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The Impact of Abenomics Policies on Inward Foreign Direct Investment in Japan

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Abstract

This study aims to analyze the form of policies related to inward Foreign Direct Investment (FDI) and the impact of the Abenomics policy on inward FDI in Japan, particularly in the non-financial sector. Introduced in 2012, Abenomics seeks to address deflation, stimulate economic growth, and enhance Japan's competitiveness in global markets. The third arrow of Abenomics, known as the growth strategy, focuses on fostering private-sector investment, opening previously restricted Japanese markets through structural reforms, and promoting FDI. This study employs a quantitative approach with interpretive analysis, drawing on literature and various secondary sources. Data analysis in this study involves categorizing and synthesizing information, identifying patterns, assessing significance, and deriving conclusions. The findings of this study indicate that implementing the global expansion strategy, combined with the reform of the Special National Strategic Zone and the optimization of the Japan External Trade Organization's (JETRO) role within the Abenomics

growth strategy, has significantly improved the business environment for foreign investment in Japan. This implementation has also led to an increase in foreign tourists and foreign companies, a decrease in effective tax rates, an improvement in corporate governance practices, and an increase in the number of professional foreign workers. The data show that inward FDI in Japan has increased significantly since the implementation of this policy in 2014, reaching a peak in 2020. Through these achievements, the Abenomics growth strategy has effectively positioned Japan as an attractive investment destination for foreign enterprises while bolstering Japan's role in the global economy.

Keywords: *Abenomics Policy, Growth Strategy, Inward FDI*

1. Introduction

In the late 1980s, Japan experienced rapid economic growth, leading to a massive real estate and stock market bubble that drove prices sharply higher (Zestos et al., 2022). According to De (2020), this phenomenon was triggered by problematic monetary policies and financial credit. The bubble burst in the 1990s, triggering a financial crisis marked by a fourfold increase in land prices (Polivalov, 2023). This crisis had long-term effects, resulting in deflation and a significant economic slowdown (Shirakawa, 2021). In addition to impacting overall economic growth, the crisis led to a decline in domestic investment and persistently low inflation rates (Mourdoukoutas, 2023). The deflation worsened the economic stagnation and further hindered domestic investment (Carr, 2021). The economic slowdown from 1980 to 2012 serves as evidence of the systemic impact of the bursting economic bubble.

From 1980 to 2012, Japan's economic growth continued to slow, as reflected in the decline in its annual Gross Domestic Product (GDP). After reaching a peak growth rate of 6.662% in 1988, Japan experienced a sharp downturn in 1992-1993, falling into negative growth due to the burst of the asset bubble in the 1990s, as shown in Figure 1. This crisis was exacerbated by prolonged deflation, which led to significant fluctuations in economic growth, including a substantial contraction of -5.693% in 2009. Nevertheless, The Economist (2023) identifies opportunities for Japan's economic renewal through realigning inflation expectations, increasing productivity, and strengthening corporate dynamism, which could serve as turning points toward more stable and sustainable growth.

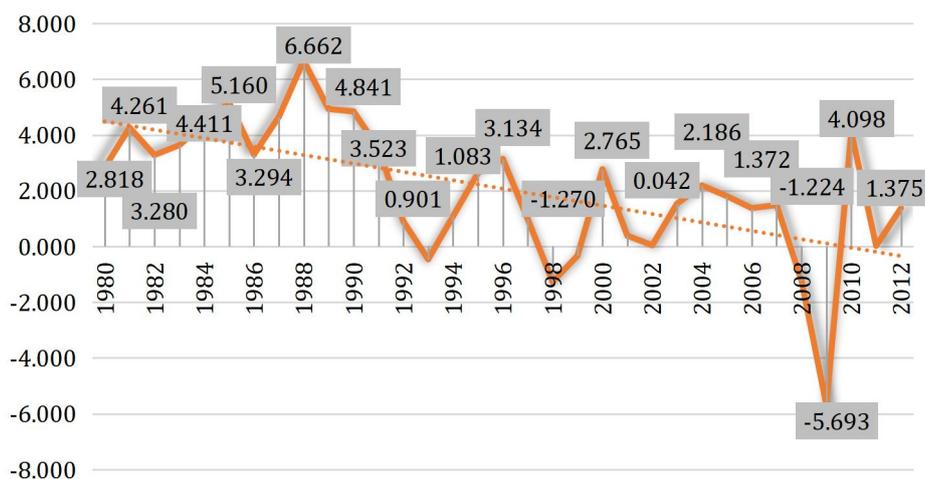


Figure 1. Japan's Annual GDP Growth from 1980 to 2012 (in percent)

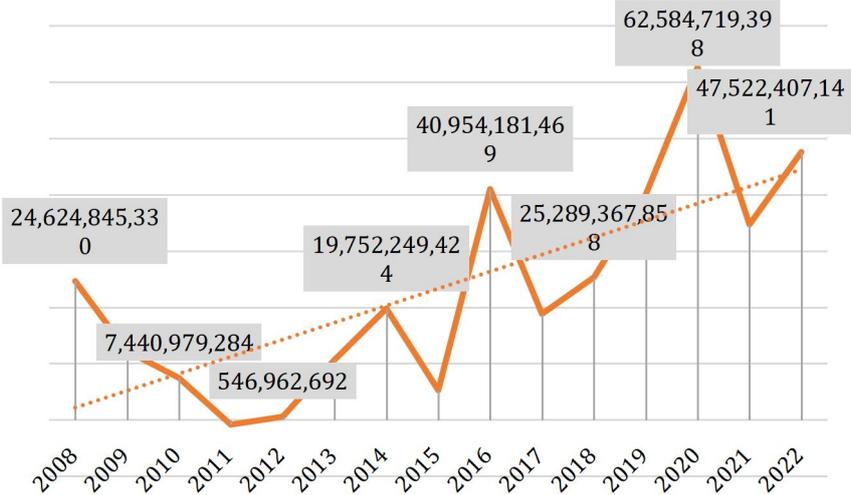
Source: World Bank (2024).

Japan's economic slowdown, exacerbated by prolonged deflation, weakened its global competitiveness, particularly compared to East and Southeast Asian countries such as China, Hong Kong, and Singapore, which developed as global logistics and trade hubs (Parc, 2018). To address this challenge, in 2012, the administration of Shinzo Abe launched Abenomics. This policy package comprised aggressive monetary policies, flexible fiscal measures, and structural reforms aimed at fostering sustainable economic growth and enhancing global competitiveness (Takao, 2021). While the policy successfully reduced deflation, the 2% inflation target remained unmet, and its implementation was hindered by a lack of coordination and aggressiveness (Ito, 2021; Lincoln, 2020).

Abenomics, the economic policy introduced by Shinzo Abe in 2012, comprises three main pillars: an aggressive monetary policy, flexible fiscal policy, and an economic growth strategy. The monetary policy addressed prolonged deflation by targeting a 2% inflation rate. Although this target was not achieved, the policy helped improve employment, productivity, and capital investment (Hayashi, 2020; Ito, 2021). The flexible fiscal policy enabled counter-cyclical government spending to stabilize the economy, complemented by progressive tax policies that supported social programs, such as free education for low-income families (Ito, 2021). The economic growth strategy focused on opening closed markets, implementing structural reforms, and increasing private-sector investment, including foreign direct investment (Grabowiecki, 2019). Geopolitically, Abenomics promoted strategic trade diplomacy through

economic partnerships with Asian and European countries, enhancing Japan’s integration into the global economy (Zhang, 2023).

The effectiveness of Abenomics can be observed through its impact on foreign direct investment (FDI) flows into Japan. Although FDI stock increased, the figures did not meet expectations, raising doubts about the policy’s success (Hoshi & Kiyota, 2019). At the onset of its implementation, Abenomics received a positive response from foreign investors, but its long-term effects on FDI remained inconsistent (Kondo et al., 2020). One of the key components of Abenomics was the promotion of inward FDI, which was expected to support Japan’s economic growth, improve productivity, and enhance global competitiveness (Botman & Kang, 2015). Despite fluctuations, such as a sharp decline in 2015 followed by a rise in 2020, data indicate strong interest among foreign investors in Japan following the policy's launch (Dourille-Feer, 2015; Ministry of Foreign Affairs, 2017).



Gambar 2. Net Inward FDI in Japan (in USD)

Source: World Bank (2023).

This study examines the impact of Abenomics, specifically the third arrow of growth strategy, on Japan's increase in foreign direct investment (FDI). The analysis focuses on how this policy has affected inward FDI through Japan’s efforts to integrate its economy globally by attracting foreign capital, goods, and labor. The growth strategy includes economic diplomacy, regulations that support an open economy, public-private partnerships, and initiatives to attract FDI into Japan (Ministry of Foreign Affairs, 2017). According to data from the Japan External Trade Organization (JETRO), the manufacturing sector, particularly machinery and electrical equipment, accounted for the largest share of inward FDI in 2022, totaling 1.257

million USD. Meanwhile, the non-manufacturing sector, particularly finance and insurance, accounted for the largest share of FDI, totaling \$8.946 million and involving major multinational corporations such as AXA and Citigroup.

2. Methodology

This study adopts a qualitative approach to explore the impact of Abenomics policies on inward FDI in Japan. The qualitative approach enables a deeper understanding of the phenomena and social processes involved, focusing on interpretive analysis to interpret and explain the practices that influence the observed outcomes (Bakry, 2019). The data used in this study are secondary sources, such as literature, documents, and analyses available online and in physical form (Munck et al., 2020; Sugiyono, 2019). Data collection was conducted through a literature review, which involved searching for and analyzing relevant sources to strengthen the research foundation.

The data obtained will be systematically analyzed through the process of organizing, categorizing, and synthesizing to identify patterns, cause-and-effect relationships, and contextual factors (Yakin, 2023). The data analysis will be conducted using a qualitative approach, emphasizing understanding and drawing clear conclusions from the gathered information. The research process begins with identifying the topic and research questions, followed by data collection and analysis, and ultimately, drawing conclusions that address the research questions.

3. Results and Discussion

Japan's Inward FDI Growth Strategy

The growth strategy or “Japan Revitalization Strategy” is the third arrow in the Abenomics policy, designed to enhance Japan’s competitiveness, address energy issues, and foster innovation through support for small and medium-sized enterprises, science, research, and labor market reforms (Chuguryan et al., 2023; Yoshino & Taghizadeh-Hesary, 2014). This strategy was implemented under the principles of neoliberalism, aiming to improve the efficiency of the private sector and encourage entrepreneurial freedom within the framework of free markets and free trade (Biyik, 2021; Gagné, 2020). The neoliberal foundation of this

policy emphasizes the recognition of private property rights, individual freedom, and a more liberal approach to economic management (Harvey, 2005).

In neoliberalism, market relationships depend on the state's role in regulating property rights and enforcing contracts (Kotz, 2015). In international relations, neoliberalism emphasizes interdependence, cooperation, and adherence to standard norms (Kapitonenko, 2022). Abenomics' growth strategy reflects neoliberal principles through market liberalization and deregulation. Market liberalization is evident in efforts to reduce barriers to foreign products and increase inward FDI by opening Japan's markets to foreign investment and promoting economic globalization through foreign labor and technology (Ilham, 2003). Deregulation, aimed at reducing government control to enhance efficiency and promote economic growth, is reflected in reforms across sectors such as agriculture, labor, and energy. Additionally, implementing regulations in Special Strategic Zones creates a more flexible and attractive business environment for investment.

Abenomics' policies are closely linked to Shinzo Abe's personal views, particularly his concept of "Mizuho no Kuni" capitalism, presented in his essay *Atarashī kuni e* (2013). This model promotes a free and open market while upholding moral values and a deeper understanding of true wealth. Abe differentiated this form of capitalism from the Wall Street model, which focuses primarily on profit, by emphasizing the importance of state intervention as a modern interpretation of the "Ancient Japanese Social Security." This manifesto was reflected in Abenomics, particularly in the third arrow, which aimed to revitalize Japan's economy under pressure from global competition, declining consumption, and demographic challenges, including an aging population. Inward FDI became a key focus of Japan's economic growth strategy (Dourille-Feer, 2015).

Inward FDI plays a crucial role in addressing Japan's economic challenges (Manger, 2022), and attracting foreign investment became a primary objective of Abenomics' growth strategy. This goal was outlined in the 2013 Japan Revitalization Strategy, which targeted doubling inward FDI stock to 35 trillion yen by 2020 by creating an economic environment that supports globalization and attracts foreign human resources and technology (Prime Minister's Office of Japan, 2013). In practice, this strategy involved deregulation in sectors such as agriculture, labor, healthcare, and energy, as well as the creation of National Strategic Special Zones to open up new business opportunities. The government also leveraged the momentum of the 2020 Olympics to accelerate reforms and attract more FDI. The three main components

of the revitalization strategy included industrial revitalization, the creation of strategic markets, and global expansion to enhance Japan's competitiveness, with a focus on public-private partnerships. Additionally, the FDI Expert Group, established in 2014, proposed reforms in economic policy and the labor system, as well as enhanced economic partnerships and quality of life for foreign nationals, to encourage more FDI (Expert Group of Foreign Direct Investment in Japan, 2014).

In March 2015, the Japanese government released "Five Promises for Attracting Foreign Business to Japan," outlining five key commitments to support inward FDI. These included improving the lives of foreign residents in Japan, providing free public Wi-Fi, and creating an educational environment that supports the use of English. Additionally, the document announced the establishment of an investment advisory system to facilitate direct access for foreign companies to the Japanese government (Cabinet Office, 2015). Later, in May 2016, Japan launched a comprehensive strategy to position itself as a global business hub, focusing on regulatory adjustments, administrative procedure improvements, and enhanced public relations to attract more foreign companies. This strategy has been continuously updated, with a 2018 revision emphasizing four main goals: promoting productivity, regulatory reform, expanding international opportunities, and creating a business environment conducive to inward FDI (Hoshi & Kiyota, 2019).

The steps to create a business environment that supports FDI include strengthening investor transparency through corporate governance codes, tax reforms for companies focused on growth, and providing lifestyle support for foreign professionals, such as fast-track visas and permanent residency permits. Additionally, the Japanese government provides administrative support to foreign businesses by streamlining administrative processes and hosting FDI seminars. With these policies, Japan aims to reduce barriers to foreign investment and create a more attractive business climate, which is expected to significantly boost inward FDI (Government of Japan, 2017).

The Impact of Abenomics on Inward FDI in Japan

The level of inward FDI in Japan remains low compared to other developed countries. According to Hoshi (2018), this could contribute to Japan's economic stagnation. To address this, the Abe administration initiated a series of policies under Abenomics to attract more inward FDI, including the growth strategy outlined in the "Japan Revitalization Strategy: Japan is Back" in June 2013. This strategy aimed to increase inward FDI flows by

implementing reforms in the National Strategic Special Zones and strengthening the government’s capacity to attract foreign companies. The Japanese government set a target of 35 trillion yen in inward FDI by 2020, developing a promotional system involving international diplomacy and cooperation with JETRO to attract foreign investment (Prime Minister’s Office of Japan, 2013, 2014). Furthermore, the government actively worked to address barriers hindering the expansion of foreign companies in Japan, as identified through surveys conducted by the Ministry of Economy, Trade, and Industry in 2012 and 2016, as shown in Table 1.

The survey results indicate that the most significant barrier for foreign companies operating in Japan is high operational costs, affecting 74.6% to 78.6% of businesses. In the context of neoliberalism, these high business costs reduce Japan’s attractiveness to foreign investors, thereby hindering the inward FDI flow needed to revive the Japanese economy (Hoshi, 2018). Additionally, factors such as market exclusivity, strict regulations, complex licensing systems, and difficulties in hiring local labor also impede foreign investment. These issues further worsened the business climate and slowed Japan’s economic expansion.

To address these barriers, Abenomics introduces strategic measures to create a more conducive business environment. These steps include simplifying administrative procedures, translating regulations into foreign languages, and implementing a one-stop system to streamline processes for foreign businesses. Furthermore, the Japanese government focuses on attracting foreign professional workers, supporting international students in working in Japan, strengthening English language education, and providing support to international students. These measures aim to ease the lives and work of foreign nationals, thereby boosting inward FDI and improving Japan’s economic conditions (Government of Japan, 2017).

Table 1. Factors Hindering Foreign Companies’ Investment in Japan

No.	Factor	2012 (%)	Survey 2016 Survey (%)
1.	High business operation costs.	78,6	74,6
2.	Exclusivity and uniqueness of the Japanese market.	43,1	46,6
3.	Difficulty in finding employees.	34,1	45,7
4.	Strict regulations, permits, and licenses.	36,7	32,1
5.	Complicated administrative procedures.	33,7	28,6

No.	Factor	2012 (%)	Survey 2016 Survey (%)
6.	Lack of rest time and incentives.	21,5	22,8
7.	Concerns about earthquake and tsunami risks.	16,5	17,3
8.	Living environment for foreign nationals.	10,6	9,7
9.	Lack of information and support services.	8,2	8,3
10.	Difficulty obtaining funding.	7,6	6,9
11.	Concerns about radiation exposure.	11,6	6,4

Source: Ministry of Economy, Trade, and Industry of Japan (2012, 2016).

1. Reform of National Strategic Special Zones

In the global expansion strategy framework, the Japanese government, through the Abenomics policy, implemented reforms to the Special Strategic Zones to create a business environment that supports global-scale business activities, investment, and technology (Prime Minister's Office of Japan, 2013). This initiative, launched in 2013, aimed to establish economic zones that support various business sectors and resulted in the creation of six special zones in 2014: Tokyo, Kansai, Niigata City, Yabu City, Fukuoka City, and Okinawa Prefecture, as shown in Table 2. Each zone is designed to meet specific needs, such as easing regulations, supporting innovation, and attracting foreign investment to strengthen Japan's global competitiveness.

The establishment of special strategic zones in Japan successfully attracted foreign investment, particularly in the Tokyo area. In 2013, 11 foreign companies expressed interest, including six in the healthcare sector, two in environmental fields, two in information and communication technology, and one in creative content development, as seen in Table 3. This interest grew in 2014, with 20 foreign companies aiming to expand their businesses: four in healthcare services, nine in information and communication technology, and five in the environmental sector (Tokyo Metropolitan Government, 2015). This zone became a magnet for foreign investment, supporting various strategic sectors in Japan.

Table 2. National Special Strategic Zone Projects

No.	Zone	Purpose
1.	Tokyo	International business and innovation center.
2.	Kansai	International innovation center for healthcare and general support.

3.	Fukuoka	The labor system reform center is tasked with creating new businesses.
4.	Niigata	Large-scale agricultural reform center.
5.	Yabu	Agricultural reform centers in mountainous and hilly areas.
6.	Okinawa	International tourism center.

Source: Prime Minister's Office of Japan (2014).

Table 3. Foreign Companies in the Tokyo Area

No.	Company Name	Type of Company	Location	Description
1.	LinguaNext Technologies Pvt. Ltd.	Research and Development Center	Central Tokyo	Development and marketing of localization products for Japanese-language applications.
2.	Connect Worldwide International, Inc.	Research and Development Center	Central Tokyo	Development of consulting services for Japanese hotels, including marketing and customer services.
3.	ReneSola Ltd.	Research and Development Center	Central Tokyo	Development of photovoltaic systems.
4.	GVS Group	Research and Development Center	Shinjuku Station Area	Development and marketing of filtration products tailored to the needs of Japanese society.
5.	Jiransoft Co., Ltd.	Research and Development Center	Shinjuku Station Area	Research and development of cloud services for file storage and transfer, as well as demand forecasting to enhance retail store operational efficiency.
6.	Pitney Bowes Inc.	Research and Development Center	Shinagawa/Tamachi Station Area	Research and development of software to support marketing activities.
7.	SunEdison, Inc.	Research and Development Center	Central Tokyo	Research and development of efficient power generation products.
8.	Compagnie	Research and	Central Tokyo	Research and development,

No.	Company Name	Type of Company	Location	Description
	Plastic Omnium SA	Development		collaborating with Japanese automakers to develop low-emission car technologies.

Source: Tokyo Metropolitan Government (2015).

Japan's national special zones have attracted significant investment and fostered the development of strategic sectors across various regions. In Fukuoka City, Café Startup offers legal and human resources consulting services to startups, as well as tax cuts of up to 20% for companies in the fields of IoT, healthcare, and agribusiness (Fukuoka City Government, 2014). In Kansai, the government established the Keihanna Open Innovation Center in 2014 to support cutting-edge research in health, technology, and energy, and to implement the deregulation of pharmaceutical imports through computerization at Kansai Airport (Kansai Innovation International Strategic Comprehensive Special Zone, 2024). Meanwhile, Niigata City offers a Startup Visa program to ease residency requirements for foreign entrepreneurs (Niigata City, 2022). In Yabu City, agribusiness reforms encourage cooperation between local farmers and private companies to increase the export value of products such as rice- and garlic-based sake (Fujita, 2018).

In Okinawa Prefecture, the area is focused on becoming an international economic and tourism hub by leveraging the infrastructure of Naha Airport and Naha Port, as shown in Figure 2. The international tourism development plan prioritizes local natural and cultural assets, such as coral reefs, forests, and Ryukyu heritage sites. It supports the development of domestic and international transportation (Okinawa Prefecture, 2020b). This strategy is accompanied by tourism promotion efforts that successfully increased the number of foreign tourists, making Okinawa a premier destination in Japan (Okinawa Prefecture, 2020a).

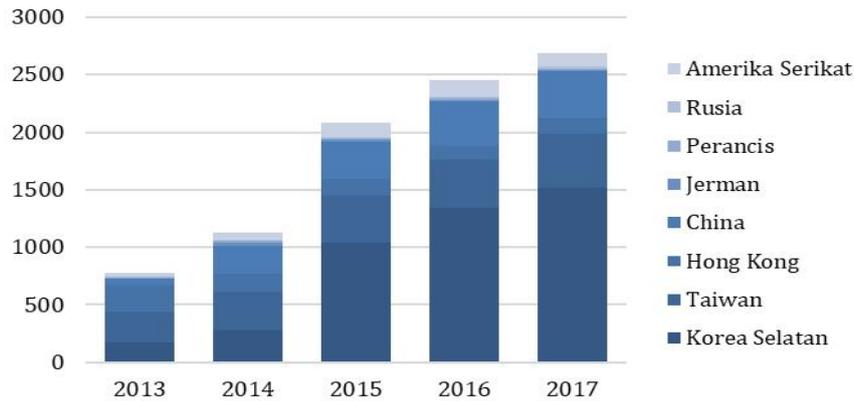


Figure 2. Increase in Foreign Tourists Visiting Okinawa Prefecture

Source: Japan Tourism Agency (2023).

Since Okinawa was designated as an international tourism destination, the number of foreign tourists visiting the region has increased significantly, reflecting the success of Abenomics in promoting Japan as a global tourist destination. This tourism growth not only boosts revenue in the tourism sector but also opens up opportunities for international cooperation and expands the market for Japanese products. Furthermore, the rise in foreign tourists has contributed to capital flows and investment, supporting the overall growth of inward FDI and Japan's economic development.

2. *Strengthening Government Capabilities in Attracting Foreign Companies*

As part of Abenomics' global expansion strategy, the Japanese government strengthened its capabilities to attract foreign companies through JETRO's (Japanese External Trade Organization) active role. This agency was established to promote Japan's trade and investment relations with other countries. JETRO provides information about Japan's business environment, supports foreign startups through its Business Support Centers (IBSC), facilitates collaboration between foreign companies and Japanese companies, and acts as an intermediary between foreign companies and the government and local authorities (JETRO, 2016; Prime Minister's Office of Japan, 2013).

JETRO also organizes investment seminars and symposiums worldwide as part of its promotional efforts, such as the Japan-US Economic Forum in Los Angeles in 2015, which involved 500 companies, and an investment seminar in Brussels in 2016, attended by the Deputy Prime Minister of Belgium. By hosting over 40 investment seminars across Asia, Europe, and North America, JETRO successfully drew the attention of numerous foreign

companies. These efforts led to the development of foreign investment projects, thereby strengthening Japan's inward FDI flows and supporting Abenomics' vision for more inclusive and global economic growth, as shown in Figure 3 (JETRO, 2016).

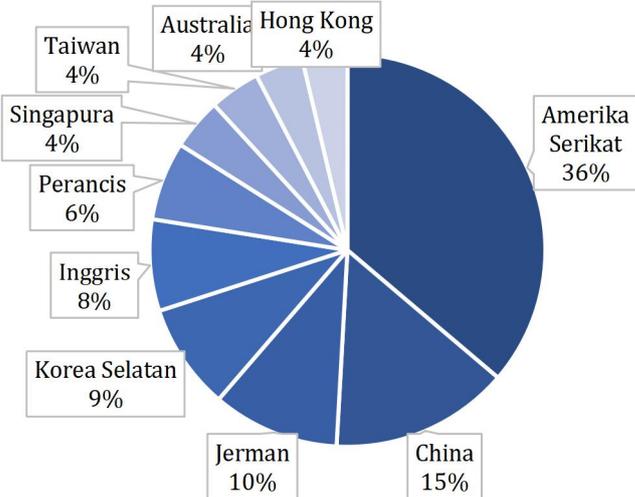
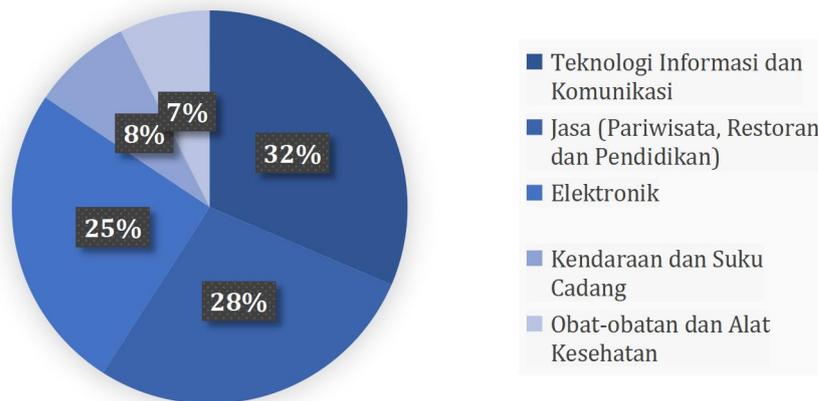


Figure 3. Investment Project Supported by JETRO Based on Country of Origin (2003-2016)

Source: JETRO (2016).

Figure 3 shows that from 2003 to 2016, the majority of foreign companies conducting business and investment activities in Japan were from the United States, accounting for 36%. In addition, foreign companies came from other developed countries, including China, Germany, South Korea, the United Kingdom, France, and Singapore. This success reflects JETRO's effective investment promotion strategy in attracting foreign companies. This indicates that Japan's economy remains attractive in international markets, strengthening its interdependence with various developed countries. From a neoliberal perspective, the presence of foreign companies reflects global economic cooperation that can drive Japan's economic growth and address the long-standing economic stagnation (JETRO, 2016).

Foreign companies operate in strategic sectors, including information and communication technology, services, electronics, automotive, and healthcare. The dominance of these sectors reflects Japan's focus on developing highly competitive industries and supporting economic transformation through technological innovation and high-quality services. This success also highlights Abenomics' positive contribution to creating a conducive and attractive business environment for foreign investment.



**Figure 4. Dominant Investment Sector Supported by JETRO
Industry Type (2003-2016)**

Source: JETRO (2016).

Figure 4 above illustrates that most foreign companies conducting business and investment in Japan operate in the information and communication technology sector, as well as services (including tourism, restaurants, and education), electronics, automotive, parts manufacturing, pharmaceuticals, and medical devices. For instance, companies like Apple, Nokia, Caterpillar, and Johnson & Johnson have established research and development centers in Japan. Additionally, firms such as AstraZeneca, Bayer Healthcare, Pfizer, Intel, and IBM have engaged in research collaborations with Japanese companies. In contrast, companies such as TripAdvisor, Spring Airlines, and Fuson Group have bolstered Japan's tourism ecosystem (JETRO, 2016).

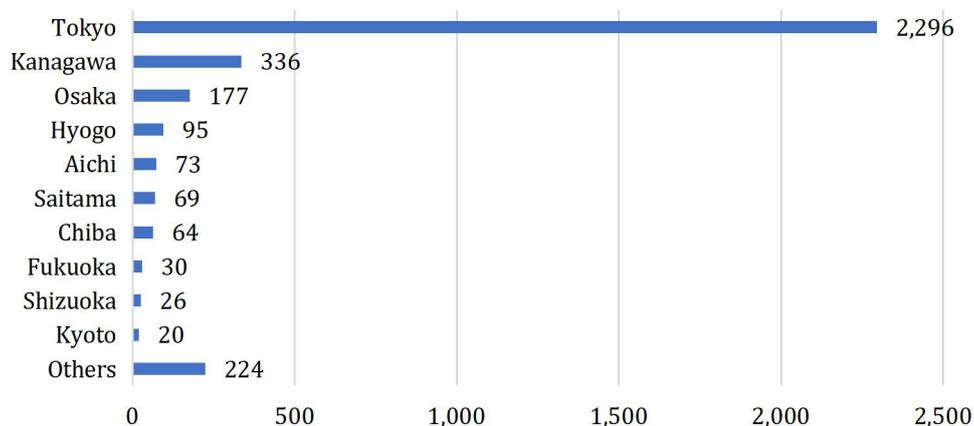


Figure 5. Top Ten Prefectures with the Highest Number of Foreign Companies

Source: JETRO (2016).

Figure 5 shows that most foreign companies in Japan are concentrated in Tokyo, recognized as a global business and innovation hub, followed by Kanagawa, Osaka, Hyogo, Aichi, and Saitama prefectures. The Japanese government has implemented policies to reduce effective corporate tax rates, aiming to attract more foreign investment. This initiative addresses the high operational costs associated with doing business in Japan, thereby creating a more competitive and appealing business environment for foreign companies.

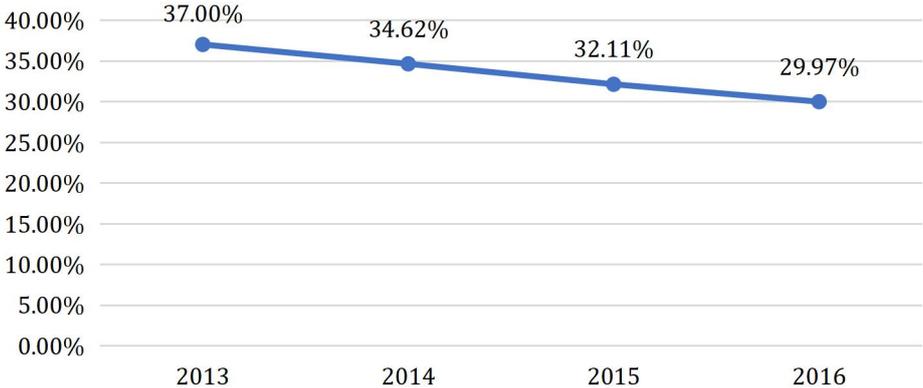


Figure 6. Reduction in Effective Corporate Tax Rates in Japan (2013-2016)

Source: Ministry of Finance, Japan (2020).

The policy to reduce Japan’s effective corporate tax rate successfully lowered it to 29.97% in 2016, achieving the target of staying below 30%. This measure was complemented by efforts to enhance corporate governance, improving transparency in the relationships between corporate management and investors. One indicator of its success is the increasing ratio of companies listed on the Japan Stock Exchange that appointed independent external directors, reflecting the implementation of good corporate governance practices.



Figure 7. The ratio of Companies Appointing Independent External Directors (in percentage)

Source: Government of Japan (2017).

Figure 7 above shows that the percentage of companies appointing independent external directors has steadily increased each year, reflecting improvements in corporate governance in Japan. This has increased investor confidence, including foreign investors, in investing in Japan. Along with the better business climate, the number of foreign professional workers employed in Japan has increased, as shown in the following graph.

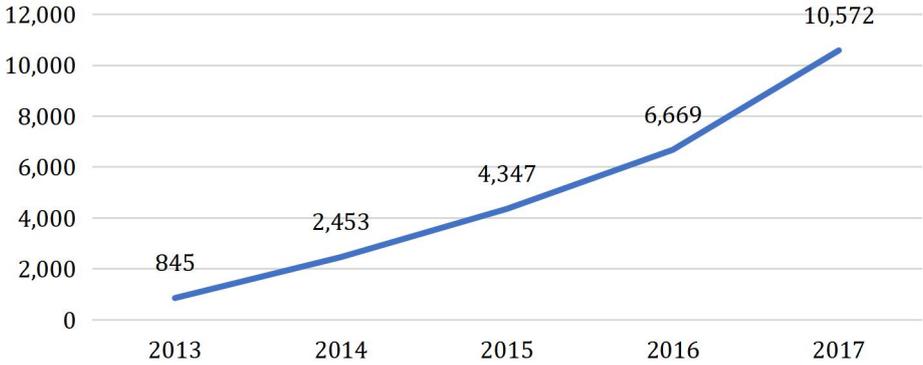


Figure 8. Number of Foreign Professional Workers in Japan (2013-2017)

Source: Government of Japan (2017).

Figure 8 above shows an increasing trend in the number of foreign professional workers in Japan, which continued to grow from 2013 to 2017, with a significant surge in 2017, reaching 10,572 workers, up from 6,669 the previous year. This rise in foreign workers reflects the positive impact of Abenomics' global expansion strategy, which has successfully created a better business climate in Japan. This, in turn, encouraged increased business and investment activity from foreign companies, leading to higher foreign capital inflows, mainly inward FDI into Japan.

Figure 9 above shows fluctuations in inward FDI flows in Japan from 2008 to 2022, with the implementation of Abenomics's global expansion strategy creating a business environment conducive to foreign companies. Policies such as corporate tax reductions, agricultural liberalization, and labor market reforms announced in 2014 successfully persuaded foreign investors to invest in Japan, as reflected in the increase in inward FDI from \$10.648 million USD to \$19.752 million USD that year (Siazon, 2018). Although inward FDI flows declined in 2015, they rebounded sharply in 2016, reaching \$40.954 million, thanks to the second stage of Abenomics, which focused on a productivity revolution, industrial transformation, and a reduction in corporate effective tax rates.

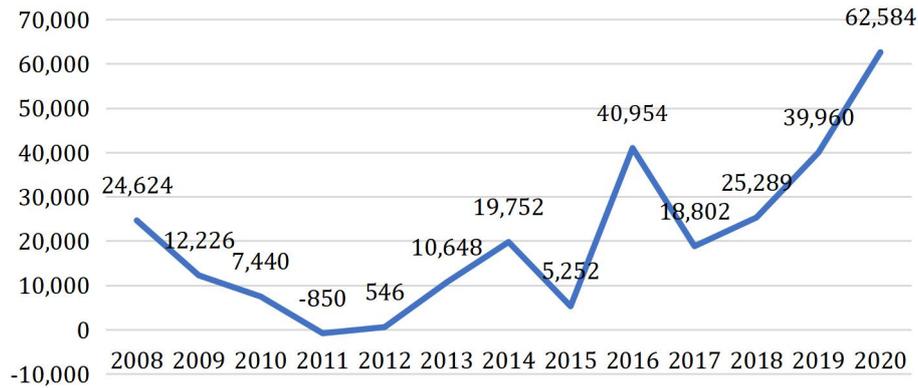


Figure 9. Inward FDI in Japan from 2008 to 2022 (in million USD)

Source: World Bank (2023).

Inward FDI flows continued to fluctuate, peaking in 2020 at 62.584 million USD, indicating the success of Abenomics' growth strategy in attracting more foreign investment to Japan. This contributed to Japan's economic growth, particularly in non-financial sectors such as manufacturing and non-manufacturing. The manufacturing sector comprises industries such as food, textiles, chemicals, pharmaceuticals, and machinery, while the non-manufacturing sector encompasses agriculture, construction, transportation, and services. With these policies, Japan successfully created a business environment that attracted investors, increasing inward FDI flows (Prime Minister's Office of Japan, 2016).

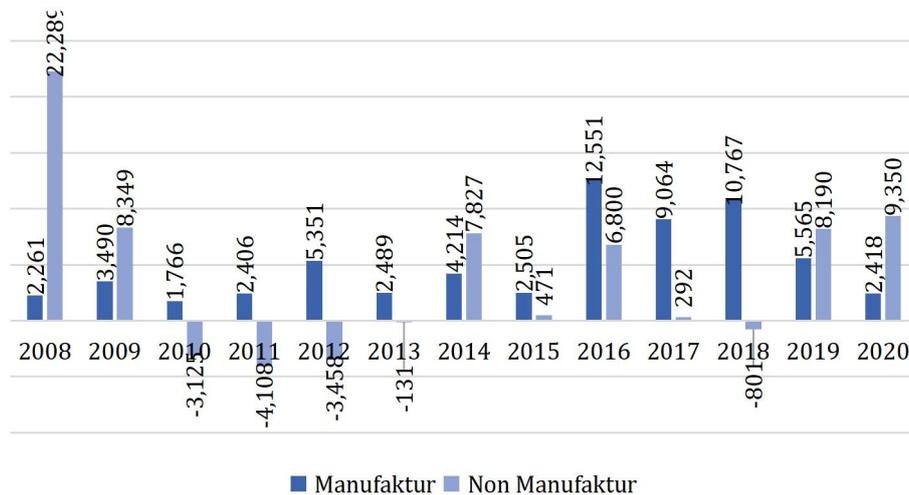


Figure 10. Inward FDI in Japan by Industry Sector (in million USD)

Source: JETRO (2022).

Figure 10 above shows the fluctuations in inward FDI in Japan's manufacturing sector since 2008. The figures initially increased from \$2,261 million in 2008 to \$3,490 million in 2009, but dropped significantly to \$1,766 million in 2010. In 2014, this sector rose to \$4,214 million, but fell again to \$2,505 million in 2015, reaching its lowest point in 2020 at \$2,418 million. In contrast, the non-manufacturing sector began to show an upward trend in 2019-2020, with inward FDI rising from 8,910 million USD to 9,350 million USD. This phenomenon reflects the impact of Abenomics policies, which successfully attracted inward FDI, although significant increases were only visible toward the end of Abe's administration. This success indicates that Abenomics, particularly its growth strategy, created a favorable business climate and enhanced Japan's image as an investment-friendly country, further strengthening Japan's position in the global economy (Prime Minister's Office of Japan, 2016).

4. Conclusion

Abenomics' strategy to increase inward FDI in Japan was implemented through one of its policy arrows. This growth strategy included three main plans, one of which was global expansion. This strategy was implemented by reforming Special Strategic Zones to create a favorable business environment for foreign companies and investments, and by strengthening JETRO (Japanese External Trade Organization) to attract more foreign companies. The success of this global expansion strategy is evident in the increase in the number of foreign tourists and foreign companies, the reduction in corporate tax rates, improvements in corporate governance, and the rise in the number of foreign professional workers in Japan. These factors contributed to a significant increase in inward FDI, from 19.752 million USD in 2014 to 62.584 million USD in 2020.

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