15 employees based in Kanagawa. The company develops an application programme which connects to I-phone and I-pad to speak on behalf of the user by touching words on the screen previously installed in the programme. In 2011, the company participated in a business mission in Finland, as part of the RIT programme promoted through the Shonan Industrial Promotion Foundation organisation. In 2012, the president of company B visited Finland to discuss with potential partners and lawyers about business opportunities to set up a subsidiary. Six months later, company B founded an office in Europe (with a registered capital of €2,500) based in Finland. Thanks to RIT, the overseas branch - has successfully collaborated with a Finnish company based in Oulu city in a healthcare project and an engineering company in Helsinki.

6.4 Evidence of economic and employment impact

Even though there is no detailed statistics or formal evaluations of the RIT programme, the outcomes gained from successful projects shown in section 6.3 indicates that the two-way collaboration between Japan and foreign industrial regions has contributed to boost local and foreign economic development and increased productivity, sales and market reach. This, in turn, accelerates firm growth and job creation within SMEs who participated in RIT. However, the monitoring and evaluation of RIT are confidential and the data that are available are often subsumed within the larger reporting of JETRO activities.

7. Strengths and weaknesses of the measure

7.1. Strengths of the measure

RIT enables international collaboration between regional industries, helping local businesses to expand abroad and facilitating foreign companies who lack resources in accessing the Japanese market, thus fostering mutual economic development in both supported regions. According to the
The strong coordination between JETRO local and abroad offices enables the efficiency of measures, in terms of identifying opportunities and elaborating the relationship between the two regions. According to the interviewee, this is a very innovative intervention and could be transferrable to other countries as soon as those countries have a similar model to JETRO which incorporates local and foreign offices, the government and embassies abroad.

7.2. Weaknesses of the measure
The promotion of the measure is considered to be relatively weak, given that it is mainly based in JETRO offices in local regions and abroad. There are not any contracted agencies or third parties involved in promoting the RIT programme. This limits the opportunities to reach a wider range of industries and foreign companies who are not aware of the scheme. The operational challenges of this measure include ensuring the commitments between the two parties (Japanese company and its foreign partner) to evaluate their past activities and to anticipate the value of the project.

7.3. Evidence of policy learning over time
N/a.

8. Recommendations

8.1. Overall recommendations regarding the measure
Overall, the interviewee suggested that the promotion of RIT could be enhanced via third parties such as the chambers of commerce, business associations, embassies or agencies who deal with delegates to Japan and vice versa. In addition, simple administrative tasks and the time consuming process such as booking flights and tickets for delegates should be minimised for JETRO staff members.

8.2. Recommendation regarding the national support to SME/born globals’ internationalisation
The interviewee suggested that more programmes aimed at targeting SMEs/born globals should be developed. According to the analysis conducted in the framework of this case study, there is currently a lack of interventions that are specifically designed for born globals in Japan. In addition, integrated services should be elaborated to support exporters to minimise time consuming paper work for both companies and associations.

8.3 Any gaps in the provision of policy support and suggestions
According to the interviewee, SMEs should be provided with more opportunities to access the public support and be able to approach foreign partners to increase their internationalisation performance. The analysis conducted in the framework of this case study suggests that there may be unmet demand for the support of SMEs in their internationalisation efforts, and so more support should be developed across sectors to enable more SMEs to participate and more incentives should be offered to these companies such as business trips and tax incentives. Furthermore, available support should be made more visible to SMEs who are deemed to be unaware of the existing support.
References

All Eurofound publications are available at www.eurofound.europa.eu
EU-Japan center web page, available at https://www.eu-japan.eu/high-tech-cluster-support
JETRO programme, available at https://www.jetro.go.jp/newzealand/topics/20080414469-topics.html
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