



EUROPEAN CLUSTER
COLLABORATION PLATFORM

Country factsheet

Japan

An initiative of the European Union





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01

Introduction and economic policy context

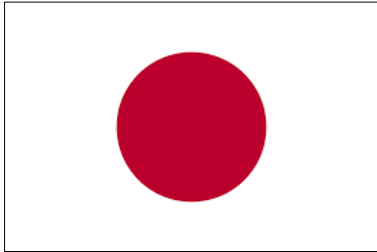


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1. Introduction and economic policy context



This document presents an overview of the cluster policy in Japan. Given the importance to contextualise the cluster policies (and related) analysed in the factsheets, a comprehensive outlook of the country in socioeconomic terms can be consulted in the [OECD Economic Survey: Japan 2021](#).

The “Economic Surveys” present the major challenges faced by the country, evaluating key economic policies (e.g. fiscal, monetary, labour, green growth) and giving insight into cluster activities.

Real GDP is projected to grow by 1.3% in 2023 and 1.1% in 2024, mainly driven by domestic demand. Government support to help households cope with the energy price shock and increased defence spending will boost consumption and investment. Core inflation (excluding energy and food) will increase towards 2% as wage growth gains momentum and spreads to SMEs in 2024. The labour market will remain tight, with the unemployment rate edging down to 2.4% in 2024.

In the following, a succinct overview of the cluster policy in Japan will be provided. The structure of this factsheet generally encompasses:

- an overview of the national cluster policy,
- an assessment of the state of play of the national cluster policy.

02

National cluster policy, programmes and initiatives



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2. National cluster policy, programmes and initiatives

In this section we provide an overview of the existing Japanese cluster policies on a national level.




The breakdown is presented in the form of a table, with the first column showcasing information on the aspects which constitute the policy (beginning with 'Policy Objectives', following with 'Policy Focus', etc.) and the second column representing the case of a Japanese national cluster policy.

Within the table the text presented in bold (black) depicts standardised categories across country factsheets (56 in total for 2023), which are applied for comparative purposes. This is followed by a complementary descriptive text to provide more insights about the cluster policy in Japan.

Table 1. Overview of Japanese cluster policy

Policy type:	National cluster policy
Policy name:	Support for core regional companies
POLICY OBJECTIVES 	<p>Strengthening cooperation between companies or industry and RTDI actors</p> <p>Increasing competitiveness and boosting scale up of SMEs</p> <p>Promoting entrepreneurship, start-ups and spin-offs</p> <p>Promoting employment and upgrading skills and competences</p> <p>Strengthening the network of cluster organisations/cross-clustering</p> <p>The Support for core regional companies programme focuses on creating core companies that revitalise and drive the regional economy. The programme aims to support regional businesses through the creation of a network of external resources such as universities, financial institutions, cluster organisations, and cooperating companies from across the country by using support personnel. Additionally, the programme helps companies formulate commercialisation strategies and develop sales channels. The policy provides cluster subsidies on an annual basis. Alongside JETRO's "Regional Industry Tie-up programme", the "regional core business creation support programme" run by the METI is one of Japan's most important regional cluster policies. The policy is nation-wide and does not focus on any specific regions; however, regional authorities (regional METI bureaus) are involved in the development of the clusters.</p>



Policy type:	National cluster policy
Policy name:	Support for core regional companies
POLICY FOCUS 	No specific focus <p>The cluster policy does not support a specific sector but provides general support for regional businesses. Some regional support programmes carried out as part of this policy, however, focus on specific sectors. The Hokkaido Biotechnology Industrial Cluster Forum, for instance, supports biotechnology to enhance and connect the food, agriculture, and health sector.</p>
RESPONSIBLE AUTHORITIES 	Both drafting and implementation Provides funding Oversees the implementation <p>The Japanese Ministry of Economy, Trade and Industry (METI) is responsible for the drafting, funding, and implementation of this regional cluster policy. Regional branch organisations (e.g., the Kanto Bureau of Economy, Trade and Industry or the Chugoku Bureau of Economy, Trade and Industry) also oversee and support the cluster policy.</p>
BENEFICIARIES 	SMEs Cluster organisations Research organisations Academic institutions Start-ups Large firms General population



Policy type:		National cluster policy
Policy name:		Support for core regional companies
		The regional cluster policy focuses primarily on regional companies to spur their growth. Other important actors and beneficiaries are universities, cooperating companies, and financial institutions.
INSTRUMENTS 	Financial	Support to R&D projects, SMEs becoming cluster members, etc. Financing start-ups Others: Financing of human resources activities, market research, participation in exhibitions to develop new markets, and meetings related to business matchmaking
	Technical assistance	Support for hard skill development: knowledge transfer, intellectual property, entrepreneurship, export advice, market intelligence Support for soft skills development: coaching, management training, upskilling/reskilling Support for networking and partnership building (at national and/or international level) Marketing activities: advertising, communication, events, fairs, and so on Others: Support for formulation of commercialisation strategy and development of sales channels using human resources
	Explanation	The regional cluster policy provides both financial and technical assistance. A METI committee consisting of external experts is responsible for the screening and approval of cluster projects applying for funding. In 2018, about 227 regional projects were selected for funding. This support covers the development of systems to implement projects, the development and application of new technologies and services, the formulation of strategies for commercialisation, and the development of sales channels for regional companies.
	Period	Unlimited period
HISTORY 	Ending year (for policies with limited period)	Not indicated in the sources



Policy type:		National cluster policy
Policy name:		Support for core regional companies
	Starting year	Not indicated in the sources
	Explanation	Not specifically indicated in the sources. A policy information paper suggests that the policy has existed since as early as 2011.
BUDGET 	Overall	n/a
	Annual	n/a
	Source of funding	Funded by the METI (national and regional bureaus).
POLICY EVALUATION 	Availability	no policy evaluation
	Results	The sources do not indicate that a policy evaluation was carried out. As noted by Kuwajuma (2022), systematic evaluations are generally rare for Japan's cluster policies.
POLICY ALIGNMENT WITH THE EU PRIORITIES 		-



03

State of cluster policy



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3. State of cluster policy

This section presents an overview on the state of play of Japanese cluster policy in the form of a qualitative assessment across four categories of analysis – policy scope, continuity of cluster policies, evidence of performance, and the range of cluster support instruments. Please refer to the **Annex** for the detailed overview of the categories and the scoring system. The table below presents an overview of the **state of play of Japanese cluster policy** for 2023.

Table 2. State of Play

JAPAN	State of play
POLICY SCOPE	Absence of cluster policy
	Broad policy
	Sectoral policy
	National and/or regional cluster policy
CONTINUITY	No cluster-specific policy available
	Cluster policy established recently
	Cluster policy established between over 2 and 10 years
	Cluster policy established over 10 years ago
EVIDENCE OF PERFORMANCE	No evaluation and / or monitoring available
	Existence of evaluations of past policies
	Existence of monitoring or an ongoing / interim evaluation
	Existence of monitoring and ex-ante or ongoing / interim evaluation
CLUSTER SUPPORT INSTRUMENTS	No instruments for cluster development
	Financial support for cluster development in the broader and / or sectoral policy
	Financial or technical support for cluster development in dedicated cluster policy
	Financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023)

The text below provides a **qualitative description** of the state of play of the cluster policy in Japan.

Policy scope

Japan's cluster policies have been carried out continuously without interruption, with the Knowledge Cluster project ending in 2011 and the Industrial Cluster project remaining in effect until 2020. Originally set to end several years earlier in 2016, the Industrial Cluster policy had been extended until 2020. After its conclusion, the Japanese government still continuously implements regional cluster



policies such as the support for core regional companies (by METI¹, running since at least 2011) and its associated projects and programmes.

Continuity

During the 1990s, as the exceptional economic growth of the 1980s faded, and in particular after the Asian financial crisis of 1998, Japan revised its industrial policy towards approaches focusing on R&D, innovation, and clusters. The Science and Technology Law of 1995 paved the way for the collaboration between businesses and universities. The second Science and Technology Law of 2001 eventually permitted the launch of Japan's first national cluster policy, the Industrial Clusters Plan under the supervision of the METI. Just one year later in 2002, the second national policy, the Knowledge Clusters programme was started by the MEXT² and continued for a decade until 2011. The programmes did run in parallel and had different, complementary focus areas with the METI concentrating on cluster development in established industries while the MEXT supported primarily clusters around new technologies and rising sectors.

The continuity of the support for core regional companies is not clearly indicated in the sources. This regional policy has existed since at least 2011 and appears to be ongoing. Applications for cluster projects are selected and supported by the METI on an annual basis.

Evidence of Performance

Evaluations of Japan's cluster policies are not done in a regular manner, as noted by Kuwajuma (2022). There are, however, occasional evaluations that cover the most important cluster support programmes of the past 20 years, namely the Knowledge Cluster Initiative run by the MEXT from 2002-2011 and the Industrial Clusters Plan run by the METI from 2001-2020.

For the MEXT's Knowledge Cluster Initiative, each cluster was advised to evaluate and re-examine its own cluster project. The MEXT also evaluated the progress of the Knowledge Cluster Initiative every 2.5 years. The progress of the policy was evaluated based on 1) the progress and plans of the policy (i.e., technical factors such as R&D progress, regional programmes and autonomy, and systems for the projects' promotion), 2) the quality of self-evaluation, and 3) the possibility of a future cluster.

A 2005 interim evaluation of the Knowledge Clusters Initiative (MEXT 2005) highlights that some clusters require an improvement in the business-orientation of research themes and a better integration of intellectual property strategies. Additionally, some clusters require more market needs analyses, numerical targets, and involvement of private corporations. Finally, the evaluation concluded that internationalisation activities and human resource activities (e.g., talent scouting) should be enhanced in some clusters.

An evaluation of METI's Industrial Clusters Plan in 2015 (Okubo & Okazaki 2015) found that the programme was successful at creating networks between local firms and financial institutions as well as expanding the trading network of firms, boosting employment and sales, and fostering business networks between peripheral and metropolitan firms.

Cluster Support Instruments

The Japanese Clusters are offered different financial and technical support instruments on a national level. As part of the financial support instruments related to clusters, the Japanese government provides help, e.g., by financing start-ups and by supporting R&D Projects as well as the financing of human resources activities, market research, participation in exhibitions to develop new markets, and meetings related to business matchmaking. Regarding technical support, the Japanese Government also provides support in developing several hard and soft skills, conducting marketing activities and

¹ METI: Ministry of Economy, Trade and Industry.

² MEXT: Ministry of Education, Culture, Sports, Science and Technology.



formulating / developing strategies and sales channels. To sum up, the Japanese Government offers extensive support, both financial and technical.

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Annex

Table 3: Analytical framework for the state of cluster policy

Criterion of maturity assessment	Description	Categorical variables
Policy scope	assessment whether the country has a dedicated cluster policy, or cluster creation and/or development is targeted through broader policies, e.g. foreign trade policies, labour and social policies or specific sectoral policies, e.g. industrial policy tourism policies, agriculture policies	absence of cluster policy existence of broader policies existence of specific sectoral policies existence of targeted cluster policies
Continuity of cluster policies	assessment of the duration and experience of the country in carrying out cluster policies. This criterion assesses only existence of targeted cluster policies and not broader policies or sectoral policies	absence of dedicated policies supporting cluster development cluster policy established recently (within the last 2 years) cluster policy established between over 2 and 10 years cluster policy established over 10 years ago
Evidence of performance	assessment whether there are evaluations of past and ongoing policies and a monitoring system in place. The existence of monitoring and evaluation mechanisms determines the degree of policy development in the country	no evaluation and / or monitoring available existence of evaluations of past policies, e.g. ex-ante existence of monitoring or an ongoing / interim evaluation existence of monitoring and ex-ante or ongoing / interim evaluation
Cluster Support Instruments	assessment whether the policies provide any instruments to support the policy implementation, being these financial and/or technical support	no instruments for cluster development financial support for cluster development in the broader and / or sectoral policy financial or technical support for cluster development in dedicated cluster policy financial and technical support for cluster development in dedicated cluster policy

Source: ECCP (2023)