

# Towards the Realization of Compact Industrial Agglomerations supported by Flexible Networks

Despite its postwar implementation of various policy measures targeting regional industry, including the Technopolis Policy and the Intelligent Location Policy, Japan has failed to realize sustainable growth driven by innovation originating in its regional areas. The failure of conventional central government-led regional industry policy to overcome the present deadlock demands a transformation of its fundamental concepts.

This report proposes the formation of compact industrial agglomerations which make advantageous use of the unique features of the regional areas in which they are located. The development of high-density networks connecting these industry centers to urban areas would allow flexible configurations, making it possible to nurture industrial agglomerations possessing a high level of quality and robustness despite their compactness.

### ● Taking Up A New Agenda

The Japanese economy from the 1990s onwards has fundamentally differed from the economy of the 1980s, in which growth was driven by growth in metropolitan areas. The ongoing stagnation in the growth rate in metropolitan areas presents us with a new agenda: The realization of growth in the Japanese economy by stimulating growth in regional areas outside the nation's large urban areas, where the level of stagnation is comparatively lower.

### ● Subsidy Policies: Encouraging Decline in Productivity

It would be difficult to view regional industry policies implemented in Japan up to the present as a success. Past policies for the stimulation of regional industry resulted in slight increases in the number of companies and in employment, but the average reduced productivity in the region. This is because policies of direct subsidization encourage the agglomeration of low-productivity companies.

### ● Intelligent Use of Existing Infrastructure

Joint research pursued on the basis of face-to-face communication is important to the realization of innovation. However, geographical distance impedes intellectual exchange of this type. The intelligent use of existing and planned transport infrastructure such as the Shinkansen network and the Linear Shinkansen will be effective in reducing travel times and promoting the face-to-face exchange of information, making it possible to advance joint research and other programs that will generate innovation.

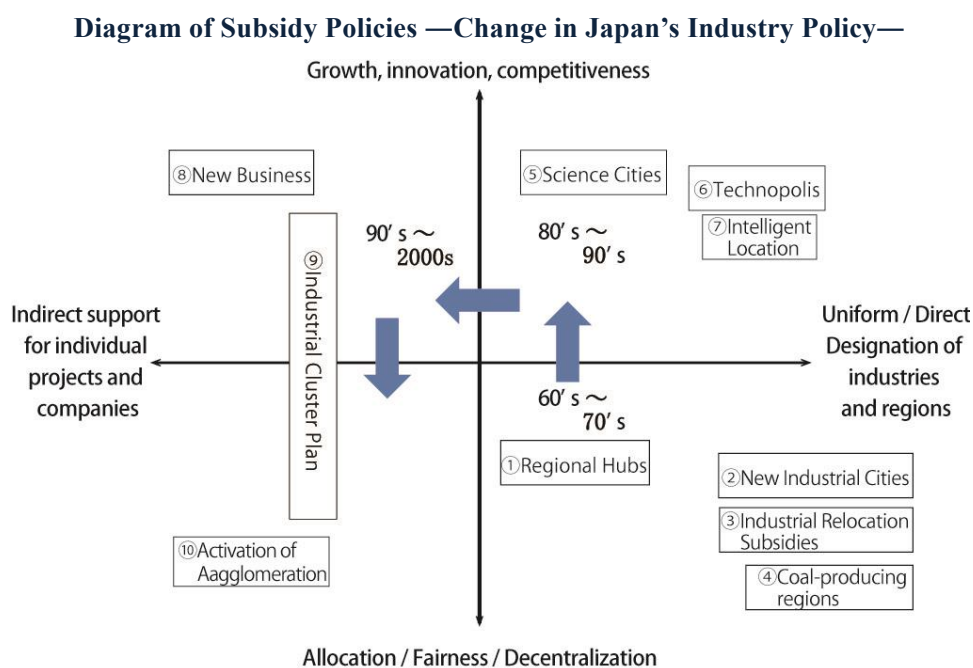
### ● Towards the Realization of Compact, High-quality Industrial Agglomerations

The aim should not be to create uniform industrial agglomerations throughout the country, but to form unique agglomerations from even small numbers of high-productivity companies. Leadership from regional administrations will be essential. Japan should work towards the creation of compact, high-quality industrial agglomerations which incorporate a wide range of industries, including service industries, and make maximum use of the specific resources and characteristics of the regions in which they are located.

## ● Formation of Networks

The fostering of business relationships with external companies and the implementation of joint research with companies both within and outside the agglomeration will be important to high-quality clusters formed from a small number of companies. If the closeness of such relationships can be nurtured via a wide range of networks, industrial agglomerations will have significant external economic effects, promoting the development of high-quality industries. Because small and medium-sized enterprises in particular find it difficult to establish connections with other companies and with overseas markets, the formation of networks using the human resources and the expertise of regional financial institutions, chambers of commerce, municipal administrations, and the central and prefectural governments will be crucial.

Latent opportunities for the creation of businesses remain to be discovered in all of Japan's regional areas. Japan's regions will provide the engine for the nation's economic growth. We may hope for a burgeoning forth of regional industrial agglomerations displaying rich diversity.



\* The names of industrial policies and laws used in the chart (shown in boxes) are abbreviations of or general designations for the respective policies or laws.

- ① Regional hubs: Act for Promotion of Development of Regional Core Urban Areas and Relocation of Office Work Functions
- ② New industrial cities: Law for Promoting Establishment of Industrial Cities
- ③ Industrial relocation subsidies Industrial relocation-promoting cities
- ④ Coal-producing regions: The Law on Temporary Measures for Coal Mining Area Development
- ⑤ Science cities: Policies promoting the creation of science cities
- ⑥ Technopolis: Promotion Act for Accelerating the Development of High-Tech Industry Integrated Region (Technopolis Act)
- ⑦ Intelligent Location: Act for Promotion of Concentrated Establishment of Designated Type of Business Contributing to More Sophisticated Local Industrial Structures
- ⑧ New businesses: Law for Facilitating the Creation of New Business
- ⑨ Industrial Cluster Plan: Industrial Cluster Plan (Regional Revitalization and Industrial Agglomeration Plan)
- ⑩ Activation of Agglomeration: The Act on Temporary Measures for Activation of Specific Regional Industrial Agglomerations