

# Blueprint for Foreign Access Zones

By Kyoji Yoshino

Japan has been making comprehensive efforts to expand imports in recent years. The measures taken thus far include the establishment of a system of tax incentives for importers of manufactured goods, the provision of other import incentives such as low-interest loans, the dispatch of specialists by the Japan External Trade Organization (JETRO) to search out foreign products which have import potential, the sending of import promotion missions, and the invitation of foreign businesspeople to Japan.

Meanwhile, at the Import Board, which was created within the Trade Conference as a result of Japan-U.S. Structural Impediments Initiative (SII) talks, both Japanese and foreign members strongly called for efforts to overcome the difficulties involved in market access, particularly, efforts to facilitate cargo distribution through the development of seaports and airports. The first session of the Import Board was held in April 1991.

In response to these requests, the Ministry of International Trade and Industry, in collaboration with the Ministry of Transport, the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Home Affairs, began studying plans to build Foreign Access Zones (FAZs) in the summer of 1991. The Law on Extraordinary Measures for the Promotion of Imports and the Facilitation of Foreign Direct Investment in Japan (known as the Import Promotion and Foreign Direct Investment Law) was implemented from July 16, 1992.

## Concept of a FAZ

More than 90% of the cargoes imported by air are handled at Narita International Airport and Itami Airport. The majority of cargoes imported by sea are handled at such major ports as Yokohama, Tokyo and Kobe.

It is of utmost importance to ease the congestion at these seaports and airports, which are reaching the limits of their

capacity, by dispersing import cargoes to other harbors and airports. This is where the FAZ plan comes in. The plan is designed to concentrate import-related facilities and businesses in areas where large seaports or airports are located and thereby promote imports through the integrated use of these seaports or airports.

Specifically, prefectural governments and designated major cities will set up import promotion zones in selected areas where seaports or airports on an international-class scale are located. In these areas, storage and cargo-sorting facilities will be built, as well as support facilities for import businesses such as import exhibition halls, information centers and

design-in centers, and import processing and wholesale facilities.

FAZs will be developed by "third-sector" companies involving the participation of public and private entities. In addition, support will be provided to import-related businesses using these facilities in order to help expand such businesses and promote the concentration of importers.

## Support measures for FAZs

The following measures will be taken to support the development of Foreign Access Zones:

(1) Support for third-sector projects that

Fig. 1 Concept of a FAZ

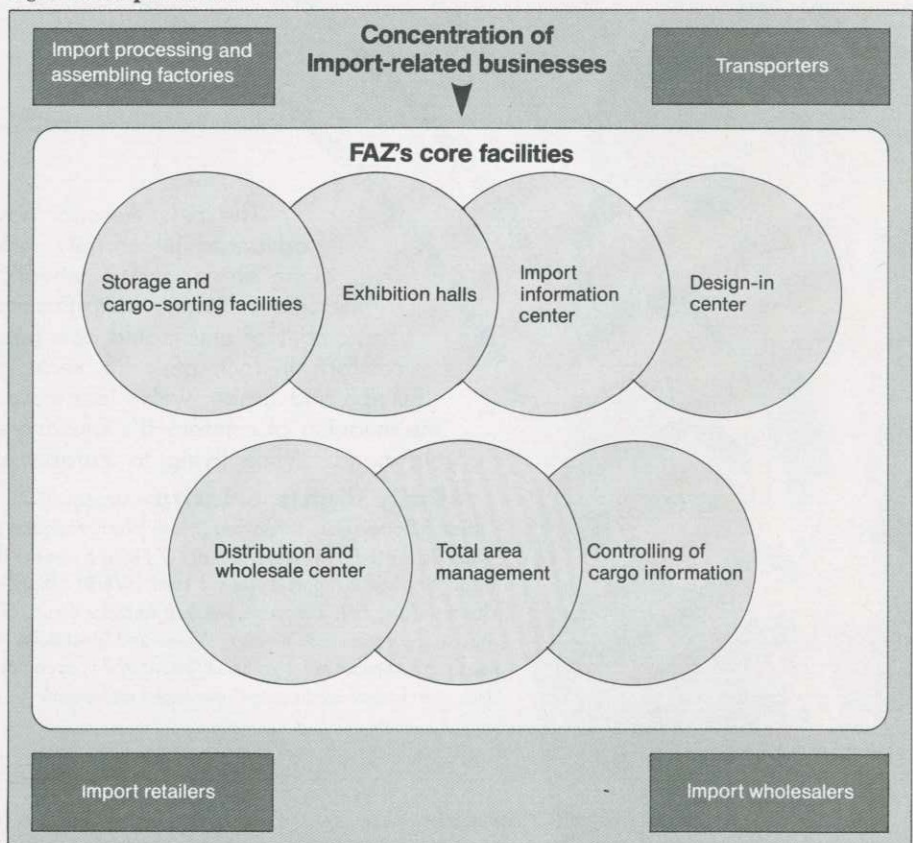


Fig. 2 Model of a FAZ



will play a central role in FAZ development schemes.

- Funds and loan guarantees provided by the Industrial Structure Improvement Fund (¥1.2 billion in fiscal 1992).

- Subsidies amounting to 5% of construction costs excluding land acquisition costs and other extraordinary items (¥100 million in fiscal 1992).

- Special depreciation (depreciation rate: 13%) of buildings and auxiliary facilities. Income losses resulting from tax inequities for real estate acquisitions and fixed assets will be refunded.

- NTT loans not exceeding 50% of total investment cost.

- Loans and capital from the Japan Development Bank and the Hokkaido-Tohoku Development Finance Public Corporation not exceeding 70% of total investment value (including NTT loans). The interest rate will be set at 5.6%.

- Preferential consideration regarding municipal bonds.

- Loans from the Japan Small Business Corporation representing 70% or 80% of total investment value, to finance the construction of wholesale facilities, manufacturing and processing facilities, exhibition halls and other facilities for small import wholesalers. Such loans will bear an interest rate of either 2.7% or zero interest.

(2) Support for import-related businesses in FAZs.

- Low-interest loans from the Japan Development Bank not exceeding 50% of total investment value. The interest rate will be set at 5.6%.

- Special credit insurance measures for small businesses, including the creation of an extra insurance limit.

### Effects of FAZ plan

The development of FAZ facilities is expected to have the following effects in terms of import expansion:

(1) A smooth connection between international distribution of cargoes and their domestic distribution.

Hands-on distribution processing geared to user needs as well as faster import procedures will be expedited by the efficient sorting of import cargo containers and the flexible delivery of cargoes.

(2) Concentration of manufacturers and processors using imported parts and other goods.

The concentration of processors seeking overseas supply sources of parts and other goods will be promoted. In addition, imports of a wide variety of foreign products will increase the diversity of merchandise on the domestic market. This will contribute favorably to regional development.

(3) Better access to imports for local consumers and retailers through the holding of import fairs and exhibitions.

Wide information gaps exist between

Tokyo and local cities regarding imports. Direct imports by local retailers are limited in scope. The FAZ plan will make it possible for consumers and retailers to gain wider access to imports through the

holding of sample fairs, the construction of exhibition halls and the expansion of economic exchanges with overseas suppliers. As a result, the import penetration of the Japanese market will be promoted.

(4) Expansion of airport and seaport functions.

Functions of these facilities will be expanded through improvements to the existing infrastructure. ■

## Import Board Urges Expanded Imports

The Import Board is a panel of experts set up in August 1990 in line with the agreements concluded at the Japan-U.S. Structural Impediments Initiative (SII) talks to remove barriers to trade and investment in both countries. Placed under the Trade Conference, an advisory body to the prime minister, the board is chaired by Yohei Mimura, honorary chairman of the Japan Foreign Trade Council, Inc. The board has 10 non-Japanese members including Jean-Louis Claudon, chairman of the Aeronautics and Space Committee of the European Business Community, Luciano P. Cohen, honorary chairman of the European Business Community, Joseph T. Gorman, chairman, president and CEO of TRW Inc., Edmund J. Reilly, president of the American Chamber of Commerce in Japan, and Gary L. Tooker, president and chief operating officer of Motorola Inc. Nine Japanese members of the board include, besides the chairman himself, Akira Ichihara, chairman of the Japan Retailers Association, Yutaka Kume, chairman of the Japan Automobile Manufacturers Association and Satoko Tanaka, secretary general of the Office of the Tokyo League of Regional Women's Organizations. In addition to members from the private sector, 10 representatives of Japanese government ministries and agencies are included.

The board meets to invite and hear opinions on ways to facilitate and expand imports, as well as to make recommendations to the Trade Conference. It met for the third time on July 15 as a follow-up to the previous sessions held in April and in November last year. Government members briefed the July board meeting on a series of measures implemented so far by the Japanese government to facilitate and to expand imports. These included:

(1) Provisional legislation to promote imports and encourage direct foreign investment into Japan. Measures to be taken under the legislation include the creation of Foreign Access Zones, financial and tax preferences for foreign firms seeking to invest in Japan, the establishment of bonded areas, and improvement of import-related infrastructure such as port facilities and warehouses.

(2) Revision of the Large-scale Retail Stores Law to smooth the way toward the opening of new stores and the implementation of a special ordinance to encourage retailers to set up stores specializing in imports.

(3) Adoption of special measures related to government procurement of computers and related services.

(4) Revision of the foreign exchange control regulations to simplify procedures for direct foreign investment in Japan. Investors may now report investments undertaken to the Ministry of Finance retroactively for ex post facto approval instead of filing their application in advance.

Direct foreign investment in the first five months of 1992 showed a 79% increase from the year before.

(5) Lifting of the ban on some fresh fruits (such as Australian lemons and American cherries, for which satisfactory insecticide technology has been established). Quarantine requirements still remain in force.

Business members of the board, pointing to Japan's continuing and unabated current account surplus, urged the government to take additional measures to ensure domestic demand-led economic growth and further expansion of imports.

Their recommendations and suggestions included:

(1) Formulating and projecting a clear

"import vision" to make a positive appeal to the public at large concerning the importance of expanding imports.

(2) Making arrangements for the Import Board to meet more frequently in smaller groups.

(3) Extending the effective period of tax incentives for manufactured imports and adding new tax preferences.

(4) Expanding and improving import-related infrastructure such as port facilities and warehouses.

(5) Increasing the volume of government procurement for imports and ensuring the transparency of procedures taken and followed in such procurements, and setting aside appropriations for promoting imports in a supplementary budget.

(6) Improving incentives for foreign businesses seeking to invest in Japan.

(7) Paying heed to the interests of not only the United States and Europe but also neighboring Asian countries in promoting business initiatives known as "Business Initiatives for Global Partnership."

Government ministries and agencies will take these recommendations into consideration in formulating their policies to promote imports. The Import Board will perform a vital role in facilitating and improving communication among government officials, Japanese traders and foreign business leaders, thus providing a climate and atmosphere conducive to promoting the expansion of Japanese imports from overseas countries. ■

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