

Japanese Public SME Policy and the Global Financial Crisis: Policy Trends in the Period 2006-2013

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Introduction

In this thesis I will be investigating government policy regarding small and medium sized enterprises (SMEs) in Japan. SMEs can be a cornerstone of local community and economy, providing employment and services, they can protect traditional crafts or they can set up and promote new products and ideas. The Japanese government defines small businesses, such as those mentioned before, in the 1999 Small and Medium-sized Enterprise Basic Act, depending on the branch of industry. The employee numbers mentioned below are only for regular employees, not for part-timers. In retail it refers to a business capitalized at less than 50 million yen or with less than 50 regular employees. In services the definition also describes a capitalization of less than 50 million yen, or these firms must have less than 100 employees. In wholesale trade the capital cap is 100 million yen or there must be less than 100 employees. Finally in other industries such as manufacturing, construction and transport capitalization must be less than 300 million yen, with a number of employees of less than 300. Exceptions are made for rubber manufacturing, which can have less than 900 employees, software and IT, which can be capitalized at 300 million yen or have 300 employees and the hotel industry with a capital of 50 million yen or 200 employees. Finally micro-businesses are a sub-section of SME with up to 5 employees in the wholesale, services and retail sectors, and up to 20 in other sectors (SME White Paper 2014; x).

Furthermore approximately 70 percent of all employees in Japan work in small or medium sized businesses and 99.7 percent of all businesses in Japan are SMEs (SME White Paper 2014, 127). These numbers mean that the majority of Japanese employees work for small or medium sized businesses. As shown in the examples above SMEs can also be an important source of employment and growth in the regional areas or in areas where the population is declining. Moreover the smallest businesses employ a larger number of women, as businesses of 1 to 4 and 5 to 19 employees have a percentage of 56.8 and 47.6 percent respectively, compared to firms of more than 300 employees in which there is only a percentage of 38.7 for female employees. (Ibid. 137-138) As the 2014 White Paper on Small and Medium Businesses states: "The 3.85 million SMEs and micro-businesses spread throughout Japan are the backbone of the Japanese economy, and their existence is crucial in supporting regional economy and employment." (Ibid., 550)

A business which for example shows how local cooperation and a local product can increase opportunities for people in the region is Marushinshokuhin, Ltd. It is a business with 40 employees in Hitachi-Omiya City, Ibaraki Prefecture. It produces *natto*, made from ultra-small-grain soybeans grown

in Ibaraki prefecture and packaged in boat shaped containers, like the boats which sail on the Kuji river in the prefecture. In 2006 this business embarked on a project to make *natto* from small-grain black soybeans grown by a local farmer. This *natto* became an official product in 2010, but the demand grew so quickly that the farmer could not supply enough soybeans, therefore Marushinshokuhin set up an agricultural cooperation to grow black soybeans, and so supplemented the beans from the farmer (SME White Paper 2014; 117).

Another example which promotes not only a local but also a traditional craft, raising its profile and protecting its producers is that of Sanui Textiles Co., Ltd, a company of 11 employees in Fukuoka City, Fukuoka Prefecture. This is a business that uses Hakata textiles, a traditional product that has been made in Fukuoka for over seven centuries. Through the use of direct sales to retailers instead of sale through wholesalers in Kyoto, this business raises the profile of these textiles throughout the country and lowers the prices, whereas before products made from Hakata textiles were only bought by the wealthy (SME White Paper 2014; 165).

Finally there is Okuji-kensan Co., Ltd, which shows how the adoption and promotion of new, modern products by an SME can lead to growth, not only in the home prefecture but also elsewhere. It is a business with 117 employees in Matsubara City in Osaka Prefecture. This is a business that manufactures steel substrates used in residential construction. This business shipped its steel to each individual house, and because of this, in 2002, it was asked to produce solar photo-voltaic arrays in batches for each individual residence by an electrical products manufacturer. In 2009 the company decided to focus on the manufacture of photo-voltaic arrays for commercial use and started investing R&D. In 2012 Okuji-kensan produced enough arrays for 200 000 homes, and they hold the lead share in the market for solar photo-voltaic arrays and is now building a new factory in Fukushima Prefecture, which is self-sufficient in its energy needs, due to its solar panels (SME White Paper 2013; 102).

Despite such importance of SMEs, many studies on businesses in Japan focus on the large firms and the inter-firm *keiretsu* networks (Schaede 2008; Lechevalier 2012, 2014; Isogai 2012 etc.). This is unfortunate because small and medium sized enterprises are, as can be seen above, an important part of the economy. Not only do they employ a large number of people, they are also a growing part of Japan's export oriented economy. They are not only a part of production networks for large exporting firms but also as exporters and foreign investors in their own right especially in the manufacturing sector. While the absolute numbers of exporting SMEs are limited, the proportion of

manufacturing SMEs exporting directly abroad doubled between 2001 and 2011 from 1.5 to 3 percent (SME White Paper 2014; 297). These figures show the potential that SMEs can have in foreign markets and the growth they may find in foreign markets. Moreover, in 2011, 19 percent of manufacturing SMEs owned overseas subsidiaries, compared to 30 percent of large enterprises (Ibid.; 299). As the Japanese population declines and the domestic market becomes saturated, overseas markets will become more and more important, and SMEs will have to take advantages of opportunities abroad.

On the other hand, SMEs are less able to deal with hard economic times because of their smaller size, smaller amount of capital and a lesser individual bargaining power both towards the government and to large businesses, who may exploit them in order to minimise their own economic loss. During the most recent financial crisis of 2008, for example, sales of SMEs declined nearly 20 percent and the number of bankruptcies increased by 30 percent compared to the previous year (SME White Paper 2009; 14, 17). Small businesses also have a number of disadvantages when doing business compared to large enterprises. They have less bargaining power compared to large businesses and may be dependent on their contracts, therefore they may have to accept unfavourable terms of trade. They have trouble hiring employees with the appropriate qualifications, training or education, because these employees prefer to work for large enterprises; and they can have problems getting loans from financial institutions because they have to do business under tighter financial constraints (Nakagawa 2012; 1089).

Considering the importance of SMEs, government SME policies must then also be taken into account. Such policies can sustain and support SMEs, as they suffer from the problems mentioned above. They can provide aid for otherwise healthy businesses, that are struggling and make sure they become independently stable and capable of growth. They can also support innovative small and medium sized businesses or start-ups, such as those mentioned in the beginning of this introduction, as these then improve the regional economies. Furthermore, in times when business is tough, they can aid the small businesses, in for example manufacture, which may or may not be innovative, but are generally profitable and provide steady employment for their workers. In this vein, considering the number of people employed in SMEs, the continued ability of SMEs to do business as well as the start-up of new business could prevent or even decrease unemployment. Government policies can provide for this, especially in times of economic crisis. These policies can possibly lessen the effect of such crises while small and medium sized enterprises can work towards the recovery of the economy.

Therefore, I am interested in the policies and actions of the Japanese government with regards to small and medium sized businesses after the 2008 global financial crisis compared with their policies before this crisis. I am interested if this crisis led to changes in policy and whether the government moved to support business more than they did before. On the other hand, as Tiberghien (2014) describes, this is also the period in which liberal reforms, such as deregulation of the economy, in Japan slowed, with stagnation from 2006 to 2009 after the Koizumi cabinets, attempted increase of social welfare under the DPJ from 2009 to 2011, fiscal conservatism in the Noda DPJ cabinet of 2011 - 2012, and the rise of 'Abenomics' from 2012 onwards (Tiberghien 2014, 45-52). Therefore it is interesting to see whether any change of policy can be attributed to the financial crisis or the changes in government that Tiberghien describes.

Using the period and trends described above as a framework and with the financial crisis as a focus-point I will then be asking the following research question. *What were the policies of the Japanese government with regards to small and medium sized enterprises after the 2008 global financial crisis, what were the reasons and goals of these policies and how do these policies compare with those before the crisis?* I will start this thesis with a literature review of the relevant secondary literature on SMEs, then I will further describe my methods for analysis. The next section will be a description, comparison and analysis of SME support policies and I will end with a brief conclusion on the results found in this thesis.

Literature Review

The literature with regard to SMEs and Japanese government policy during the most recent financial crisis is somewhat limited. The broadest analysis of the Japanese policy can perhaps be found in the 2012 IMF financial sector assessment program and the article by Lam and Shin (2012) who use this assessment. These articles mainly discuss financing measures. Among these measures are the SME Financing Facilitation Act, a relaxation of loan classification criteria in banks, safety-net lending and an extension of credit guarantees (IMF 2012; 15). These articles emphasize restructuring of business and competition over direct government support. The IMF paper stated that while the measures were generally perceived as positive in Japan and have prevented lay-offs and bankruptcies, the Financing Act and the credit guarantees should expire, as they add fiscal cost, and that the government focus should be on better targeted direct financing and business restructuring (IMF 2012; 19, 33-34). Lam and Shin name several negatives about the credit support measures mentioned above. First is the

weakening of credit risk assessment. Second is the negative stigma attached to taking part in the government programs. Third, since deferred loans are not defined as non-performing under the Financing Facilitation Act, this can lead to problems with estimating the true credit risks banks face. Finally, while these measures are keeping non-viable SMEs alive without restructuring, they may also prevent new start-ups from obtaining credit and crowd out viable businesses in this way (Lan and Shin 2012; 15).

Ono, Uesugi and Yasuda in their 2013 paper discuss the Emergency Credit Guarantee (ECG) program in more detail. This program came into effect in 2008 and guarantees up to 36 trillion yen. Under the ECG program 100 percent of the loan was covered and banks therefore bore no risks. This meant that struggling business were less likely to be refused financing, which could for example bankruptcy. Moreover the duration of the loans was ten years compared to the seven years of a regular guaranteed loan, and they had lower premiums (Ono et al. 2013; 153). As a result of this empirical study the authors found that the ECG programme helped to improve SMEs access to credit. However, they did not find that either investment or employment were improved or that companies became more profitable or creditworthy, in fact, they found creditworthiness actually decreased for firms using ECG loans. Finally if ECG loans were extended by main-banks, they used these mostly for risky firms, while the number of non-ECG firms decreased. This means that more loans were extended to high risk firms under the ECG, while less risky firms had trouble getting financing. This may therefore be keeping non-viable firms alive (Ono et al. 2013; 165). The articles mentioned above are these which directly analyse specific SME policies that were intended to deal with the global financial crisis. However, their main focus is on a single policy or policy type and not on a the policy trends in general.

Choe (2007) then discusses the connection between regional banks and SMEs, and the fact that loan guarantee policy contributes to a lack of regional bank performance, by limiting loan screening, keeping non-performing SMEs alive and funding poor quality projects. He advises against loan guarantees as a safety measure for SMEs arguing instead for direct subsidies from the government, separating the regional banks from SME support (Choe 2007; 364-365). Imai (2014) investigates such non-performing zombie SMEs, firms that are only able to operate through continued bank assistance, in Japan. He finds that even in a conservative estimate between 4 and 7 % of firms are zombies and that this rate is between 9 and 20% for firms capitalized at less than 10 million yen. This shows that banks and local governments may have been protecting non-viable SMEs and that

this contributes to the non-performing loans of banks (Imai 2014; 4-5). Culpepper (2012), on the other hand, argues for a neo-structuralist approach in bank-finance. He argues that a stable financial system is a government responsibility and that, government through government-owned banks should finance SMEs who otherwise might not receive loans from private banks (Culpepper 2012; 391-397). These articles show the relation between SME financing and regional banks. They do not however show how federal government policy may interact with bank financing and how such policies influence SMEs to loans, and banks to extend loans.

More generally, Miwa (1995) states that the image of SMEs has changed more radically than reality. He notes that the image of exploitation by large companies during the 50s and 60s was untrue. Over the decades policies changed from social through modernization, to HR, IT and industrial adjustment, they were indiscriminate in focus and policy instrument and many were dependent on government financing of loans the rate of which did not differ much from the commercial one. The policies were set by the government, but detailed plans came from local authorities (Miwa 1995; 404-415). Nakagawa (2012) notes that this structure of national-local of Japanese SME programs may be inefficient, as at some times both local and national government may be performing the same functions. Furthermore he states that a centralized organ performing SME functions would be useful. Finally this article argues for a policy evaluation system, evaluating the policies of the Japanese government (Nakagawa 2012; 1091). These articles describe the general trend of SME policy, but they do not describe possible reasons for such policy change, and how they change during different governments or financial crises.

Itoh and Urata (1999) note as characteristics for SMEs subcontracting, local production networks, complicated division of labour in vertical flow of goods and intricate and complicated transactional networks. Similarly to Miwa they find that policy changes over time from protection through modernization to high quality production in the 1970s. Again, policy formation is found to be national with its implementation local using instruments that are financial, tax-subsidy and regulatory (Itoh and Urata 1999; 73-110). Kikkawa (2006) also discusses the change in paradigm for SME from dual structure to economic rationality and regional agglomeration (Kikkawa 2006; 184-186). Sato (1989) also notes the fact that Japanese SMEs are moving away from dependence on large companies, and that even where they are still subcontractors, that they are moving towards a more independent position (Sato 1989; 127-128). While these articles describe such trends, there is little information, how government policy has influenced them.

Sugiura (2002), on the other hand, discusses some of the structural problems of SMEs and its context in increasing globalization. These problems are global competition, the legacy of the economic bubble an ageing population and a mismatch between information technology and business custom. The Asian financial crisis caused a slump in export to affected countries and hardship for SMEs with overseas subsidiaries. During the nineties SME policy changed from income redistribution to forward looking policies emphasizing innovation (Sugiura 2002; 332-338). Kikkawa (2006) also notes the structural problems of hollowing out, decline in start-up rate and the credit crunch and gives as advice the revitalization of SMEs by increasing value added, strengthening cooperation and collaboration and strengthening relationships with banks (Kikkawa 2006; 187-199). Lecler and Yamaguchi (2009), furthermore, give as structural problems hollowing out due to globalization, a lack of attraction for highly experienced and qualified workers and a greater closure than creation rate (Lecler and Yamaguchi 2009; 124-130). While the problems for SMEs are described here, their mitigation by government policy is not extensively described.

Lecler and Yamaguchi also discuss industrial agglomeration in Japan and the effect on SMEs. These SME agglomeration districts have also been in decline, which has led to support from local government and a turn towards high-end technology production and industry. The change in the Small and Medium industry basic law in 1999 led to a change in focus to business innovation, support of start-up and promotion of venture, policies went from social to economic. This led to promotional measures in 2005 for the creative business activities, support for management modernisation and a law for the creation of new business. In 2006 the minimal capital necessary for start-ups was abolished, thus focussing on deregulation and innovation (Lecler and Yamaguchi 2009; 130-132). In the vein of innovation, Honjo and Harada (2006) investigate the effect of public policy and structure on SME growth, with a focus on the Creative Business Promotion Law. They conclude that this law has an effect on asset growth, but not on employment and sales growth. They also find that public policy and capital markets especially have an influence on the growth of young firms (Honjo and Harada 2006; 295-297). These articles then describe the effects of a particular type of policy, but they do not look at more types of policy or look at the larger trends.

Kitayama (1995) also discusses the trend of agglomeration of SMEs and that of flexible production within production networks. He notes that historically policy for SMEs was of limited effect, but a growth of this policy was more significant in times of political and economic crisis (Kitayama 1995; 370-380). Park (2001) furthermore concludes in a comparison of SMEs between

Taiwan, Korea and Japan that it was not crises but shifting balance in political power that changed financial SME policy (Park 2001; 863). Fan (2008) describes the structure of Japanese SME support policies as: financial support in national financial institutions, strong subsidy policies, the creation of direct financing channels and a supportive legal system for SMEs (Fan 2008; 33-35). Shapira (2008) investigates the difference between US and Japanese small business policy. He finds that in Japan policy is centralized, standardized and relatively large in scale. Moreover, he notes that structural reform is slow, but the Japanese clustering system is stable (Shapira 2008; 76-77, 81). These articles then describe more general trends of SME policy, and the reasons for these trends. They cannot, however tell if these trends also hold for more recent times, such as for recent changes in government or the global financial crisis.

In general, the literature about SMEs in Japan with a focus on policy, tends to take only a single type of policy or even a single policy into account. The literature that deals with changes in trends for SME, however does not explain well how these trends interact with government policy. This is similar to literature with a focus on problems for SMEs, as they do not discuss the effect government policy can have on these problems. Where both trends in policies and their reasons are discussed, they do not show if these are also valid for the most recent trends in the current global economy. This thesis therefore attempts to remedy this, by trying to both find the policy trends in recent years as well a reasons for such trends.

Methodology

To analyse SME policy one would then first have to categorize them according to a certain scheme and then describe what these categories mean for policy trends. One of these categorization schemes is the one that Dennis describes in his 2011 two-part article. He describes four typologies with which to describe the structure of small and new business and entrepreneurial policy, from the macro to the micro level. (Dennis 2011a, 2011b) For this thesis his typology III and IV in which policy is analysed on the micro-level are of interest. It is at this level that recent SME policy would be analysed.

Dennis' typology III focusses on the supports and impediments with which small business policy is formed; its programs, administrative burdens and rules, incentives and constraints. This typology is divided in the levels of government support programs on the one hand and the level of impediments that the government sets on the other hand. In this way policies can be divided in four quadrants (Dennis 2011b; 149-150). If both support and impediments are high this is called

"Compensating." In this type, the businesses can be tightly steered, throwing up barriers in certain sectors and supporting sectors favoured by the governments macro-economic policy. Opposed to the Compensating quadrant is the "Competing" quadrant in which both supports and impediments are low. In this quadrant government intervention is lowest. If support is high, but impediments are low, this quadrant is called "Nurturing", in this quadrant government policy is both supporting businesses where it considers such support necessary and lowering impediments, to improve business overall. Most developed economies policies fall in this quadrant. The final quadrant, in which support is low and impediments are high is called "Limiting", this quadrant is usually associated with less developed countries (Dennis 2011b; 151-153). While using this typology to explain Japanese SME policy, one would expect most policies to fall in either the Nurturing or Competing quadrants as these seem the most common for developed economies. How many policies fall in either of these quadrants could explain either a move away from or towards regulation, and change in these ratios could be a result of economic or political trends, which are investigated in this thesis.

Typology IV divides small business policy in their objectives, whether these are social or economic. In this case economic objectives are those such as lower transaction cost, economic growth, employment, competition, etc. Social policies on the other hand are intended to increase equality, inclusiveness, mobility or more generally opportunities for disadvantaged groups. These policy objectives can be achieved in two ways, either directly or indirectly. Direct action directly impedes or assists certain business or sectors through for example loan programs, while indirect action does this indirectly, through for example regulations, which push businesses to take one action over another (Dennis 2011b; 156-156).

This typology can then again be divided in four quadrants. Social objectives achieved by direct action are called "Social Supports," the policies that are most common in this quadrant are financial subsidies, subsidized advisory services and public contracts above market prices. Social objectives achieved by indirect means fall into the quadrant of "Restricted Competition." Here government can limit competition for certain things to a specific group, and therefore either support or exclude other groups. Direct economic support falls into the "Targeting" quadrant, here government directly supports certain business sectors, using policies such as export subsidies or loan forgiveness. The final quadrant of typology four is that of "Unrestricted Competition", here markets are allowed to function freely and the actions taken are generally those of deregulation. Infrastructure subsidies also fall into this sector, because small businesses generally benefit indirectly from such policies (Dennis 2011b;

156-158). Similarly to Typology III, this one can also be used to explain Japanese SME policy. Here, however, policy can fit in any of the quadrants. However whether policy is direct or indirect, can explain how much the government tends to act directly on SMEs. Moreover, whether the policy is economic or social can give an idea of what the government believes is more important. Changes in these trends can then again show how political or economic changes interact with SME policy, and how the government responds to them.

Furthermore, such trends as are described above can be linked to Hall and Soskice's Varieties of Capitalism literature, to link trends in SME policy to trends in the Japanese economy in general. Hall and Soskice give the characteristics for a Coordinated Market Economy (CME) as follows: Firms depend on non-market relationships for coordination with other actors in the economy. These modes of coordination take place through extensive relational or incomplete contracting, network monitoring through exchange of private information and reliance on collaboration rather than competition. Through this the access to capital the businesses rely on is relatively independent of fluctuations in profitability of the firm. Moreover labour is tied tightly to the firm, through firm-specific education and collective bargaining for sector wide wages. In policy making this takes the form of policies complementary to the collaboration mechanisms that are already in place in the economy (Hall and Soskice 2005; 8, 27).

In Liberal Market Economies (LME) on the other hand forms coordination happens through hierarchies and competition in the markets and through formal contracting. Access to finance is highly dependant on the firms valuation in the equity market and the system is open to mergers and acquisitions. Firms look for those with a high level of general education and labour is highly mobile and fluid. The decision making in this firms is top-heavy, with the power concentrated in the board of directors. In this case policies are those that improve competition, both in the economy and in the labour markets, e.g. weak labour protection (Hall and Soskice 2005; 8, 29-30).

Taking these characteristics into account, one can then classify Dennis' quadrants in terms of either belonging more to a liberal or more to a coordinated market economy. As far as Typology III is concerned, the compensating quadrant falls into the CME category as coordination and collaboration are high. On the other hand the Competing quadrant falls into the LME quadrant as here market forces are those that drive businesses. The Nurturing and Limiting quadrants could fall into both categories depending on the level of support and how high the impediments to competition are.

In Typology IV, the Social Support, Restricted Competition and Targeted quadrant can be

considered more closely linked to the Coordinated Market Economy, as in all these policy objectives the effect of Market competition is limited. Moreover direct action instead of indirect action can point to stricter government control and therefore a CME. In this case only the quadrant of Unlimited competition is strictly linked to Liberal Market Economies.

In this thesis I will then categorize the Small Business policies of the Japanese government as given in the White Papers from 2006 to 2013 in the quadrants of Typology III and IV. In Typology III, I will, when possible, take the magnitude of the policy into account, as to determine the change in the level of support throughout the above mentioned years. As many policies do not change by a significant level over the years I will also solely categorize the policies that are new each year, to determine the changing trends in policy. Because of the great Japan earthquake in 2011, there was an increase in small business support from then on. To avoid biasing the data I will try to avoid policies linked solely to earthquake relief.

Policies planned for fiscal 2006 in the 2006 SME White Paper.

The policies planned for 2006 can be separated in several sections. Policies which support manufacturing, those which promote human resources of SMEs and those regarding the support for regional SME activity. There are policies with regards to SME financing, SMEs in commerce, policies for SMEs in general, policies that promote collaborations among SMEs and within organizations, policies about protection of SME subcontractors and to increase business stability. Moreover, there are policies about SME taxation and employment promotion and welfare. Finally, there are special measures for, for example, specific industries such as agriculture and foresting.

The first set of policies consists both of those supporting the core manufacturing (casting, forging, plating etc.) technologies, as well as support of innovation. Moreover, there are protection of intellectual property measures and promotion of R&D in combination with universities. This set of policies overwhelmingly falls into the nurturing quadrant, as they both support certain sections of SMEs, but do not restrict other businesses. Only one policy can be considered to fall into the competing quadrant as well as into that of unrestricted competition. This is a policy which reduces the fees for patents; it reduces boundaries for small businesses when registering their patents. The goals of the other policies fall into a mix of the social supports and targeting quadrants. In this case targeting relates to the manufacture of certain technologies, innovation and R&D and intellectual property (IP), these policies are solely economic, and in this way aid SME growth. The social support

policies are in regards to support of manufacturers in particular areas where they are weak because of their small size (SME White Paper 2006; 273-276).

This category consists of all new measures to support the development of networks between upstream and downstream companies, development of HR when the baby-boomers retire, the support of a system to manage technical accuracy and reliability in measurement standards, support for the development of software, with which technical knowledge can be stored and a program to inform SMEs on intellectual property. Finally another new policy, but in the targeting quadrant is one to support innovative and highly risky research into core technologies (SME White Paper 2006; 273-276).

The next set of policies are those of labour support; attracting young people for SMEs, the use of retirees, support for HR development, successor programs, advice and training for entrepreneurs etc. All the above mentioned policies fall into the Nurturing and Social support quadrants, they aid certain groups, and are intended for social protection. Included herein are two new policies, one to establish networks between SMEs and young people and one to investigate management policies for SMEs compatible with a declining birthrate (SME White Paper 2006; 276-277).

Furthermore, there is a set of policies that are intended to revitalise regional SMEs. In this set, there is the continuing effort to improve the "Japan brand", to support start-ups and new businesses and to promote the use of IT. These programmes fall into the targeting category, because they are specifically focussed on improving the economy. Here new programmes are to improve awareness of regional brands and for versatile software to store employees knowledge digitally. There is a new program to develop regional products, tourism and markets and to dispatch experts, hold exhibitions and business talks. This again falls into the Nurturing and Social Support quadrants as the goal is not to target the growth of specific industries, but to improve the general situation of the region, regardless of economics (SME White Paper 2006; 277-280).

Business revitalisation is also supported, which again falls into the nurturing and social supports category, because it supports businesses, which may or may not be economically viable, for the protection of these firms. On the other hand promotion of industrial cluster plans falls into the targeting category, with a large programme to promote regional technological development for 43.498 billion yen (SME White Paper 2006; 280-281).

Next are measures to make financing easier, all of them nurturing, with a promotion of unsecured and not guaranteed lending, and a strengthening of the credit insurance system. Moreover

the financial safety-net is increased, with safety-net guaranteed loans. The latter falls in the social supports category, because they are a protection for those who cannot repay their loans, with the former in the targeting category, because they encourage investment and growth of industry (SME White Paper 2006; 281-283).

The measures for SMEs in commerce, again all nurturing, include measures for retailers and the revitalisation of city centres and shopping districts as well as measures to promote logistical efficiency for SMEs. The former falls in the social support category, because city centre revitalisation is important for local communities, while the latter falls into the targeting quadrant, because promotion of logistics is a way to improve the economic performance of a business. A new measure in this section is subsidy for commercial revitalization in accordance to national policy issues, such as a declining birthrate, which improve local communities. It falls into the social support quadrant as it deals with social issues (SME White Paper 2006; 283-284).

Globalization measures are all economic and nurturing and mostly consist of information services for businesses wanting to go overseas. Then to improve business there is dissemination of management improvement and business advice, loans for managerial improvement, mutual aid projects, and equipment funding. These measures are all targeting in nature as they are solely intended to improve economic performance of the selected businesses or sectors (SME White Paper 2006; 2785-286).

Following these, again all in the nurturing quadrant, are the programmes to promote SME collaboration, which all fall into the social supports category, they are for the protection of small businesses, which is gained by mutual collaboration. The measures to protect SME subcontractors also fall into the social supports category, as they are specifically intended for the protection of the weaker group, in this case small contracting firms. Measures to ensure access to public demand fall into the restricted competition sector, as they promote SMEs over other businesses when it comes to public contracts. Measures for business stability are those of disaster relief and bankruptcy prevention, which both fall in the social support category, as they protect vulnerable businesses (SME White Paper 2006; 286-289).

The section dealing with taxes for SMEs and their owners also has all of its policies in the nurturing quadrant. In general these are measures that limit and ease the tax burden on these businesses. All of these policies fall into the targeting quadrant as they are intended to improve the economic situation of the SMEs and therefore improve the economic situation of this sector as a

whole (SME White Paper 2006; 289-290).

The measures for employment and welfare, again all nurturing, deal with creation of jobs, maintenance of employ in times of economic trouble and employment of minority groups, these are then measures which fall in the social supports category. As do the welfare measures, such as those concerning work safety and family-work and work-life balance. For the latter there are new measures which intend to introduce more regular conditions including, working hours (SME White Paper 2006; 290-292). Moreover there is another new measure which introduces on-line services, where an employee can find their "part-time utilisation rates and their efforts towards balanced treatment." (SME White Paper 2006; 291)

Then there is a section which deals with and supports a number of specific industries, such as textiles, traditional crafts, tortoiseshell, merchandise, environmental sanitation, forestry, agriculture and fisheries, transport and building contractors, etc. These all fall into the social supports category, because they are not supported for economic reasons, but because they are necessary to the Japanese society and culture. In this section, human right awareness and energy and environmental issues are also included (SME White Paper 2006; 292-298).

The policies for 2006 therefore fall almost completely in the nurturing quadrant, while they are divided relatively evenly between the targeting and social supports quadrants. There are some new measures, but their number is limited. The individual measures, moreover, are limited in financial scope, with the largest at 43.9 billion yen, but most less than one billion.

Policies for fiscal 2007 in the 2007 SME White Paper

For the year 2007, the SME policies can be divided in sections similarly to those of 2006 and all policies can be considered nurturing unless specifically stated otherwise. The first section focusses on revitalizing the regions. It has several new programmes, those for the support of products using regional resources that sell well; support for the development of markets, and market-oriented support; support for regional enterprise corporatization and support for R&D using regional resources as well as start-ups and new businesses (SME White Paper 2007; 295-298). As these measures target specific sectors and are economic in nature they are part of the targeting quadrant.

The section of financing-related measures, mostly makes it easier for SMEs to obtain financing and, as in the previous year, these measures are targeting. There are also measures for loans for those who had business failures in the past and credit guarantees, which fall into the social support

quadrant, these are measures of protection for these groups and not for economic reasons (SME White Paper 2007; 300-301).

In the set of measures focussing on support for the advancement of manufacturing SMEs, there is only one new measure, which focusses on the education of young people, with skills useful to SMEs (SME White Paper 2007; 302-303). It is targeting in nature, because it is intended to keep the businesses economically strong by providing a skilled workforce.

The section on SME taxation eases the taxes on SME, which falls again into the targeting category. The section on support policies which facilitate business succession has a new programme to promote public awareness of this situation. Another new programme is about the formation of a business succession support network and another for an analysis on business succession issues by the Business Succession Council. All these new measures fall into the social supports quadrant, as it is for the protection of these firms so they do not disappear if a successor cannot be found (SME White Paper 2007; 305-307).

The following section is about measures in support of business innovation in the fields of HR, start-ups and new businesses and IT and has two new measures, one for the development of a "start-up support network" and one for the promotion of local strategy council for SME partnerships (SME White Paper 2007; 309-310). Both of these measures are in the targeting quadrant, as they are solely economic.

Some changes have also been made in the special measures for specific industries, with new measure in the social support category. They are streamlining operation in securing cheap lumber, and measures for the promotion of recycling facilities. Finally there is a new measure where private organizations demonstrate cost reducing measures for the food industry, which can then be an example for other SMEs (SME White Paper 2007; 317-323).

Similarly to 2006, the policies for 2007 fall into the nurturing quadrant, while also mainly mixed between targeting and social support. The number of new policies is again limited with most individual policies not particularly large in scope. The largest policy in the budget is a continuation of the largest of the previous year at 45.9 billion yen (SME White Paper 2007; 297).

Policies for fiscal 2008 in the 2008 SME White Paper

Many of the policies for 2008 are continuations of those for 2007 and again fall almost completely in the nurturing quadrant, because they support but throw up no barriers to industries that are not

supported. This White Paper begins with policies for revitalizing regional SMEs, of which there are several are new. First of all is a policy to support new products and new services based on approval of agriculture, commerce and industry plans. This policy falls in targeting quadrant, as it is focussed on a specific part of the industry and is economic. Two other new policies are one that lowers tax for investors in certain industries and on certain locations, another policy will provide loans against special rates from government-affiliated institutions to businesses with corporate locations meeting specific conditions. These policies are intended to attract business to the regions and fall into the social support quadrant, because they are intended to improve the regions, regardless of the economy. Finally, in this section, are two policies for innovation in R&D. One for a regional collaboration community, and one for cutting-edge R&D support. These two policies come from the targeting quadrant, because they focus on a specific sector for purely economic reasons (SME White Paper 2008; 231-235).

The next section focusses on support for R&D and small enterprises and here there are again a number of new policies. First one for support for IT-utilizing improvements, and one for collaboration nexuses for regional powers for support for contemporary issues. Both these policies fall into the social support category, they are specifically focussed on aiding "hard working small enterprises." Other new programmes fall into the targeting category, as they are economic and focus on a specific section: dispatching IT experts, support for IT business innovation and one to establish a SME business innovation platform (SME White Paper 2008; 235-237).

There is one new programme regarding business succession: the formation of succession support centres falling into the social support quadrant, as problems with finding business successor are a social issue. In the area of SME taxation, the tax burden continues to be eased (SME White Paper 2008; 237-239).

In the area of SMEs in commerce, there is a new measure that support councils for the revitalization of city centres, one that falls into the social support category, as city centres are a community resource and not necessarily an economic one. A new measure in the SME HR sections allows for retired or soon to be retired personnel to gain special status, so that their skills will not be lost. This measure falls into the social support category as it is intended to protect retirees (SME White Paper 2008; 243-245).

There are three new programmes in the section on R&D support, one that gives a wide number of SMEs the chance to participate in solving technological issues of institution performing

procurement. This falls into the restricted competition quadrants, as it involves special measures to allow SMEs to participate in public contracts. The second programme provides overseas patent application for SMEs, and is in the targeting quadrant, because it is economic and focusses on the businesses that invest overseas. Finally there is a programme that promotes HR development for industry-academia collaborations, again falling into the targeting quadrant as it is intended to improve the technical sector. (SME White Paper 2008; 245-248)

There are two new measures in the section for promotion of employment and welfare. One for a subsidy for new business which make use of characteristics of region with weak employment moment and strive to create new employment opportunities. The other promotes harmony between work and personal life, both of these measures fall into the social support category, as they provide protection for certain social groups. (SME White Paper 2008; 250-251)

For specific industries, new measures can first of all be found in the environmental sanitation section, for successor development and business reform promotion. These measures fall into the social support quadrant as this business sector has an important societal function. In the agriculture, forestry and fisheries business there are new measures for the adoption of food safety procedures, for innovational R&D in agriculture, forestry, fishery and food manufacture industries, and for technological development for practical application by industry-government-academia partnership in these industries. The first of these three falls into the social support quadrant, because the adoption of these measures is for the general protection of employees, while the latter two are targeting, because they are strictly economic. Finally there are two new measures regarding energy and environmental issues, one for Kyoto protocol infrastructure development and to supply lending for plans for reduction of greenhouse gas emissions. These are both social support measures. (SME White Paper 2008; 252-257)

Again similarly to the previous years, the measures fall into similar quadrants and the amount of new measures seems not significantly larger than those of the previous years. Again these measures are limited in scope, as there are no individually measures budgeted at more than 10 billion yen.

Policies for fiscal 2009 in the 2009 SME White Paper

The measures for 2009 in the White Paper of that year are structured differently than those of the previous years. However many programmes remain continuations from previous years. This

difference most likely is because of the global financial crisis, which started in 2008. The first section therefore deals with sudden changes in the environment. Financing measures remain in place, as well as credit guarantees, however these measures still remain the same as previous years (SME White Paper 2009; 256).

The next section, concerning measures to improve the management base has a number of new policies. First in the area of business rehabilitation, there are measures for the inheritance of licenses, financial assistance and tax relief when inheriting a business. This measure falls under the "Law on Special Measures for business rehabilitation" and can be considered in the social support quadrant, as they specifically assist a particular societal group. Another new measure in this area consists of a system to extend or exempt of the payment of inheritance and specific gift taxes (SME White Paper 2009; 256-258). For the promotion of IT there is a new program for developing regional IT structure, which falls into the targeting quadrant, as this is a specifically economic improvement. (SME White Paper 2009; 261-262)

The section concerning challenges in new areas, has a number of new programs, as well as several programmes with high budgets. The latter are a program to support agricultural-commercial-industrial collaborations (15.53 billion yen) and to promote SME utilization of regional resources (11.27) which fall into the targeting quadrant as they promote these for solely economic reasons. A new measure in this area is a program to facilitate new business activities in collaboration between agriculture commerce and industry (6.02 billion yen). Another program is focussed on overseas markets supports the strategic development of the JAPAN brand (1.31 billion) this is again a program to promote international business and fall into the targeting quadrant. Another new targeting measure can be found in the area of technological innovation, with the publication of investigations of the products joint research projects with SMEs by the SME Agency, to aid in moving from the innovation to marketing phase of product development (SME White Paper 2009; 262-267).

There are several new measures for commerce and shopping districts. Under the "Bill on the Regional Shopping District Revitalization" these are support for plans for shopping district revitalization submitted by several organisations, interest-free loans for equipment for small enterprises working on projects approved by this bill, higher insurance coverage and lower premium rate and no-interest loans by municipalities for realizing approved projects. Finally a new measure allows for HR development at the National Shopping District Support Center (SME White Paper 2009; 269-270) . All new measures stated here fall into the social support quadrants, as these revitalizations

take place to benefit society as a whole.

There are also several industry specific new measures, as well as a large budget (11.16 billion yen) for regions promoting the use of biomass. The new measures are in the area of food and wood distribution and promote the upgrading of food retailing functions, promote the reduction of food waste, promote labelling of the place of origin, subsidise small forestry business to switch production to collaborate more easily with larger factories. These fall into the social support category, as they consist of specific protection for social rather than economic reasons. There is also a new measure to promote energy savings in the environmental sanitation business and one for support program, which promote regions for tourism, the latter of which falls into the targeting category as it is economic (SME White Paper 2009; 271-275).

Again not a great deal has changed in 2009 compared to previous years, despite the onset of the financial crisis in 2008, with policies falling in similar quadrants. The number of new policies is limited and the largest individual measures on the budget are in the ten billion yen range, such as the ones mentioned above.

Policies for fiscal 2010 in the 2011 SME White Paper

Again many of the measures implemented in 2010 are continuations of those of earlier years and they are mostly nurturing. However, the White Paper has been restructured again and new measures are not noted as such. The details of the measures themselves are taken from the implemented measures of the 2011 White Paper, while which measures are new measures is found when possible in the 2010 plans from the 2010 White Paper and a comparison of measures in the 2011 White Paper with those of 2009.

The first section of the White Paper concerns wide ranging support for SMEs, starting with financing measures. Of these there are two measures not found earlier, the implementation and extension of the SME Financing Facilitation act and investment by small and medium business investment & consultation companies. Both these measures are those of social support, as they are specifically intended to support struggling businesses. As part of the 2010 revisions to the tax system, several changes have also happened for SMEs; these consists of a lowering of the taxation rate from 22 to 18%, and an extension of deductions for equipment, depreciable petty sum assets and entertainment and social expenses. These fall into the targeting quadrant, because they are intended to increase the economic strength of the entire SME sector (SME White Paper 2011; 310-312).

On human resources, there is a focus on employment of new graduates and job seekers and the creation of joint job fairs, local industry discovery tours and practical training programmes. Moreover the budget for the maintenance of workers employment has increased dramatically from 2.7 billion yen planned for 2009 (SME White Paper 2009; 260) to 725.7 billion implemented in 2010 (SME White Paper 2011; 315-317). All these measures fall into the social support quadrant, as they are all intended to aid specific societal groups.

There are several new measures supporting the growth of motivated SMEs. Support for development for overseas operations has been expanded. An SME overseas development support council has been established to coordinate support from different organizations. Furthermore, there has been sponsorship for programs which promote voluntary administration of export control, for products and technologies which can be used to make weapons of mass destruction. The first falls in the targeting quadrant, as it is intended to support and expand export, the second is to protect society in general and therefore fall in the social support quadrant. Another measure in the social support quadrant is the promotion of overseas base of pyramid business, on the lowest tier of manufacture, to resolve social problems in host countries. This is specifically a measure to address social problems. Finally there are the establishment of SME overseas development support desks at branches of JETRO and the Shoko Chukin bank, this is economic aid to exporting businesses. and therefore in the targeting quadrant (SME White Paper 2011; 318-320).

New programs have also been established for start-ups and new businesses. A Founders' guarantees program was started to provide guarantee backed loans from private institutions for start-ups or new businesses. Furthermore, there is the Management Innovations Support Program, which provides low-interest loans and special tax exemptions for the implementation of approved management improvement plan. Moreover, start-up classes and management innovation courses are held. There is also close integrated support for new businesses engaging in business within a specific framework, promotion of the creation of new local growth industries, and support to revitalize industries that attract customers and stimulate exchanges in the regions (SME White Paper 2011; 320-322). All these programs fall into the targeting quadrant as they target a specific economic group, for economic reasons.

There are also several new programs concerning the enhancement of technological capabilities. First a low-interest loan program for SMEs engaging in trial manufacture and development of new products, technologies or markets. Second is a program to support joint

research projects with universities to raise SME R&D capabilities and facilitate development of commercial applications. Another program supports development of innovation centres. Finally there is a partnership program between hospitals and enterprises to develop and improve problem-solving medical equipment (SME White Paper 2011; 323-324). All, but the latter of these programs fall into the targeting quadrant, as they focus on a specific economic sector, the last is in social supports, as it is intended to aid society in general.

In the section on support for tackling business challenges, there is the establishment of SME business support centres to strengthen coordination of SME management support arrangement. Moreover, there is a "One-stop Service Day" to improve access to SME support measures (SME White Paper 2011; 3125). Both of these measures fall into the social supports quadrant, as they are in support of a specific social group, in this case those who have business problems.

In the measures for specific industry, in the food industry, guidelines for labelling the location of origin have been further implemented. For the shipping industry, measures to reduce carbon emissions have been further implemented. In the construction industry, support has been provided to develop operation overseas. Finally for the service industry, a standard framework for improvement of business processes to raise productivity has been developed as well as the development of a Small and Medium Service Evaluation system to survey customer satisfaction easily and cheaply (SME White Paper 2011; 327-331). These fall into the targeting quadrant, as they are economic, except for the environmental and labelling ones, which fall in the social supports, because they are for a social benefit and not necessarily a societal one.

As far as environmental measures in general are concerned, new measures include the development of a carbon footprint system, grants to help defray the cost of energy saving equipment as well as tax breaks for businesses who have such equipment (SME White Paper 2011; 331-332). All these measures are social support, because environmental improvement is not economic but benefits society.

In IT, a taxation scheme to strengthen SME information infrastructure has been implemented. For intellectual property, help desks with advice and consulting services have been set up (SME White Paper 2011; 332-333). These two policies are both targeting, because they improve all businesses economically.

In 2010, the number of new measures has increased somewhat compared to earlier years, this includes several measures to directly combat the crisis. Moreover the scope of individual measures

has grown considerably, with a larger number of them in the tens of billion of yen range, and most importantly, the large employment protection program mentioned above.

Policies for fiscal 2011 in the 2012 SME White Paper

In 2011, as in the years before, almost all measure fall into the targeting quadrant. Moreover a considerable number of programs have been implemented as a direct result of the great Japan earthquake of this year. As these are incidental, and not related to long-term government financial policy, they are not discussed in this thesis.

In 2011 as in 2010, several financing measures remained active, and new guidelines for SME accounting were implemented. Some taxation schemes with a lowered tax rate and to strengthen infrastructure were extended, but others were not (SME White Paper 2012; 195-197). These measures fall as before in the targeting quadrant. For rehabilitations and successions, business continuity funds have been stopped.

In technological innovation, there is a new program for development of prototypes and their markets by SME and SME partnerships, in niche fields, shortly after their start-up, to promote reconstruction in earthquake devastated areas (SME White Paper 2012; 203). This is still a targeting measure, as it is economic, despite its social benefits.

In the field of HR, maintenance of workers employment has been further extended to 1113.79 billion yen. New measures consists of a tax scheme to promote employment, support for HR development in growth fields and a project to present the appeal of SMEs through Industry-Academia collaboration (SME White Paper 2012; 204-206). While the tax scheme is social, and intended to aid the unemployed, the other two measures are targeting, economic and focussing on specific sectors.

There are several new programs for start-ups and new businesses. There is a loan program to provide low interest loan to SMEs in high-growth overseas businesses. Another program to enhance the competitiveness of local economies, through the development of new growth clusters. Finally, a program for new business creation utilizing regional strengths (SME White Paper 2012; 206-209). All these measures fall in the targeting quadrant, intended for the economic improvement of a specific economic sector.

For technical business challenges, support programmes consist of a program to strengthen support networks by consulting, one to subsidise the establishment of cloud computing networks and one for relief caused by dumped products (SME White Paper 2012; 210). The first and last are social

support policies with social benefits, while the middle is economic and therefore targeting.

New measures for shopping districts are one to support initiatives which deal with social challenges and one to support accessibility for disabled shoppers, both of which fall into the social support category (SME White Paper 2012; 211-212).

As far as industry-specific measures are concerned, in agriculture, forestry and fisheries diversification of business is promoted. For building contractors, there is a program to promote development and change of business by building contractors playing a leading role in the growth strategy, with partnerships, management strategy advice, technological transfer and training texts and curricula. For IT promotion, information is provided according to best practises. New intellectual property protection measures are one that protects trade secrets in case of legal action and one that promotes the acquisition of rights through use of information on IP (SME White Paper 2012; 212-219). All these measures fall into the targeting quadrant, as they are all of an economic nature.

As in 2010, there is a number of new measures, mixed between targeting and social support, though targeting has perhaps become somewhat more prominent. Individual measures are of a similar magnitude as those of 2010, but considerably larger than those before that year. Most notable, however, is the even greater increase to employment protection.

Policies for fiscal 2012 in the 2013 SME White Paper

Like 2011, in 2012 there are a number of measures as a result of the earthquake, and again all measures fall into the Nurturing quadrant. The new measures for 2012 in the area of SME fundamentals consist of encouragement for refinancing guarantees and extensions on lease payments and terms of agreements, both of which fall into the social supports quadrant, as they protect those who have trouble meeting their debts (SME White Paper 2013; 229-230).

New taxation measures consist of a promotion taxation system to encourage capital investment of SMEs, special measures for petty sum depreciable assets, deductions of entertainment and social expenses and carry-forward loss deduction. This is similar to measures in earlier years, but not the previous two. Moreover a consultation office was established regarding measures to shift consumption tax (SME White Paper 2013; 231-232). These tax measure are targeting, because they are for the economic improvement of the SME sector as a whole.

New measures for business revitalization and business succession, are first study groups on best practices regarding personal guarantees, second, establishment revitalization support councils,

third a program to strengthen capital of SMEs engaging in assimilation of management resources and, finally management improvements and business revitalization by approved support agencies (SME White Paper 2013; 235-237). All of these measures fall into the social supports quadrant, aiding vulnerable businesses.

In 2012 an entire new section of measures concerning the revitalization of management support providers was established. These measures consisted of a lowering of credit guarantees fees, for SMEs who had support of an approved agency in making business plans or follow-up and other management support. Another measure subsidises training of support providers. The final measure is a SME management enhancement fund, which provides a low interest loan program for support in drafting business plans (SME White Paper 2013; 237). All of these measures fall in the targeting quadrant, as they are intended for economic improvement.

Concerning overseas business, there are also a number of new measures. These consist of a program to enhance management support bases for overseas development efforts. There is support for overseas development of economic and industrial human resources. Moreover, there is support to develop HR to assist in overseas infrastructure development. There is use of volunteers for overseas partnerships for developing countries. There is also support for subsidiaries trying to obtain capital and use of ODA to assist in business development by SMEs. Furthermore, there is commercialization and training support for SMEs and micro-enterprises' overseas business development. There is a program to dispatch experts to support midsize, SMEs and micro-enterprises advancing into emerging countries and a programme for cooperation with non-project grand aid utilizing SMEs. Finally, there is support for the international advance of SMEs (SME White Paper 2013; 238-239). Apart from the volunteer programs all of these fall into the targeting quadrant, because they are economic.

For the enhancement of technological capabilities, the new measures consist of support for SME engaging in technological innovation, a regional innovation R&D program and a program to support prototype development, all of which fall into the targeting quadrant. In employment a large regional employment creation program to support startups is created (100 billion yen), maintenance of workers employment is reduced to 203.3 billion yen, and a new program for HR development in health, environmental, agriculture, forestry, fisheries and related fields is created (SME White Paper 2013; 240-243). Both of these new programs fall into the social supports quadrant.

Regarding start-ups and new businesses, new measures are the establishment of a small enterprises growth headquarters, an improvement in the supply of risk money needed when starting

a business, development of support personnel for new business creation as well as a program to strengthen the base for creating new regional industries (SME White Paper 2013; 244-246). These fall into the targeting quadrant, because they are solely economic.

On shopping districts and city centre revitalization, new measures are those concerning support for private-public initiatives for local communities by upgrades to facilities for child care and the elderly and structural reform of shopping districts. Other measures are for the support of shopping districts power and marketability and for upgrades to safety and security of shopping districts and for town planning companies regarding city centre revitalization (SME White Paper 2013; 248-250). Again these are measures in the social support quadrant, as they are social protections.

For industry specific measures, a new one is for the transformation of agriculture, forestry and fisheries into growth industries and for the promotion of renewable energy industry, which fall in the targeting quadrant. Other initiatives are that for the development of low carbon infrastructure, in the social supports quadrant and support for the training of Chief Information Officers in the targeting quadrant (SME White Paper 2013; 250-256).

In 2012, there were again a considerable number of new measures of a similar mix of before, and measures that had previously disappeared were reintroduced. While the projects were generally larger financially than pre-2010, spending was still generally smaller than in 2011, specifically in the savings made by decreasing employment protections.

Policies for fiscal 2013 in the 2014 SME White Paper

For the year 2013, new measures concerning shopping districts and city centres are, first, the implementation of proposals for revitalization of entire settlements and independence areas, and second, grant allocation tax measures for a central urban district revitalization projects (SME White Paper 2014; 553-554). These programmes both fall into the social support quadrant, because they aid these city centres and shopping districts for societal reasons and not economic ones.

Another program for regional revitalization is rebuilding and enhancing attractive tourist region through public-private partnerships, in the targeting quadrant. New programs on HR and employment are, first, support for improvement of employment management, second, employment creation in strategic industries, third, promotion of employment shifts with no loss of employment, fourth, support for SMEs and Micro businesses in raising the minimum wage and fifth, a program to move NEET (Not in Employment Education or Training) youths into employment. Finally, the

employment protection has been further decreased to 117.5 billion yen (SME White Paper 2014; 555-557). Apart for the second measure which is in the targeting quadrant, because it is employment creation for economic reasons, the others can all be considered social supports, as they aid specific social groups.

A new program in business start-up assistance is a lending-support system for renewed start-ups of previously failed businesses, in the social support quadrant, because it aids these failed businessmen. New measures in revitalization and succession are an expansion of the system of deferral of payment of inheritance tax and gift tax on non-listed shares. Another is the establishment of the Regional Economy Vitalization Corporation of Japan and a reduction in tax through an authorized SME rehabilitation plan through succession, all in the social support quadrant (SME White Paper 2014; 560-562).

For enhancement of technological capacity a new program supports strategic core technology, global technological partnerships and innovation in regional SMEs, in the targeting quadrant, as they are economic. In developing new sectors and collaboration with other industries a new program consists of support of micro-businesses to develop new products and services again in the targeting quadrant. For transmission of techniques and skills new programs for personnel for micro business and training for micro-businesses, both targeting (SME White Paper 2014; 564-566).

Overseas development programs are, first information about partnerships with Taiwan, and second, a promotion program for Japanese business and personnel, both economic and targeting (SME White Paper 2014; 569). Industry specific programmes are in agriculture, forestry and fishery, network building between these industries, subsidies for borrowing for lumber processing equipment to ensure a stable supply of lumber products at a low cost, support for using regional raw materials. The first measure is targeting and economic, the others social support. R&D initiative promotion for innovation and solution of problems in these industries is also a targeting measure (SME White Paper 2014; 581-584).

Environmentally, and in social supports, there is a new carbon credit scheme, and promotion of environment-conscious business activities, a fund to promote regional low-carbon investment, an eco-lease promotion program and an environmental management scheme (SME White Paper 2014; 584-586).

In 2013 the mix of types of measures is again similar to earlier years with a reasonably even division between targeting and social supports. The number of new measures has somewhat

decreased again, however, and spending on individual measures seems to decrease as well, specifically with another 100 billion yen of cutbacks on employment protection.

Policy trends and their causes

As can be seen in the previous chapters, all but very few of the SME policies during the period 2006-2013 fall into Dennis' Nurturing quadrant. This is not particularly unusual, because as is stated by Dennis, this is the policy track most developed economies go, with regards to their SME policy (Dennis 2011b; 152) The fact that there are as good as no policies in the Competing quadrant, however, does mean that during this period, there is no attempt to any further deregulation by the Japanese government. It is, of course possible that there has been a great deal of deregulation in the period before 2006, but it seems unlikely, as the amount of SME policies still in force would speak against this situation. It can therefore perhaps be concluded, that at least with this measure of analysis a move towards a more liberal market economy cannot be confirmed.

Moreover, the policies during this period are a general mix of targeting and social supports, with no fluctuations large enough to conclude a definite policy move towards either the one or the other. This means that the policy action is generally direct in Japan and that indirect measures, apart from some preference in public contracts is almost non-existent. This would then again mean that from this level of analysis a definite move towards either a liberal market economy or a coordinated market economy cannot fully be concluded. However a preference for direct action instead of indirect could show that SME policy is perhaps more linked to a CME than to a LME.

There is, however, a certain other trend in the policies, that can separate the period in three parts. From 2006 to 2009 very little changes. There is a limited amount of new policies each year, and the budget for each individual policy is relatively small. In 2009, there are some measures that seem to be a response to the financial crisis, especially in financing, but the response seems limited. In 2010, however this changes, the number of new policies increases, but more importantly, so does the financing for individual policies. As stated earlier, this is especially poignant in the measures for employment maintenance, which literally subsidises employers, to not lay off their employees and which increases from 2.7 billion yen in 2009 to 725.7 billion yen in 2010 and 1113.79 billion yen in 2011. This is a definite shift in policy, and is possibly a response to prevent unemployment in times of economic crisis. Such measures are, however, incompatible with a liberal market economy, where market forces would also be at work in the labour force, and this sort of interference would not be

likely. This would then be evidence that Japan is rather more moving towards a coordinated market economy. The trend changes again in 2012, where, while financing measures remain extensive, budgets for other measures seem to go down somewhat. Employment protection, for example, does not go back to pre-2010 levels, but does decrease to 203.3 billion yen. Moreover measures that had been in force during the pre-2010 period, but had disappeared in that year, seem to again be reintroduced in 2012. These changes can possibly be seen as a move more towards a liberal market economy, but there is still a great deal of regulation in the SME sector.

The changes in policy as mentioned above can be explained in several ways. First is that changes in 2010 are a delayed response to the crisis, which started in 2008, when it became clear that the policies implemented in 2009 were not enough to sustain most SMEs and were intended to prevent mass bankruptcy. The changes in 2012 can then be explained by the ending of the crisis, and that such extensive protections of previous years were no longer necessary. Another way to explain these changes, is one of government change. In 2009, the DPJ came to power, after a long period of rule by the LDP. Changes to policy made by the DPJ would then come into effect in 2010. The other change in 2012 would then be explained by the re-election of the LDP as the Japanese governing party. This would explain the reintroduction of older policies, as well as the fact that it would be politically unlikely that high spending policies would be immediately fully rolled back, but that it would be possible to somewhat curb spending. Both explanations are in line with Kitayama, who stated that policy increased in line of political and economic crisis. However, the latter explanation confirms Park's statement that it is not economic crises, but changes in government are more likely to show a change in SME policies.

I believe the latter explanation to be more likely, as I believe that a definite response to the 2008 crisis should already be visible in 2009, especially considering the bankruptcy numbers given in the 2009 White Paper and described in the introduction. With the effect of the crisis clear in 2009 it seems unlikely that major policy change would be delayed to 2010. Moreover, policies specifically related to the crisis such as the Financing Facilitation act were extended beyond 2012. If the end of the crisis was the cause for the change in policy, this would not have happened, and these policies would have ended as well. It is of course possible that the financial crisis was indirectly responsible for policy change, as the government response to the crisis led its lack of re-election. Nevertheless it is likely that the policy changes are a result of government change. It can then also be said that due to the first change in government Japan's SME policies changed to be more in line with a CME and that

the second change caused a move back more in the direction of an LME.

Conclusion

In this thesis I asked the research question *What were the policies of the Japanese government with regards to small and medium sized enterprises after the 2008 global financial crisis, what were the reasons and goals of these policies and how do these policies compare with those before the crisis?*

Literature showed that there was a limited amount of research that showed both long term policy trends for Japanese SMEs and reasons for such trends and the policy decisions made. By categorizing SME policies over the period 2006-2013, I attempted to answer this question and discern longer term trends enacted by the government. Moreover I attempted to then link the categorization of these policies to the Varieties of Capitalism literature and thereby link SME policy trends to larger trends in the Japanese economy.

It was shown that the general mix of policy was not changed a great deal during the whole period, however, the Japanese government did show a preference for direct instead of indirect action, which leans more toward a CME. Moreover the period of 2006-2013 could be separated in three individual periods, in which there was a certain amount of difference: 2006-2009, 2010-2011, and 2012-2013. During the second period spending increased a great deal and this caused SME policy to become more in line with a CME, while during the last period spending was decreased again and there was a move away from it again. Such a change in policy could be a delayed result of the 2008 financial crisis, but it seems more likely that it was the result of government change in 2009 and 2012. It is of course possible that the crisis was partially responsible for the change in government which then again lead to a change in policy.

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