

Papers on the Local Governance System and its Implementation  
in Selected Fields in Japan No.8

## **Industry as the Driving Force of Regional Promotion**

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## Foreword

The Council of Local Authorities for International Relations (CLAIR) and the National Graduate Institute for Policy Studies (GRIPS) have been working since 2005 on a “Project on the overseas dissemination of information on the local governance system of Japan and its operation”. On the basis of the recognition that the dissemination to overseas countries of information on the Japanese local governance system and its operation was insufficient, the objective of this project was defined as the pursuit of comparative studies on local governance by means of compiling in foreign languages materials on the Japanese local governance system and its implementation as well as by accumulating literature and reference materials on local governance in Japan and foreign countries.

In 2007, as a continuation of projects which were begun in 2005, we continued to compile “Statistics on Local Governance (Japanese/English)” and to conduct a search for literature and reference materials concerned with local governance in Japan and overseas to be stored in the Institute for Comparative Studies in Local Governance (COSLOG). We also compiled a “Glossary on Local Governance Used in Japanese Official Gazettes (Japanese/English) (Revised Edition)”. In addition, continuing from the previous year, we finished compiling “Up-to-date Documents on Local Autonomy in Japan” on two themes and “Papers on the Local Governance System and its Implementation in Selected Fields in Japan”, for which we took up 6 themes.

This project is to be continued in 2008, and we aim to improve the materials so that they will be of real use and benefit to those who are working in the field of local governance.

If you have any comments, suggestions or inquiries regarding our project, please feel free to contact the Council of Local Authorities for International Relations (CLAIR) or the Institute for Comparative Studies in Local Governance (COSLOG) of the National Graduate Institute for Policy Studies (GRIPS).

July 2008

Michihiro Kayama  
Chairman of the Board of Directors  
Council of Local Authorities for International Relations (CLAIR)  
Tatsuo Hatta  
President  
National Graduate Institute for Policy Studies

## Preface

This booklet is one of the results of research activities conducted by the Institute for Comparative Studies in Local Governance (COSLOG) in 2007 as one part of a 5-year project that started in 2005 entitled “Project on the overseas dissemination of information on the local governance system of Japan and its operation”, sponsored by the Council of Local Authorities for International Relations (CLAIR). For the purpose of implementing this project, a “Research committee for the project on the overseas dissemination of information on the local governance system of Japan and its operation” has been set up, and a chief and deputy chiefs with responsibility for the project have been designated from among the members concerned with each research subject.

“Papers on the Local Governance System and its Implementation in Selected Fields in Japan” (2007, Volumes 5-10) were written under the responsibility of the following six members (The official positions are as of March 2008).

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Satoru Ohsugi, Professor, Graduate School of Science, Tokyo Metropolitan University

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This booklet, the eighth volume in the series, is about industry as the driving force of regional promotion, and was written by Associate Professor Kawato.

Its content comprises an outline of the current situation with regard to regional industrial promotion policies in Japan, in which the regions themselves have become the main players.

We will continue to take up new topics, and add to the series.

Finally, I would like to express my appreciation to Associate Professor Kawato, and also to other members of the research committee for their expert opinions and advice.

July 2008

Hiroshi Ikawa  
Chairperson

Research committee for the project on the overseas dissemination of information  
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# Industry as the Driving Force of Regional Promotion

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## 1 Introduction

In recent years in Japan, the role played by industry in the promotion of local areas has become much larger. But that said, even in the years from the postwar reconstruction period through the period of high economic growth, when industrial policies were carried out directly by central government, it was certainly not the case that industrial location policies lacked any connection with the promotion of local areas. These areas responded to government industrial location policies by inviting industries to their area, and questions of how to implement regional promotion became a major issue. In contrast, the dominant characteristic of the change that has occurred in recent years is that the regions themselves have become the main players in regional industry promotion policies, and a great deal of emphasis is put on taking these policies forward.

As reasons why this change has become prominent, the following factors can be cited: ① In the age in which we live, when people's sense of values has become diversified, and there are increasing demands for a qualitatively richer lifestyle, it is regional industry with its close links to people's daily lives which can respond accurately to those needs; ② We no longer live in an age in which a few leading industries are the engines of economic growth; nowadays, it is expected that industrial development in the country as a whole will be supported by the development of a wide range of industries which make full use of the various resources that characterize different regions; and ③ As the average age of the population increases and the birthrate continues to fall, and we can no longer expect to see a quantitative increase in the working population, the lifestyles of people in the different regions of Japan will take on much more diverse forms, and there will be increasing expectations that these lifestyles will support regional industries.

With large socio-economic changes of the kind outlined here as a foundation, this paper will aim to introduce the current situation of regional industrial promotion policies in Japan.

## **2 Regional industrial promotion policies driven by central government**

If we look in very broad terms at the characteristics of the changes in industrial promotion policies in Japan since the end of World War II, we can note the following points: ① The period of reconstruction, immediately after the war, was one in which industry was encouraged to locate primarily in large cities in the various regions of Japan; ② The period of high economic growth was one in which regional dispersal of industry was encouraged with a view to eliminating the damage caused by concentration and to ensuring balanced national land development; and ③ The period after the collapse of the bubble economy was characterized by the development of the increasing maturity, decline and hollowing out of existing industry. And today, it could be said that we have entered a period in which Japan can re-evaluate the effectiveness of utilizing industrial and urban accumulation (Shimada, 1999: Institute for Research on Regional Economies attached to Takasaki City University of Economics, 2005).

Existing industrial accumulation is composed of many different kinds of industries, but this paper aims to introduce “The promotion of new industrial fields” and “Policies for breathing new life into town center areas”, which have been the focus of particular attention as regional industry promotion policies carried out within the framework of national industrial strategy in recent years.

### **2 – 1 New Industry Promotion Strategy**

The Japanese government formulated the “New Industry Promotion Strategy” in May 2004. This strategy takes the present day to be a period in which it is possible to see demand being stimulated by innovation, as for example the development of structural adjustment in companies, more active investment of plant and equipment in new enterprises, and the growth of digital household electric appliances. On the basis of innovations of this kind, it takes as its basic principle recognition of a need to transform movements of the kind described here into a firm and steady current.

Furthermore, the strategy sees as indispensable a shift to a dynamic industrial structure resulting from the revival of a strong manufacturing industry and the creation of many different kinds of service industries with the aim of generating employment. There is also a need to consolidate industrial policies which, on the basis of this future vision of industrial structure, can see it as their role to develop and speed up positive semi-macroeconomic cycles. The following can be cited as examples of industrial fields that should be promoted: “cutting-edge industrial fields”, “new industrial fields that can respond to expanding market needs” and “industrial fields

that can help regional revival”.

If we select from these three examples, “industrial fields that can help regional revival” as the one with the closest connections to regional industrial policies, the following priority policies can be identified:

- (a) strengthening and enriching a network of trust, in which human faces are visible: train specialist human resource staff and give support to the activities of coordinators.
- (b) strengthening liaison in the regions between industry, academia and the government: consolidate a system of technical transfer from universities, through liaison and cooperation with universities, create focal points for the training of entrepreneurs, provide support for technological development by means of liaison between industry, universities and the government, encourage the fusion of traditional and cutting-edge technology.
- (c) The creation and transmission of regional brands: identify and disseminate information about what are seen as attractive and fascinating features of each region in fields such as visitor exchange, strengthen a system of protection for regional brands, by making use of electronic tags, establish a traceability system for the production and subsequent history of products, support efforts to open and develop overseas markets for foodstuffs and other goods.

From what has been said above, it is clear that with regard also to the “New Industry Promotion Strategy” , the perspective of industrial promotion as seen by the regions is established separately from the viewpoint that takes industrial fields as its base, and that the perspective from the viewpoint of the regions is given due weight in national strategies too. <sup>1)</sup>

## **2 – 2 New Economic Growth Strategy**

As a continuation of the “New Industry Promotion Strategy”, the government unveiled its “New Economic Growth Strategy” in June 2006. This strategy defines “new growth” as continuing growth that overcomes the limitations on growth arising from the growing percentage of elderly people in Japan, increasing at the fastest speed of any country in the world, and the continuing decline in the population, both of which phenomena Japan was the first advanced country to experience in the postwar period. The strategy goes on to state the need, in these circumstances, for the reconstruction of a “strong Japanese economy”, and emphasizes the importance of “strengthening international competitiveness” and “breathing new life into regional economies”.

If we take “breathing new life into regional economies” as the concept with the deepest direct connection with regional industrial policies, and list up from the content

concerned with the policies that are necessary to make this concept into a reality, those items concerned with industry, the headings can be listed as below (Ministry of Economy, Trade and Industry, 2006).

### **2 – 2 – 1 Policies to invigorate regional areas**

With the aim of invigorating regional economies and putting in place a base that will enable local regions to develop independently, the strategy document advocates the following policies (only those items with a deep direct connection with local industry have been extracted from the document and included here).

- (a) Industrial Cluster Program (promote in period 2)
- (b) Implementation of a comprehensive plan for regional invigoration (in total, creation of 1,000 new projects over a 5-year period and comprehensive support for them): ① new development of manufacturing industry and primary industry, ② promotion of tourism industry, ③ promotion of urban community development projects, ④ encouragement of community businesses.

### **2 – 2 – 2 Invigorating local small and medium-sized businesses**

The fundamental assumption is that, in the invigoration of regional economies, it is extremely important to utilize the knowledge and vitality of the many small and medium-sized companies that give broad support to local economies and employment. Conscious awareness of this assumption underlies advocacy of the following main policies.

- (a) Promotion of the “Program to utilize local resources in an entrepreneurial way”<sup>2)</sup>
- (b) Taking urban community development projects forward through the promotion of small and medium-sized retail businesses.
- (c) Promotion of small and medium-sized firms engaged in making things in a specific locality.
- (d) Promotion of small-scale businesses.
- (e) Promotion of the regeneration and renewal of small and medium-sized firms.
- (f) Utilization of new financing methods and organizations aimed at helping to invigorate local areas.
- (g) Support for the development of enterprises by small and medium-sized firms that utilize the services of women and elderly members of the population.

### **2 – 2 – 3 The enactment of laws**

With the aim of making a reality of the “New Economic Growth Strategy”, a

document entitled “The fundamental principles of the economic growth strategy” was released by the government and the ruling party (unified financial and economic reform conference) in July 2006. On the basis of the principles contained in this document, the following 3 laws were enacted in 2007. <sup>3)</sup>

(a) Law to Amend part of the Law on Special Measures for Industrial Revitalization: encouragement of groups of entrepreneurs aiming to raise productivity.

(b) Law concerned with the Encouragement of Entrepreneurial Activities that Utilize Local Industrial Resources provided by Small and Medium-sized Businesses.

(c) Law to Encourage Regional Industrial Location: encouragement of industrial location aimed at localities with large amounts of accumulated industrial resources.

As will be clear from these laws, the promotion of local industries that utilize local resources or an accumulation of industrial resources has become an important issue to be tackled in the pursuit of economic growth throughout the country as a whole.

## **2 – 3 Making town center areas more lively places**

In recent years, there has been a noticeable decline in town center areas. Factors that can be cited as reasons for this situation include the following: increased outflow of large-scale commercial outlets into the suburbs as a result of the development of motorization, and a decline in enthusiasm for retail management in the context of a rise in the average age of managers. The results of influence from factors such as these include the decline of town center areas in core urban locations, the shift of public facilities into the suburbs at a time of soaring land prices, and functional integration and closure by companies.

When we look at the daily living needs of local residents against this kind of background, it is very regrettable that the function of urban areas in providing for a range of needs from high-level needs for self-expression in the form of culture or general education to more everyday-level needs in the form of replenishment of everyday goods has declined. National government has taken on board as a policy issue the demand that town center areas should be made more lively places, and a variety of ways to tackle this problem are being implemented.

One specific way of tackling it can be found in the formation of the concept of a “compact city”. By concentrating urban functions in a compact form in the center of

a city, this concept aims to restore the bustle of city life, increase efficiency, and give the city back its lively character.

The formation of a “compact city” has also attracted attention as a policy device. According to central government, it is a means of enlivening core inner city areas through what are termed the “three laws of urban community creation”. The main points contained in these three laws are as listed below (Research Group on Laws and Institutions for Revitalizing Town Center Areas, 2007).

(a) Town Center Revitalization Law, implemented 1988: with the aim of breathing new life into core city shopping areas, this law aims to promote in a unified way “improvement of the infrastructure of city shopping areas” and “invigoration of commercial premises”.

(b) Law concerning Measures by Large-Scale Retail Stores for Preservation of the Living Environment (implemented in 2000): this law asks for consideration to be taken from the standpoint of “maintaining a daily living environment in appropriate areas” when inviting large-scale shops to move into the area.

(c) Zoning by means of Amendment to the City Planning Law (land use regulations) (implemented in 1998): this law provides a device for utilizing land use regulations when municipalities consider this necessary for the purpose of limiting the location of large-sized stores (areas for special use, areas limited for special purposes, quasi city planning areas, revision as of 2000).

By utilizing these 3 laws in conjunction, positive support can be provided for getting to grips with the problem of reinvigorating town center areas in local cities. Specifically, on the basis of the fundamental direction laid down by central government, municipalities can draw up basic plans, and can identify one town center as a shopping mall, and offer financial and fiscal support to chambers of commerce and industry or to the third sector for renovating existing buildings as town management organizations for improving customer service, or reforming commercial management operations. Against this background, with sufficient consideration for the daily living environment as a basic precondition, freedom is given in principle for the location of large-scale retail stores. However, use is to be made, in accordance with the judgment of persons in the locality concerned, of the city planning system with a view to either encouraging or regulating the large-scale relocation of combined retail and residential premises in accordance with the actual situation of the location concerned.

However, several years passed following the implementation of the 3 laws on

urban community formation without any change being observed to a halt in the declining trend of the quantity and sales of retail stores. In this situation, central government put forward new policies and within the framework of the 3 laws on urban community formation, implemented in 2006 revisions to the Town Center Revitalization Law and to the City Planning Law. The main points of the revisions are as listed below (Research Group on the City Planning Law and the Town Center Revitalization Law, 2007).

[Town Center Revitalization Law] Promotion plan for town center areas

- (a) Creation of basic concepts, regulation of responsibility (strengthening liaison between central government, municipalities, entrepreneurs and local residents).
- (b) Strengthening by central government in the form of “selection and concentration” (establishment of the Central Office for the Revitalization of Town Center Areas, institution of an approval system of the basic plan by the Prime Minister)
- (c) Participation by diverse bodies as a result of private-sector leadership (designation in law of the Town Center Revitalization Councils<sup>4)</sup> )
- (d) Large-scale expansion and strengthening of support devices (in-depth support for basic approved plans).

[City Planning Law] Appropriate location of urban functions

- (a) The necessity of including city planning procedures in the location of facilities to hold large numbers of people (in principle, facilities which attract customers (e.g. commercial facilities) with a total floor space in excess of 10,000 m<sup>2</sup> can be located only in commercial areas, areas adjoining commercial areas, or semi-industrial areas).
- (b) Review of the development permission system for the location of public facilities for the public good (permission was not previously necessary, but since the revision, it has become necessary).
- (c) Review of the permission system for large-scale developments in urbanization control areas (abolition of the system of permission for large-scale developments that fulfill set conditions).
- (d) Review of city planning regulations other than in areas designated as “city planning areas” (making it possible to establish a broad quasi-urban planning area within an appropriate area of land, including agricultural land).

These revisions strengthen support for suppressing the chaotic dispersal of cities, and for making it easier for localities to get to grips on their own initiative with central

urban areas.

Effective results are expected from the mix of regulatory and support policies designed to enliven central urban areas, and at least there can be no mistake about the fact that tools to facilitate this enlivening process have been put in place. It is important that local areas have a clear image of cities produced by the use of their own initiative, and that they possess the will required to positively implement the process of making this image into a reality. Only in this way will it be possible for the three laws of urban community creation to display their results effectively.

## **2 – 4 Local cluster plan**

Representative projects that can be cited in the local industry promotion plan promoted by central government, are the “Industrial Cluster Program” and the “Knowledge Cluster Initiative”. Both projects are being taken forward in a context of close mutual relations between the two, and both are now showing real results. These are introduced below.

### **2 – 4 – 1 Industrial Cluster Program**

The “Industrial Cluster Program”, as a device to facilitate positive local involvement in getting to grips with industrial revitalization, has been promoted by the Ministry of Economy, Trade and Industry (hereafter METI) since 2001. At the same time as strengthening Japan’s industrial competitiveness, the plan also aims to revitalize local economies. A private-sector project promotion organization is at the core of the plan, which aims to contribute to the autonomous development of local economies as a whole, in such ways as enabling local firms to enhance their competitiveness by receiving help in such ways as information and consultancy advice, and at the same time, by deepening mutual liaison in R & D between universities and research institutions. Moreover, as well as the manufacturing sector, information industries and service industries are also targets of this plan, and fields connected to financial institutions or trading firms are also included in its very wide perspective (Diagram 1).

Continuing on from the first stage of the plan, which began in 2001, the second stage was launched in 2006. At the present time, 17 projects are being developed over the country as a whole (Table 1), and numerical targets have been set for 40,000 new projects to be created over the space of 5 years.

## **2 – 4 – 2 Knowledge Cluster Initiative**

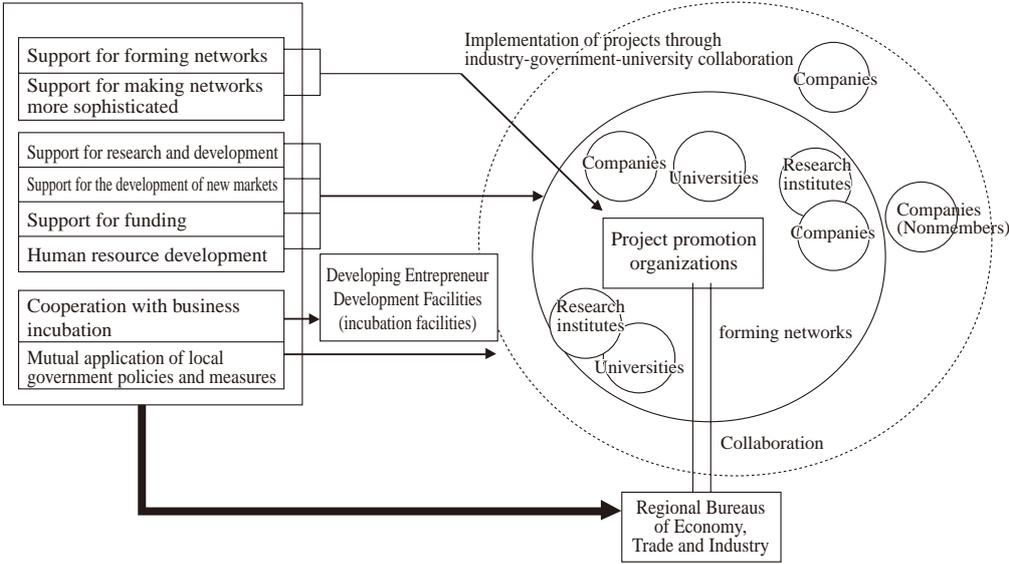
The Knowledge Cluster Initiative puts weight on the subjective spontaneity of local autonomous bodies, has as its core universities and public research institutions, which serve as focal points of creative technology, and aims to create an accumulation (intellectual clusters) in the form of a technological revolution in Japan's international competitiveness through the use of related research institutions and research-oriented companies. The project is being implemented under the leadership of the Ministry of Education, Culture, Sports, Science and Technology (hereafter MEXT) since 2002 (Diagram 2). The local areas where implementation is being carried out are as shown (Table 2), and an overview of the content is given below.

- (a) Establishment of an "Intellectual Cluster Control Center", which becomes the central control tower of implementation of the enterprise (establishment of a headquarters, comprehensive center, control center, etc.).
- (b) Provision of a science and technology coordinator, who puts weight on specialized knowledge (judgment), and utilization of an adviser (a patent attorney).
- (c) Implementation of joint research, involving industry, academia and government, aimed at generating the seeds of new technology, based on industry's needs and located in a university joint research center or similar location.
- (d) Patenting research results and implementing the training of human resources concerned with R & D.
- (e) Creating a forum for the announcement of research results.

## **2 – 4 – 3 Liaison between the Industrial Cluster Program and the Knowledge Cluster Initiative**

In the case of the Industrial Cluster Program and the Knowledge Cluster Initiative, in each local area concerned, a "Local Area Cluster Promotion Council" is formed by MEXT, METI, local governments and other relevant organizations, and has responsibility for promoting local area clusters through a process of mutual liaison involving such things as reports on the state of progress of both sets of clusters and information exchange on the specific content of liaison.

**Diagram 1 Structure of Businesses in the Industrial Cluster Program**



Note: Reflecting close liaison between the “project promotion organization” and the “development of local economies”, the main content of a cluster is concerned with the supply of information and the organization of all kinds of seminars, the co-ordination of links between industry and universities, and specialist advice and consultancy work.

Source: Ministry of Economy, Trade and Industry (2007), Sangyou kurasutaa Keikaku Panfuretto, [Pamphlet on Industrial Cluster Program Planning].

**Table 1 State of local area development of industrial cluster projects**

Local area	Project ( ) : Number of participating firms and universities
Hokkaido	◇Hokkaido Industrial Cluster Project Hokkaido IT innovation strategy/Hokkaido bio-industry growth strategy (approx. 880 firms, 19 universities)
Tohoku	◇Tohoku manufacturing corridor (manufacturing fields approx. 710 firms, 29 universities)
Kanto	◇Wide Kanto Area Industrial Cluster Promotion Network~ ◇Regional industrial revitalization project Network support activities in the Western metropolitan area (Tama) / Network support activities bordering the Chuo Highway / Network support activities bordering Kawaguchi-Tsukuba TX express line / San-En-Nan-Shin network support activities / Network support activities in the Northern metropolitan area / Keihin network support activities (manufacturing fields approx. 2,140firms, 83 universities) ◇Nurturing bio-venture projects (Bio-fields approx. 420firms, 2 universities) ◇Nurturing information projects (IT fields approx. 930 firms, 7 universities)
Chubu	◇Tokai Manufacturing creation project (manufacturing fields approx. 1,330 firms, 29 universities) ◇Tokai bio-manufacturing creation project (Bio-fields approx. 50 firms, 46 universities) ◇Hokuriku manufacturing creation project (manufacturing fields approx. 390firms, 14 universities)
Kinki	◇Kansai front runner project Neo Cluster (Manufacturing・Information・Energy fields approx. 1,130 firms, 30 universities) ◇Kansai Bio Cluster project Bio Cluster (Bio-fields approx. 400 fields, 56 universities) ◇Environment business KANSAI project Green Cluster (Environmental fields approx. 100 firms, 15 universities)
Chugoku	◇Next generation core industry formation project (Manufacturing, bio, IT fields approx. 390 firms, 29 universities) ◇ Recycling・Environment-type social formation project (Environmental fields approx. 270 firms, 20 universities)
Shikoku	◇Shikoku Techno-bridge project (Manufacturing, health, bio fields approx. 420 firms, 5 universities)
Kyushu	◇Kyushu regional environment and recycling Industrial exchange plaza (K-RIP) (Environmental fields approx. 430 firms, 15 universities) ◇Kyushu silicon cluster project (Semiconductor fields approx. 330 firms, 14 universities)
Okinawa	◇OKINAWA-type industry promotion project (Information・Health・Environment・trade in processed goods approx. 430 firms, 6 universities)

Source: Compiled on the basis of “Industrial Cluster Projects Pamphlet”, 2007 edition, Ministry of Economy, Trade and Industry



**Table 2 Regions where the Knowledge Cluster Initiative is implemented**

Region and project name	Special fields	Local public bodies, core universities, public research institutes, etc.
Sapporo region [project name] Sapporo IT Carrozzeria Cluster	IT (software and systemware information technology)	Hokkaido, Hokkaido University
Sendai region [project name] Sendai Cyber Forest Cluster	Intelligent electronics	Miyagi Prefecture, Sendai City, Tohoku University Tohoku Gakuin University
Nagano / Ueda Region [project name] Smart Device Cluster	Smart devices made from nano-carbon composites and organic nano-materials	Nagano Prefecture, Shinshu University
Hamamatsu Region [project name] Hamamatsu Optronics Cluster	Super-visual imaging technology to support next-generation industries and medical treatment	Shizuoka Prefecture, Hamamatsu City, Shizuoka University, Hamamatsu University School of Medicine, Toyama Prefectural University , Toyama Industrial Technology Center
Toyama / Takaoka region [project name] Toyama Medical-Bio Cluster	Bio-electronics (life science, nanotechnology, nano-materials, information communication)	Toyama Prefecture, Toyama University, Japan Advanced Institute of Science and Technology
Gifu / Ogaki Region [project name] Robotics Advanced Medical Cluster	Medical Science and Health Science that makes use of robotics technology	Gifu Prefecture, Gifu University, Waseda University
Aichi / Nagoya Region [project name] Eco-friendly manufacturing using nanotechnology	Nanotechnology materials	Aichi Prefecture, Nagoya City, Nagoya University, Nagoya Institute of Technology
Kyoto Region [project name] Kyoto Nanotechnology cluster	Creation of nanotechnology enterprises	Kyoto Prefecture, Kyoto City, Kyoto University, Kyoto Institute of Technology, Ritsumeikan University, Doshisha University, National Cardiovascular Center, Kyoto City Industrial Technology Center
Kansai Science City [project name] Keihanna Human L-cube Cluster	IT, creation of rich lifestyle support technology by the use of sophisticated genomics	Kyoto Prefecture, Osaka Prefecture, Nara Prefecture, Nara Institute of Science and Technology, Doshisha University, Osaka Electro-Communication University, Research Institute of Innovative Technology for the Earth
Kansai Wide-Area Cluster [project name] Northern part of Osaka Prefecture (Saito)	Biomedical fields	Osaka Prefecture, Osaka University

Source: MEXT, Chiteki Kurasuta Sousei Jigyuu Panfuretto [Pamphlet on the Knowledge Cluster Initiative], 2006 edition.

### **3 Getting to grips with industry promotion policies to be carried out by local governments**

#### **3 – 1 Tackling Industrial Promotion Policies through Invitations to Industries to Settle in the Area**

In many local governments in Japan, invitations to companies, both within and outside Japan, to establish themselves in a particular local area, are being energetically pursued. Introduced here, as one specific example of this policy, are the results obtained by Osaka Prefecture.

##### **3 – 1 – 1 Physical features of Osaka Prefecture<sup>5)</sup>**

Osaka Prefecture is located approximately in the center of Japan; it contains 33 cities, 9 towns and 1 village. It has a land area of approximately 1,890 km<sup>2</sup>, and is the second smallest prefecture in Japan. With a population of 8.3 million, it contains about 7% of the Japanese population, and is ranked third in population size after Tokyo Metropolis and Kanagawa Prefecture.

Since ancient times, Osaka has played a central role in Japan's economy and has functioned as an entry point into Japan for visitors from the outside world. In early modern times, it assumed the role of a leader in the Japanese economy, and served as a torchbearer of the Industrial Revolution. It was also the birthplace of many important industries and well-known Japanese firms. However, it cannot be denied that as the unipolar concentration on Tokyo progressed, Osaka's economic base continued to sink lower. For the future, there are expectations of the development and utilization, as a focal point for business relations with the continent of Asia, of Kansai International Airport.

##### **3 – 1 – 2 Invitations to firms to settle in a specific locality: the present situation**

In Osaka Prefecture, efforts have been made to prepare bases and invite firms to make use of them, and the revitalization of local industry is actively progressing (Table 3).

##### **3 – 1 – 3 Evaluation of the effects of the policy**

In Osaka Prefecture, a system of "Subsidy Funding for Encouraging Firms to Settle in Osaka Prefecture"<sup>6)</sup> has been established, and the system is being enthusiastically implemented. In order to get a grasp of the circumstances of the firms that had accepted a subsidy and relocated, in terms of such matters as their sales figures, employment figures, trading conditions, and so on, and so as to validate the

results of the policy decision by the firms concerned and to obtain reference material that could be used in support of the prefecture's policy to invite firms to relocate, the prefecture implemented a questionnaire survey in fiscal 2006.<sup>7)</sup>

The firms that were asked to complete the questionnaire comprised all the firms (115 firms) that had received a subsidy and had begun operations by the end of fiscal 2005, and the completed questionnaire was returned by post giving details of the situation at the end of September 2006. An overview of the results of the questionnaire is given below.

(a) The firms that established themselves at an industrial focal point within Osaka Prefecture as a result of the invitation reported a large increase in turnover, showing that there was merit for firms that had received an invitation and taken the decision to move.

(b) With regard to the suppliers of goods, more than half of these were firms within the prefecture, and of these, three-quarters were small and medium-sized firms, so that it can be said that the move was effective in strengthening inter-industry relationships within the prefecture. With regard to sales, from the fact that more than half were outside the prefecture, it is clear that the effects were not only strengthened relationships within the prefecture, but the acquisition of added value within the prefecture as a result of shipments of goods outside the prefecture.

(c) With regard to the reasons for the decision to move, 90% of the respondents to the questionnaire said that they attached importance to the subsidy, making it clear that the subsidy played a very significant role as a device to get firms to move.

(d) For many of the respondents to the questionnaire, the trigger to move was the view that they could expand their business and run their operations more efficiently. The prefecture considered that relocation into the prefecture had contributed greatly to the generation of added value in the localities concerned.

If the above points are comprehensively summed up, we can say that the policy results of the invitation to firms to relocate were an expansion of business for those firms that did decide to move, and as well as this, a real creation and expansion of added value within the prefecture and an increase in tax revenue for the locality from where the invitation to relocate was issued.

**Table 3 Industrial focal points in Osaka Prefecture (As of July 26, 2007)**

Name of focal point	Location	Industries and facilities invited
Rinkuu Town	Izumisano City	Commercial businesses, Airport-related industries, Distribution, manufacturing, and processing firms.
Hannan Sky Town	Hannan City	Commerce, Enterprises (Eco-friendly firms, Distribution facilities, Offices, R & D facilities, etc.), Health and care (Health and care facilities, Welfare facilities, Training facilities, etc.), Public facilities (Facilities for daily living convenience, Roadside service facilities, Social welfare facilities, etc.)
Saito Life Science Park	Ibaraki City	Facilities with R & D facilities in bioscience, medicine, drug manufacturing, etc, related facilities.
Tsuda Science Hills	Hirakata City	Research facilities, Industrial facilities for development of commercial goods, educational facilities, cultural facilities, training facilities, etc.
Chikiri Island (Hannan No. 2 ward)	Kishiwada City	Firms seeking wharf facilities, storage facilities, manufacturing facilities.
Sakai-Sen-Bok-Kou Sukematsu Wharf Area	Izumiotu City	Firms requiring use of wharf facilities for foreign and domestic trade.(Storage shelters, warehouses, etc.)
Hannan Port Shin-Kaizuka Wharf	Hannan City	Firms requiring use of wharf facilities for foreign and domestic trade.
Izumisano Foodstuffs Complex	Izumisano City	Food-related firms (processing and distribution)

Source : Osaka Business and Investment Center (As of July 26, 2007)  
(<http://www.pref.osaka.jp/ritchi/youchi/map/index.html>, Accessed August 17, 2007)

### **3 – 2 Local industrial promotion as a result of the formation of intellectual clusters: the case of Ueda City, Nagano Prefecture<sup>8)</sup>**

#### **3 – 2 – 1 Physical features of Ueda City**

Ueda City is located in the eastern part of Nagano Prefecture, adjoining Nagano City and Matsumoto City, and is about 190 km distant from Tokyo. On the northern side of the city is the Jo-Shin-Etsu Highland National Park, while on the southern side is the Yatsugatake-Chushin Highland Nationally Designated Park. The city was formed in March 2006 through the merger of Maruko Town, Sanada Town, and Takeshi Village, and has a population of approximately 164,000 (National Census for 2005) and a total land area of 552 km<sup>2</sup>.

#### **3 – 2 – 2 Characteristics of local industry accumulation**

Ueda City is an area where many industries have developed, including the machine industry, for example, electrical machinery, transport machinery, and general machinery, also other industries concerned with plastics and metals. The machine industry sector comprises core firms and subsidiary firms, which engage in trading. The production structure does not take the form of a fixed series of designated core firms, but rather multiple core firms connected very flexibly with subsidiary firms that engage in trading with them. It is against this background that many small and medium-sized firms with a high degree of autonomy have accumulated here. And in recent years, there are signs that with the machine industry sector as a base, hi-tech industries are also accumulating here.

#### **3 – 2 – 3 Historical background to the development of the machine industry**

Before World War II, sericulture and silk production flourished in Ueda City, but under the influence of the global recession in 1929, the silk spinning industry went into decline and with that decline as a stimulus, machine industries were invited into the areas that had been vacated. During wartime, munitions industries of a size suitable to enable them to be considered as core industries moved into the city, which also accommodated factories evacuated from other areas, and the shift from civilian industry to wartime industry moved forward.

After World War II, the munitions factories reverted to civilian use, and became the foundation of the development of machine industries. Furthermore, with a view to coping with its financial difficulties, the city energetically engaged in inviting new industries to establish themselves in the city. With a view to getting industries that had been evacuated to the city to stay there, at the same time as persuading new and

powerful industries to establish themselves there, Ueda City followed the precedent of Nagano Prefecture, which in 1952 had passed a “Bylaw on Factory Relocation”, and in 1954 passed its own “Bylaw on Factory Relocation”, and set about promoting new industries in Ueda.

In the 10 years from the mid-1970s to the mid-1980s, in order to accommodate an expansion in production and the expansion of factories into adjacent peripheral areas, the city took forward the construction of industrial parks, and in 1985, completed the Higashi Shioda Rinkan Industrial Park.

### **3 – 2 – 4 Asama Technopolis**

The “Technopolis Plan” was created by the then Ministry of International Trade and Industry (now absorbed into METI) with the aim of starting up hi-tech industries in local areas, thereby revitalizing the local economy, and the major characteristic of the concept was the Promotion Plan, created by the cooperation of industry, the academic world and local government as well as the third sector.

Nagano Prefecture started to get to grips with this plan in 1984, promoting the “Asama Technopolis area”, comprising 3 cities, including Ueda City, 6 towns and 1 village. Among the reasons for choosing this area were: 1) industrial production was actively developed to a high level, 2) in terms of scientific and technological research institutions, Shinshu University Fibers Department and Nagano University both had highly developed technological expertise, and the enterprising spirit of R & D was found to be flourishing, and 3) the natural environment was conducive to intellectual effort.

In October 1985, the “Asama Technopolis Organization” was established as an incorporated foundation (the mother body)<sup>9)</sup>, and in 1987, the 23rd technopolis in Japan was given official approval. The “Ueda Research Park” was also established as part of the technopolis in the northern part of the Higashi Shioda Rinkan Industrial Park and completed in 1992. As of February 2006, the types of businesses that had located in the Research Park were as follows: software companies: 7; machine and metallurgical companies: 4; communications facilities companies: 1. There is a clear reflection here of the historical background of Ueda City in the development of machine industries. Other facilities that have established bases in Ueda City are Ueda City Multimedia Information Center, Ueda City Technical Training Center, and Nagano Prefectural Junior College of Technology.

### **3 – 2 – 5 Training a new knowledge base**

In January 2001, on the basis of the Research Exchange Promotion Law, Ueda City received approval to establish a facility, and in February 2002, established within the Faculty of Textile Science and Technology of Shinshu University, the “Asama Research Extension Center” (hereafter AREC).

In the same general context, in July 2002, the Nagano/Ueda area was designated within the Knowledge Cluster Initiative of MEXT. The aim of the Nagano/Ueda project is to develop in an original way smart devices that are internationally competitive, and to create products that make use of these.

Related R & D projects have also been started within AREC. Specifically, by locating AREC within the university campus, Ueda City was able to act as an intermediary, bringing the university and production firms into close proximity. As a result, it is much easier for joint research to be planned, and for technical exchange and technical discussions to take place, and results are expected from this.

Furthermore, it is planned that a link should be established between the Nagano/Ueda area Knowledge Cluster Initiative and the Industrial Cluster Program in the form of “Network Support Activity along the Central Expressway”.

### **3 – 3 Urban Community Creation combined with Industrial Policy: Toyonaka City in Osaka Prefecture**

#### **3 – 3 – 1 The history of Toyonaka City<sup>10)</sup>**

Toyonaka City is situated on the northern side of the central part of Osaka Prefecture, and is separated from the northern boundary of Osaka City by the Kanzaki River. It has a land area of 36.6 km<sup>2</sup>, a population of about 387,000 (National census figures as of October 1, 2005), and can be classed as a suburban city adjoining a large city. With the benefits of its close proximity to the city of Osaka, this country area with gently undulating hills was soon seen as a desirable residential location, and accompanying the rise of its reputation as a city of culture, its population also increased rapidly, and the urban area expanded.

The city is served by 6 stations on the Hankyu-Takarazuka line, and the areas in front of each station are a mix of commercial and residential developments. There are also 5 monorail stations, and Osaka International Airport is located in such a way that it straddles the three cities of Toyonaka City, Ikeda City in Osaka Prefecture and Itami City in Hyogo Prefecture. In terms of road connections too, it is in an extremely good location, with major arterial roads, namely the Meishin Expressway, the Hanshin Expressway, the Shin Midosuji Road, and the Chuo Kanjo Road, traversing the city

boundaries.

An issue that the city is facing is that it is approaching the time of maturity as the residential suburb of a large city, and as the average age of the population rises, there is a need to develop various kinds of functions aimed at supporting the city's vitality. In this situation, people have great hopes of the role that industry can play. As well as aiming to revitalize existing industries, Toyonaka City is now getting to grips with the issue of how to devise a mechanism to identify and nurture new growth industries that can co-exist with a residential environment.

### **3 – 3 – 2 Toyonaka Incubation Center<sup>11)</sup>**

In recent years, as a policy of taking forward in a continuous way its urban community creation activities, Toyonaka City has been tackling the issue of “community businesses”. With a view to putting the former Citizens' Hall to effective use, the city opened an “incubation facility” (support facility for entrepreneurs) in this building. The activities that are implemented there are a way of tackling the revitalization of the city center and giving support to urban regeneration. The fundamental aim is to support and to help to develop entrepreneurs, focusing primarily on community business, and to get to grips with business methods, while drawing out and utilizing to the full the human social resources that are latent in the community. The main activities implemented in this facility are as follows:

#### **(a) Developing and supporting member entrepreneurs**

- (i) Early identification of problems, discussion and advice aimed at reaching a solution (discoveries from daily conversations).
- (ii) Provision of information about the current state and content of the work in question (circulars, mailing lists, etc.)
- (iii) Management support for making profit-making devices (individual discussions)
- (iv) Networking and exchange promotion to link up entrepreneurs with each other and with specialists (research meetings for entrepreneurs, lunch meetings, informal group meetings, etc.)
- (v) PR support (introductions through use of the home page of the Incubation Center, newsletters, suggestions for articles, etc.)

#### **(b) Development activities for local entrepreneurs**

- (i) Starting a business, enlightenment and exchange activities concerning community businesses (introductory lecture on community businesses, step-up lecture).
- (ii) Starting up a business, community business discussions (individual discussions).

### **(c) Local liaison activities**

(i) Exchange and liaison with existing organizations (welfare community business research group, insertion of interview-based articles on the Incubation Center home page).

(ii) Discussions with existing organizations (support for subsidy application)

(iii) Making connections with local organizations, retail shop owners, and so on (cooperation with and participation in local events, “corner to meet local personalities”).

### **3 – 3 – 3 Industrial policies of Toyonaka City fused with urban community creation**

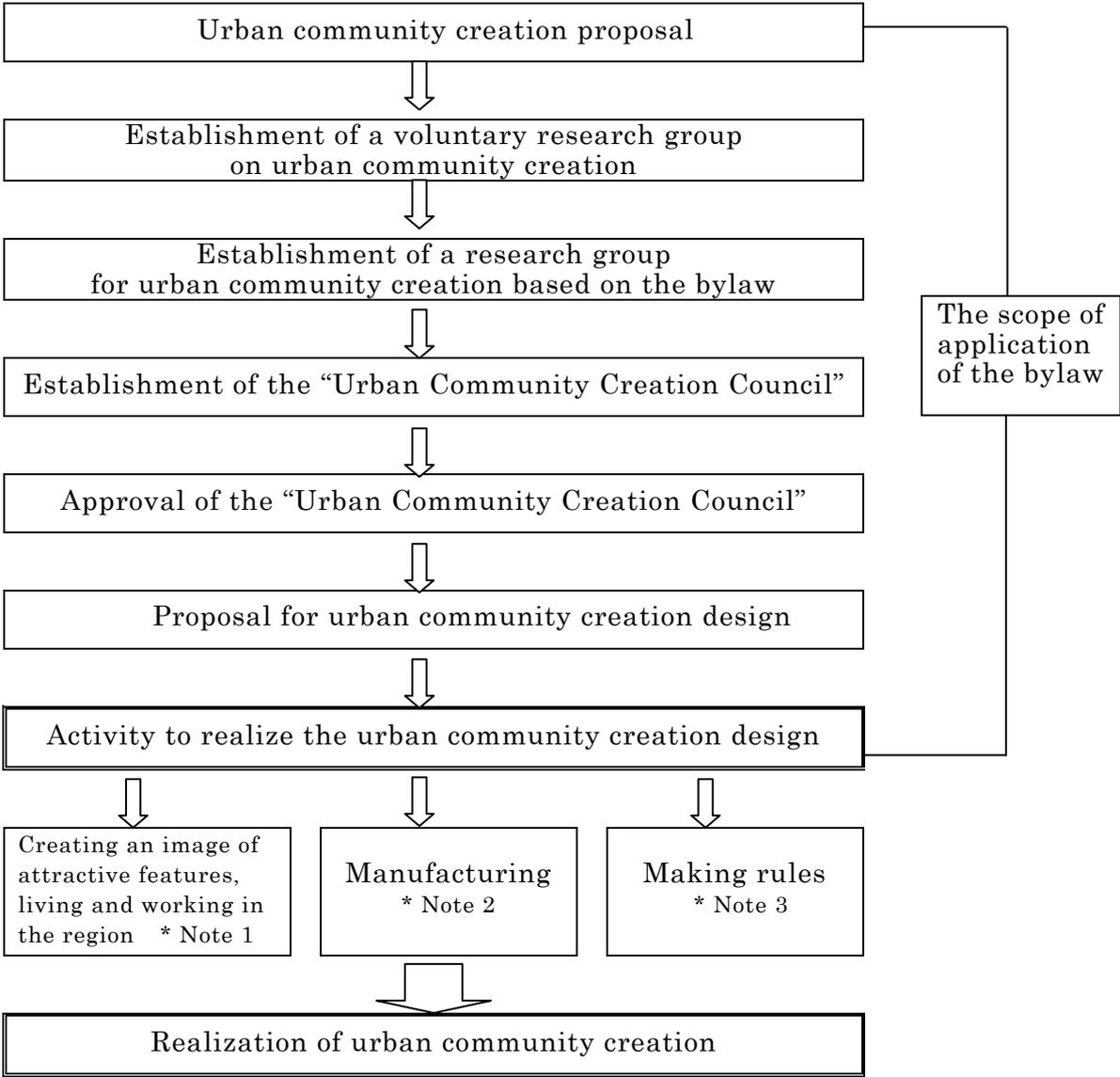
According to the “Toyonaka City Industry Promotion Vision”, a very strong characteristic of the industrial promotion policy of Toyonaka City is that industrial policy is to be taken forward in unity with “urban community creation” in terms of a residential city.

Looking at how this policy has been implemented, the “Bylaw on the Creation of the Toyonaka City Urban Community”, passed in 1992, has attracted attention as an example of how the city, in cooperation with local residents, is taking positive action to tackle the formation of an urban community.<sup>12)</sup> And when local residents, on the basis of this bylaw, formed an “Urban Community Creation Council”, with the aim of tackling concrete community formation activities, the city, with the aim of giving support to these activities at the initial stage, provided assistance in the form of an “Urban Community Creation Activity Support Project” (Diagram 3). The specific nature of the support provided included an activity subsidy grant, the dispatch of specialist advisers as well as the provision of consultants on an ongoing basis, and also a package of comprehensive advice from the city including, within this framework, the dispatch of a support team composed of city assembly members (Table 4).

Decision No. 1 of the Urban Community Creation Council, formed on the basis of the above-mentioned bylaw, was the approval in 1993 of the “Council for Townscape Creation in front of Toyonaka Station” (the name was changed in 2002 to “Urban Community Promotion Council for the Area in front of Toyonaka Station”). In cooperation with commercial bodies, this Council formulated in 1999 as the title of a project, “The Commercial Environment that we would like to see in front of Toyonaka Station”, established as its driving force, in the form of a limited liability company, the “Toyonaka Station Forecourt Community Creation Company”, and in 2000, in cooperation with the Chamber of Commerce and Industry, set out the “Toyonaka Area Commercial Revitalization Plan”. At the same time, in such ways as beginning the

“Consensus Formation Project” as part of a move toward implementation, commercial promotion, which had become one with urban community formation, was taken forward in the form of industrial policy support for the initiatives of local residents. <sup>13)</sup>

**Diagram 3 “Bylaw on the Creation of the Toyonaka City Urban Community” and the urban community creation plan**



Note 1: Activity designed to ensure safety, welfare and cultural provisions and work in the region.  
 Note 2: Redevelopment, cooperative reconstruction ,improvement of public works such as roads and “pocket parks”.  
 Note 3: District planning, building agreement, landscape agreement, etc.  
 Source: Toyonaka City Website as of August 30, 2007  
 (<http://www.city.toyonaka.osaka.jp/toyonaka/seisaku/machi/page3.htm>)

**Table 4 Urban Community Creation Support System**

<p>Assistance for urban community creation activities</p>	<p>Assistance is provided for part of the costs involved in the formation of the “Urban Community Creation Research Committee”, and of the “Urban Community Creation Council” and for specific urban community creation activities.</p> <p>[Contents of assistance]</p> <p>① Up to three-quarters of the total cost of urban community creation activities</p> <p>② The Urban Community Creation Research Committee can receive up to 300,000 yen a year for a limit of 2 years.</p> <p>③ The Urban Community Creation Council can receive up to 1.5 million yen a year for a limit of 3 years.</p>
<p>Dispatch of urban community creation advisers</p>	<p>“Urban community creation advisers” can be dispatched to give advice on the questions and problems that arise in the course of the debate on urban community creation. The advisers rely on specialist consultants, planners etc. from the various fields concerned.</p>
<p>Dispatch of urban community creation consultants</p>	<p>When there is a need for continuing specialist participation or for support in such ways as the formulation of urban community creation concepts or for investigation and research into methods and systems, specialists can be dispatched as “urban community creation consultants”.</p>
<p>Comprehensive discussions on urban community creation</p>	<p>Requests are welcomed for discussion on problems involved in the initial stages of urban community creation, such as formulation of basic concepts, how to take urban community creation forward, and so on.</p>
<p>Urban community creation support team</p>	<p>The “Urban community creation support team” can be dispatched to give advice and support, after the general discussion stage has been completed and preparations are being made for the start of specific activities, on such issues as how to take activities forward, and so on. The support team is made up of the city officials responsible for various aspects of urban community creation.</p>

Source: Toyonaka City (<http://www.city.toyonaka.osaka.jp/toyonaka/seisaku/machi/page3.htm>, accessed on August 30, 2007. (Information available in Japanese only))

## 4 Conclusion

This paper has aimed to introduce regional area promotion policies carried out with industry as the driving force. The bodies that are concerned with these policies extend over a broad range, from the national government to prefectures and municipalities as local autonomous bodies. In order to develop industrial policies effectively at local level, with “local area promotion” as the key concept, the policy bodies concerned play a variety of different roles, and it is necessary to take forward a comprehensive, unified approach to tackling the issues.

The important role played by central government in terms of regional industrial policies is to prepare various kinds of systems that can support these policies while having due respect for the individuality of the efforts made in each local area or region. It is also important, so that these various systems can be effectively utilized, that information about them and their merits is provided in a wide-ranging way to local autonomous bodies and entrepreneurs.

As far as local governments are concerned, what they are required to do is to look very closely at what field of industry is appropriate for the special characteristics of the local area concerned, and to construct a promotion policy that is geared to attracting that kind of industry to the area. And even where there is a national system, in order to realize the aims set out here, local governments must choose, on the basis of their own judgment, a menu that is appropriate for the individual characteristics of their locality, and utilize it effectively.

Taking another viewpoint, the core group in the development of local industry will be comprised of local firms that take a positive and pioneering attitude to getting to grips with the issues that occur. Moreover, economic organizations that are closely linked with the activities of local firms will increase the possibility of developing policies closely geared to the needs of the firms, the more closely they are asked to engage in liaison work with the firms themselves.

## Notes

1 The national government decided on the “New Industry Promotion Strategy 2005” in June, 2005, and strengthened its efforts to take this strategy forward. The specific strengthened headings are listed below.

a) Giving priority policies a concrete shape: fuel batteries, home information appliances, robots, information or software content, environment and energy, business support and regional revival

b) Prioritization of policies for high-tech equipment and materials, and core

industries: Emphasis on policies for high-tech industry and core industry (supporting industries)

c) Evolution of cross-sectional policy: Promotion of human resources, accumulation of technology, promotion of intellectual property-oriented “management”

- 2 The “Program to utilize local resources in an entrepreneurial way” aims to promote the development and distribution of new products and services provided by medium-sized businesses which have effectively utilized local resources (agricultural products, skilled workmanship in producing goods, traditional culture, etc.) with the aim of invigorating local economies, the recovery of which has been delayed. As specific support policies, one can cite market research, product and merchandise planning, development of new markets, funding adjustment surveys, creation of business sources, development of human resources, raising the level of product development by medium-sized companies.

Source: The Small and Medium Enterprise Agency (2006), Chusho Kigyo Sesaku Soran (2006 nendoban) [The Source Book on the Policy for the Small and Medium Enterprises (the fiscal year 2006)], Japan Small and Medium Enterprise Research Institute.

- 3 Ministry of Economy, Trade and Industry ([http://www.meti.go.jp/policy/business\\_infra/downloadfiles/gaiyou\\_taikou3hou.pdf](http://www.meti.go.jp/policy/business_infra/downloadfiles/gaiyou_taikou3hou.pdf), 2007.8.26) , Ministry of Land, Infrastructure and Transport (<http://www.mlit.go.jp/houritsuan/164-7/01.pdf>, 2007.6.22)
- 4 Before the revision of the law, the basic plan for enlivening town center areas was drawn up by municipalities and approved by central government, while TMO (comprising chambers of commerce and industry, the third sector, nonprofit foundations), which received approval for the basic conception of schemes from municipalities, promoted the overall upgrading of projects implemented by small and medium-sized retailers. But this basic plan was abolished, and in its place, the organization of “Town Center Revitalization Councils” was approved with the aim of having wide discussions centered on the Town Center Development Promotion Organization, the third sector in terms of urban community formation, chambers of commerce and industry and third sector or nonprofit foundations concerned with the invigoration of commerce, on matters concerned with breathing new life into town center areas (Society for Study of the City Planning Law and the Town Center Revitalization Law, 2007) .
- 5 Osaka Prefectural Government ([http://www.pref.osaka.jp/j\\_intro/index.html](http://www.pref.osaka.jp/j_intro/index.html),[http://www.pref.osaka.jp/j\\_intro/sangyo/sangyo1.html](http://www.pref.osaka.jp/j_intro/sangyo/sangyo1.html), 2007. 8 .27)
- 6 With the aim of upgrading and activating the industry of Osaka Prefecture, the

“Osaka Prefectural Subsidy Funding to Encourage Firms to Settle ” offers subsidies to offset some of the expenses incurred by industries locating themselves in areas earmarked for new industrial development in Osaka Prefecture; targets include new businesses, information technology, biotechnology, and nanotechnology. There are subsidies for new enterprises (limit: 280million yen), advanced industries (limit: 1 billion yen), advanced industries with special approval (limit: 3 billion yen), and institutes of advanced technology (limit: 100million yen) (figures valid at the time of fiscal year 2006).

Source: Osaka Prefectural Government

(<http://www.pref.osaka.jp/ritchi/hojyokin>, 2007.8.27)

- 7 Osaka Prefectural Government, Department of Commerce, Industry, and Labor, Section of Industry and Labor Planning, Division of Promoting Invitations to Firms to Settle (2007.3), Questionnaire (2006 fiscal year) about “Osaka Prefecture Subsidy Funding to Encourage Firms to Settle”

Source: Osaka Prefectural Government

([http://www.pref.osaka.jp/fumin/doc/houdou\\_siryou1\\_12424.pdf](http://www.pref.osaka.jp/fumin/doc/houdou_siryou1_12424.pdf), 2007.7.13)

- 8 Ueda City , Section of Administrative Reform (2007) , Compilation Committee for the History of Ueda City (2002)
- 9 “Asama Technopolis Organization (incorporated foundation)” was abolished in March, 2001 and now, the core organization involved in promoting the “Asama Technopolis” is “Nagano Techno Foundation” (incorporated foundation), Asama Technopolis Area Center.

Source: Nagano Techno Foundation (incorporated foundation)

(<http://www.tech.or.jp/ntf/outline01.html>, 2007.8.26)

- 10 Toyonaka City (<http://www.city.toyonaka.osaka.jp/toyonaka/seisaku/kouhou/gaiyou/map.html>, the same /history.html, the same /1-ban.html, 2007.2.23)

- 11 An interview survey implemented by the author in August 2006.

- 12 Toyonaka City (1992) , Handbook for Activities of Urban Community Development ①, The City Office Supports Activities of Urban Community Development : Outline of the “Bylaw on Creation of the Toyonaka City Urban Community”, Toyonaka City (<http://www.city.toyonaka.osaka.jp/toyonaka/seisaku/machi/page3.htm>, 2007.8.30)

- 13 Toyonaka City

(<http://www.city.toyonaka.osaka.jp/toyonaka/seisaku/machi/page4.htm>, 2007.5.10)

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