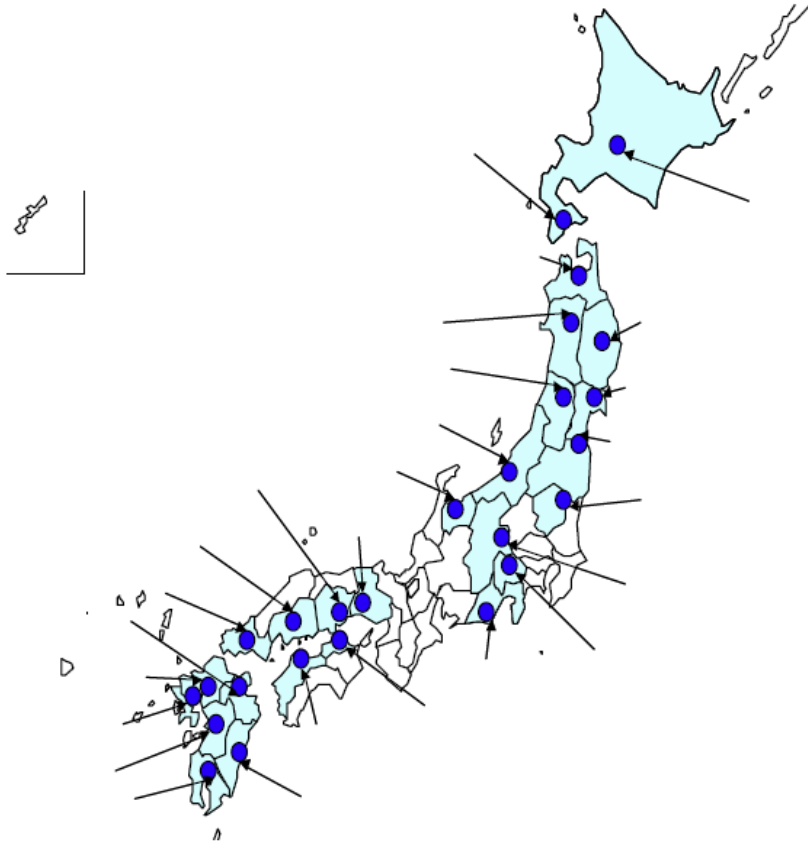


Supplementary Slides

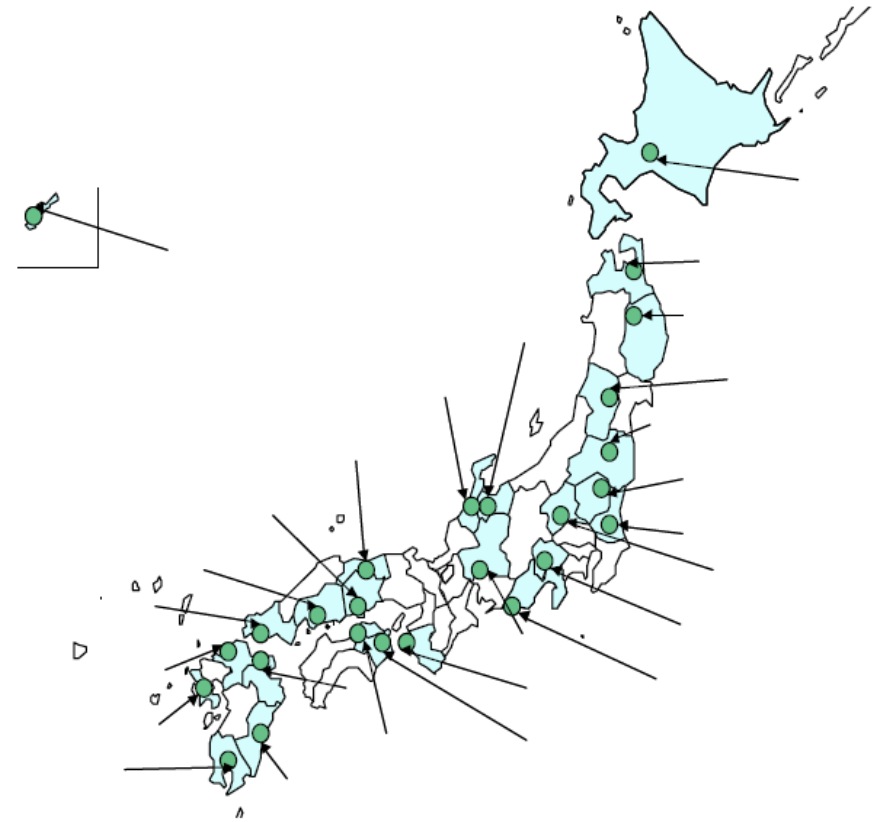
by Etsuro Shioji

to Comments by Takeo Hoshi on
“Economic Security and New Industrial Policy”
by Shiro Armstrong, Mireya Solís, and Shujiro Urata

Technopolis



Intelligent Location



Source: Okubo and Tomiura (2012)

Additional reference (1)

Beason & Weinstein (1996) (cited in the paper)

- JPN industrial policies...
 - did not allocate resources to sectors with scale economies.
 - did not promote TFP growth.

Additional reference (2)

Dasher, Harada, Hoshi, Kushida & Okazaki (2015, NIRA)

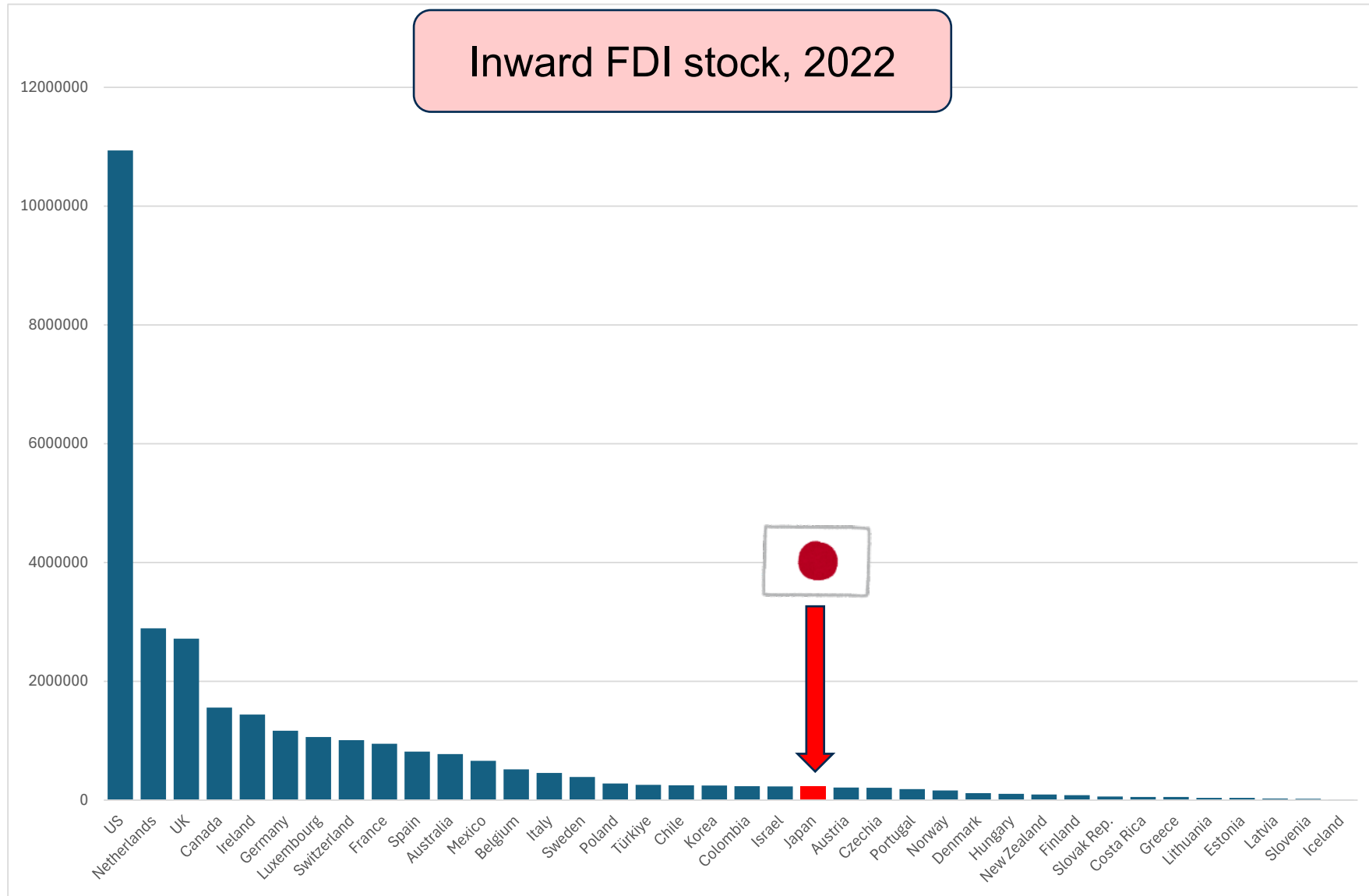
- Why did JPN industrial policy fail to create the “**Silicon Valley**”?
- “A short answer is that the success of Silicon Valley is not just a result of agglomeration” (Ito & Hoshi 2020). It is an **ecosystem**.
- Its “**institutional foundations**”
 - Financial system (risk money provision)
 - Liquid labor market for the high-skilled
 - Interaction between gov, industry and universities
 - Co-existence of big firms and small start-ups
 - Entrepreneurship culture
 - Supporting professionals

Shioji's additional comments

Comment 1: This paper is so well-written that it also reveals **costs** of economic security strategy

- Adds fixed cost to exporting and FDI activities
 - Especially disadvantageous for small firms, including start-ups.
 - Discourages inward FDI.
- Gives great excuses for politicians to favor certain industries.
 - Exacerbates the Japanese government's over-emphasis on manufacturing.
 - But governments are terrible in picking winners!
 - Example: do we really know that high-tech semiconductors are the future?

Japan needs more inward FDI, not less



Example

Elite Quality Report 2024

Japan's overall ranking is No.4,
which sounds good...

But!

- If you look at sub-indices,
 - *IPS: Share of imports targeted by protectionist measures, stock: #93*
 - *DGS: Share of discriminatory government interventions as % of total interventions, stock: #140.*

Comment 2: Japan's **best defense**

- promote vibrant global supply chains
- **deepen** economic inter-dependence across countries
- Japan has the most to lose from de-globalization, as it is right in the middle of global supply chains.
 - Japan's main trade partners (%)
 - Export: China (22.1), US (18.4), Korea (7.0), Taiwan (6.9), Hong Kong (5.0), ASEAN (14.4), EU (9.4)
 - Import: China (25.7), US (11.0), Australia (5.6), Taiwan (4.2), Korea (4.2), ASEAN (15.7), EU (11.5)

Japanese government should be a leader in the fight to turn back the tide of global protectionism.

