

The 37th ASEAN-Japan Business Meeting: Report

Yangon, Myanmar, November 2-4, 2011



November 18, 2011

KEIZAI DOYUKAI (Japan Association of Corporate Executives)

Theme:

Empowering ASEAN-Japan Economic Partnership in the Changing Setting of the Global Economy

□ Overview

The 37th ASEAN-Japan Business Meeting (AJBM) was held from Wednesday, November 2 through Friday, November 4, 2011, in Yangon, Myanmar. Keizai Doyukai (Japan Association of Corporate Executives) and the AJBM Myanmar national organizing committee (chair: Dr. Khin Shwe, Chairman, Zaykabar Company Limited) co-hosted the event, with participation of approximately Keizai Doyukai participants from Japan.

The meeting was chaired by Dr. Khin Shwe and co-chaired by Mr. Eizo Kobayashi, Chairman of the Committee on ASEAN-Japan Relations of Keizai Doyukai.

The overall theme of the 37th AJBM was "Empowering ASEAN-Japan Economic Partnership in the Changing Setting of the Global Economy," under which three sessions were held to discuss and exchange opinions on (1) risk management, (2) energy and environment, and (3) human resource development, interaction, and management, respectively.

In the almost 40 year history of AJBM, Myanmar hosted the event for the first time.

□ Meeting Summary

Opening Ceremony

- Welcome address by H. E. Mr. Thein Sein, President of Myanmar (read by Mr. Thura U Thaung Lwin, Deputy Minister for Rail Transportation)

On behalf of the ASEAN nations and the government and people of Myanmar, I would like to express my deepest compassion to the victims of the Great East Japan Earthquake and Tsunami and the recent flooding in Thailand. For us in ASEAN, China and Japan, who are exposed to the risks of drastic climate changes, it is important to further strengthen international cooperation for disaster prevention and recovery, which cannot be adequately dealt with by a single country. As globalization advances, the ASEAN-Japan Business Meeting (AJBM), a platform of friendship and cooperation between the members of ASEAN and Japan, is expected to play an increasingly important role. In particular, against the backdrop of the financial crises in the United States and Europe, reinforcing intra-ASEAN cooperation as well as links between ASEAN and Japan is a pressing issue for both sides.

I would like to reaffirm that Myanmar is determined to fulfill its commitments as an ASEAN member and promote political and economic cooperation with Japan. Myanmar is steadily promoting political democratization and economic reforms. The reforms have just begun, but the Myanmar people and domestic organizations are aware of the results that are being made toward democratization. In the economic arena, we are working on the construction of transparent and competitive markets and efficient utilization of human and natural resources so as to be able to provide domestic and international stakeholders with opportunities with high growth potential.

- Opening remarks by H. E. Dr. Khin Shwe, Chairman of the 37th AJBM

As the Chairman of the 37th AJBM, I would like to thank the guests and participants for coming and extend a warm welcome to them. In this meeting, we will discuss the global economic situation and the related ASEAN-Japan partnership. I ask for your active participation. Myanmar's political and economic reforms are expected to further promote intra-ASEAN cooperation as well as economic partnerships between ASEAN and Japan. Myanmar's political reforms under the new government are bringing about positive changes, toward good governance, clean government, democracy, citizens' rights, the rule of law, and diminishing income disparities.

As it is said that seeing is believing, those of you who are visiting Myanmar are likely to see for yourselves Myanmar's actual developments in progress. Already, tangible changes are taking place, as attested by higher standards of education and workshops being organized on themes relating to such challenges as environmental protection and electronic government. Those developments are likely to be further accelerated thanks to assistance from various countries. Economic cooperation between East Asia and Japan signifies a brighter future for both parties. At this year's AJBM, we are discussing risk management as a foundation for sustainable growth, future energy policy prospects, and human resource development, exchange and utilization within ASEAN. It is highly timely that we take up such topics and have you visit Myanmar at the moment.

I strongly hope that the excellent network that is the AJBM will continue contributing to the development of the private sector in ASEAN and Japan.

- Opening remarks by Mr. Yasuchika Hasegawa, Chairman, Keizai Doyukai

I would like to take this opportunity to thank our ASEAN friends for the warm support and encouragement that you offered us following the Great East Japan Earthquake and Tsunami. Japan still has a mountain of challenges, but the general situation is finally settled enough for concrete forward-looking discussions on the future: restoration plans are being finalized in the respective affected areas, while Fukushima Daiichi Nuclear Power Plant is expected to reach cold shutdown status by the end of the year. I would also like to express my deepest compassion

for the victims of the recent flooding in Thailand; as a nation constantly suffering from the impact of natural disasters, we acutely sympathize with you.

The 37th ASEAN-Japan Business Meeting is a particularly significant and noteworthy event in that it is being held for the first time in Myanmar, which is undergoing a major historic transition. I am convinced that Myanmar's changes will enhance ASEAN's regional solidarity and competitiveness, and I look forward to discussing our future cooperation in this context. The year 2011 has seen the European financial crisis, the March 11 disaster in Japan, and major flooding in Thailand - in other words, incidents in which the growing interdependency of countries around the world accompanying globalization has manifested itself in the form of serious adverse impacts on all parties concerned. In addition, the world's population reached 7 billion last month (October 2011), highlighting anew one of humanity's most important questions, namely how to ensure abundance and well-being for all those people. I find it quite significant that we look back on these developments over the last year and share a common awareness as corporate executives.

At this year's meeting, on the basis of the discussions on economic partnerships in East Asia which we have continued for the last several years, that is, discussions on frameworks, we are shifting to discussions on concrete areas in which further cooperation is possible in the future, including risk management from the corporate managers' standpoint, ASEAN-Japan cooperation in view of global energy trends, and Asian human resource development and utilization through ASEAN-Japan cooperation.

Keizai Doyukai pursues its activities with a focus on the growth of the Japanese economy. I expressed this clearly as an activity objective when I assumed the post of chairman of the Association in April 2011, citing globalization, diversity and innovation as challenges that private businesses must tackle. It is obvious that in the process of pursuing these challenges a partnership with ASEAN become extremely important. There will be no greater joy than if endeavors by Japanese corporations for economic growth could also contribute to ASEAN's further progress.

- Congratulatory remarks by H. E. Mr. Yoshihiko Noda, Prime Minister of Japan (read by H. E. Mr. Takashi Saito, Ambassador of Japan to Myanmar)

I would like to offer my heartfelt congratulations on the opening of your highly significant meeting of ASEAN and Japanese business leaders in Myanmar, which is advancing toward democratization with great future potential.

Last month, Japan received a delegation headed by Myanmar's Minister for Foreign Affairs, and we had fruitful discussions on the future development of Myanmar-Japan relations. I believe that the 37th AJBM is particularly significant in this context.

I would like to reiterate my expression of deepest gratitude for the most invaluable support that the ASEAN member nations afforded us in Japan at the time of the Great East Japan Earthquake and Tsunami. The impact of the disaster is still visible, but the economy and infrastructure are

gradually recovering in the affected areas, with the vigorous recovery efforts in place. My cabinet is focusing its all-out efforts on post-disaster recovery and the handling of the nuclear power plant accident so as to reconstruct a hopeful and proud Japan at the earliest possible date. In addition to the impact of the disaster, Japan is also affected by the instability in international financial markets. Overcoming this hardship and putting the economy back on a growth track is another priority task for my cabinet. We hope to rebuild a strong Japan and work on global issues in return for the precious support we received from you.

The ASEAN countries have been achieving remarkable growth in recent years. Japan hopes to support Asia's sustainable development and grow with you by taking advantage of the accumulation of our excellent technologies and know-how. To this end, we would like to reinforce our economic partnership and support the concept of ASEAN Community by 2015. In particular, Japan offers its full support for the Master Plan on ASEAN Connectivity so as to establish a win-win framework of ASEAN-Japan cooperation.

Sustainable growth of the global economy requires international cooperation whose concern surpasses the interest of a single country. To ensure such cooperation, opinions from the private sector, particularly those of business leaders, can play an extremely important role. It is hoped that frank discussions in the 37th AJBM will lead to overcoming various challenges facing the world economy.

Session 1: Security and risk management as foundation for sustainable growth
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- Chair: Mr. Tan Sri D'ato Azman Hashim, Chairman, AmBank Group, Malaysia

Effective risk management is indispensable for maintaining economic growth. A system of effective risk management requires proactive effort by the private sector as well as cooperation between the private and public sectors.

In addition to the financial risks to which the Western world is currently directly exposed, and the destabilization of the capital markets, a wide spectrum of risks must be considered: environmental problems and climate change as common risks to the entire world, natural disasters as represented by Japan's March 11 disaster and the floods causing enormous damage to and around Thailand, etc. The difficulty lies in predicting and preventing them.

The four panelists will present their views on risk management based on their respective experience and knowledge.

- Panelist: Dr. Thanong Bidaya, Chairman of the Board of Directors, Thai Tap Water Supply Public Company Limited, Thailand

Risk management lessons learned from the Thai currency crisis

In the mid 1990s, when Thailand was enjoying rapid economic growth as one of the "ASEAN tigers," the country faced a serious financial crisis triggered by a currency crisis. As a result, Thailand's GDP growth rate dropped from 8.1% in the 1992-1996 period to -5.9% between 1997 and 1998. Behind this crisis were such problems as economic slowdown, a deteriorated trade balance, and current deficits accumulated over many years. To counter speculative moves, the Thai central bank bought baht with its foreign currency reserves, and in July 1997 switched from a dollar peg to a floating exchange rate system. Nevertheless, the value of the baht continued to drop. Thailand finally secured an emergency loan through negotiations with the IMF.

While assistance from the IMF and the World Bank was significant, daring contributions from Japan and ASEAN directly supported the Thai economy. In other words, Thailand was saved by its membership of ASEAN and its long-standing friendly relationship with Japan.

To cope with the crisis, Thailand reorganized the financial sector, reinforced its capital base, and worked on swift handling of bad debts. Furthermore, aware of the need for fundamental reinforcement of the country's economy and competitiveness, Thailand vigorously promoted an industrial policy with emphasis on skilled human resource development and the development of transportation infrastructure, technological transfer, and so forth, to become a regional hub of manufacturing.

From the crisis, Thailand learned many lessons. It should be noted that crisis preparedness and responsiveness are not the responsibility of the national government alone. To be sure, the government is expected to design and execute appropriate financial and economic policies, but the private sector too must bear the burden according to its ability, to support the national economy and contribute financially through tax payment and so forth.

- Panelist: Ms. Stephanie Wong, Senior Manager of Bryan Cave International Consulting (Asia Pacific) Pte. Ltd., Singapore

Significance of economic connectivity as a means of risk management

Following the March 11 disaster, many Japanese companies rapidly increased its overseas purchasing in order to replace disaster-damaged supply chains. A survey says that 56% of the companies questioned turned to procurement from suppliers in China, ASEAN and North America, and many of them continued to do so even after the impact of the disaster was removed. This indicates that offshore development and economic partnership are effective means of risk management. At the same time, in effectively using supply chains that expand as a result of offshore development, cost efficiency must be gauged by taking the risks into account. There are already six frameworks of economic partnership established between ASEAN and Japan, each of which is being actively deployed for further institutional convergence and barrier removal, except for tariffs. In view of this progress, it can be said that realization of the concept of the comprehensive economic partnership can further expand options for corporations. What

really matters in this situation is that private businesses assume a proactive attitude of making effective use of FTAs in reinforcing supply chains and drawing up corporate strategies.

- Panelist: Haruya Uehara, Chairman, Mitsubishi UFJ Trust and Banking Corporation; Vice Chairman, Keizai Doyukai Committee on ASEAN-Japan Relations (Japan)

Changes in Japanese corporate behavior following the Great East Japan Earthquake and Tsunami, destruction and reconstruction of supply chains

As a result of the March 11 disaster, the number of automobiles manufactured in Japan in March 2011 dropped by over 50% as compared to the same period in the previous year. Japan's GDP for the January - March period also decreased by 3.5%. The Tohoku region, hardest hit by the earthquake and the tsunami, has a high concentration of electronic component manufacturing centers for automobiles and electric machines, as major automakers and their affiliated companies had established their facilities there, lured by the region's favorable conditions as advertised in business location campaigns. Production by some component manufacturers not directly affected by the disaster was also seriously disturbed because intermediate component manufacturers which were sole suppliers of certain products were concentrated in Tohoku. That is to say, the disaster exposed the latent risk of the policy of selection and concentration and integration, adopted to reduce costs and enhance competitiveness.

The automobile industry quickly recovered its manufacturing post-disaster through several measures, such as reducing the number of automobile models to manufacture, trans-industrial restoration assistance to disaster-hit component manufacturers, and alternative purchase of components whose shortage caused a major obstacle in the first place.

With lessons learned from the disaster, the entire automobile industry is promoting supply chain restructuring. One move as part of this endeavor is the establishment of overseas manufacturing facilities by Japanese companies, which is continuing. At the same time, this move has resulted in a concentration of facilities overseas, a new risk in the face of other natural disasters, as witnessed in the major flooding in Thailand.

It is clear that due to the geographical characteristics of ASEAN and Japan, the risk of natural disasters constitutes a major potential obstacle to economic growth. It is therefore imperative to fully recognize the advantages and disadvantages of concentration of facilities and determine the optimal extent and mode of dispersion.

Given this situation, a major key to better risk management lies in improving the on-site recovery ability which is said to have contributed greatly to Japan's post-disaster recovery. This means that in the wake of a crisis those in the field are capable of independently effecting a rapid recovery, instead of passively waiting for instructions from the head office, thereby minimizing economic damage. A number of companies have demonstrated this ability.

Estimating risks that could develop into obstacles to economic growth is difficult, for some can surpass the imagination. It is therefore all the more necessary to strengthen on-site recovery ability as a foundation of corporate activity.

- Panelist: Dr. Lex Raffel - Nonresident Senior Fellow, The Brookings Institution, US (representing Myanmar)

Risks in the current world situation and their impact on Asia

In the current world situation, the following five can be cited as major global risks: (1) the financial market crisis and its tsunami-like impact, (2) climate change, (3) infectious diseases, (4) youth unemployment in urban areas, and (5) population increase and food/energy security. These risks can seriously affect ASEAN and its supply chains. I would like to discuss how India and China would react.

The financial crisis can be attributed to various factors including incessant advances in financial engineering, excessive liberalization and weakening of regulatory systems, a lack of remuneration constraints, problems relating to the aging of democratic societies (less dynamic and flexible responses to change), and erroneous policy responses.

The *Financial Times* wrote "paying taxes is glorious," parodying Deng Xiaoping's words. A situation in which the rich escape tax payment, forcing the State to offer social security by accumulating debt must be avoided.

With other problems such as the inadequacies of governance systems vis-à-vis change and currency liquidity, the world must brace itself for a major shock in the future. For ASEAN, which is enjoying steady and stable growth, the impact of a major financial crisis would be manageable. Reinforcing intra-regional and ASEAN-Japan cooperation would strengthen ASEAN.

● Comments and opinions

- Myanmar has a wealth of resources; will active capital investment lead to future growth?
- (Mr. Bidaya) ASEAN must consider how to support Myanmar. As pointed out, future growth can be secured by capital investment. Prospective investors are highly interested since Myanmar is rich in natural resources. Thailand held talks with Myanmar on a possible hydroelectric power generation project, but the contract went to Laos, which had clearly expressed its intention to become "Asia's power plant." To attract potential investors and realize successful projects, Myanmar must show its intention to open up its economy and demonstrate its ability to design strategies, lead negotiations to agreements and execute projects.

Session 2: Construction of a system for ASEAN-Japan cooperation in energy

- Chair: Mr. Anwar Pulukadang, President, PT TRIPIND PATRIA, Indonesia

Energy represents a vitally important area about which it is extremely difficult to arrive at any conclusions. This is because the policies, institutions and complex mechanisms of subsidies and the like of the respective countries concerned are intricately intertwined and because the questions of environmental protection are directly related. Some resource-rich countries are unable to anticipate energy shortage before reaching certain levels of development, by which time they might have already become net energy importers.

- Panelist: Mr. Somkuan Watakeekul, Advisor to the Board of Director, South East Asia Energy Limited, Thailand

World energy prospects and Thailand's experience

World energy supply and demand trends clearly indicate a rapid future increase in demand for electricity in Asia. Since natural resources are limited, each country must establish its long-term energy plan to ensure the country's development and economic operation. Under such circumstances, it is hoped that Asia will give birth to exploitable new resources and technological breakthroughs.

As the gap between energy supply and demand is likely to expand in the future, and general interest in environmental and societal issues grows, new technologies must be developed to find solutions. To this end, international cooperation and collaboration are required. In an international conference on water, the World Bank estimated that the world population would reach 9 billion by the year 2050, with demand for water and electricity doubling and tripling, respectively, from the present-day levels. In fact, these estimates refer to developed countries; for developing countries in Asia and Africa, the increase will be over ten-fold.

Initially, Thailand had several problems: inefficient energy consumption (due to inadequate transportation systems), a powerful public sector, low societal awareness of environmental issues, and an unstable political foundation leading to energy policy incoherence. However, as the country developed economically and energy demand increased, appropriate responses were required, and a range of measures have been adopted in the last decade or so. As a result, the number of small-scale independent electricity producers has increased, a surcharge system has been established for renewable energy use, and a mechanism of cooperation is being built with neighboring countries. On the basis of Thailand's experience, I would like to emphasize the importance of international cooperation and long-term energy strategies.

For Asia as a whole, there are various challenges to overcome: the rapid growth of China and India, the securing of alternative energy sources that can replace petroleum, the construction of regional energy networks, etc. To effectively overcome these challenges, it is necessary to identify the strengths of each country so as to design a truly complementary system of cooperation. For example, between ASEAN and Japan, it would be desirable, because of the overall gap in development, that Japan provides funds, whereas ASEAN explores the possibility of hydroelectric and alternative energy sources.

For Asia-wide energy issues, the key factors for finding solutions are long-term strategies and planning, effective handling of supply and demand, projects drawing on the efficiency, knowledge and experience of the private sector, and the development of human resources in the energy domain.

- Panelist: U Kyaw Kyaw Hlaing, Managing Director, SMART Technology Group, Myanmar

Energy prospects in Asia and Myanmar's possibilities

In the 2030s, Asia as a whole will require an enormous amount of energy, against the background of economic growth in China and India. While coal is expected to remain Asia's main energy source for the time being, the global requirement for CO₂ emission reduction suggests the possibility of nuclear power generation gradually spreading to China, India, and ASEAN. This development would rely on the transfer of Japanese nuclear technology to other Asian countries.

Meanwhile, dependence on petroleum is likely to continue for some time. China, India, Japan and ASEAN all being oil importers, and given the expected economic development of these countries, petroleum purchase and security will be a major common concern. Regional cooperation will be likely indispensable in all aspects including resource development, purchase, refining and processing, and transportation. Regional cooperation would equally be necessary in energy efficiency enhancement and the development of bio fuels and alternative energy sources. Myanmar has abundant reserves of natural gas and has a track record of successful resource development and exportation, thanks to cooperative relations with its neighboring countries. Already, many offshore development projects are being developed by Myanmar and its corporate partners from China, Thailand, Malaysia, and the Middle East. These international projects cover not only production but also infrastructural development for storage, management and transportation.

In recent years, a number of promising natural gas fields have been discovered in succession, securing abundant offshore and inland reserves and suggesting great future potential for domestic consumption and exportation.

For electricity, hydroelectric power plants are operated to cover basic demand. However, natural energy sources, whose supply can largely depend on climatic conditions, are not totally reliable as industrial infrastructure. While Cambodia and Laos have declared their intention to be Asia's batteries, Myanmar aims to become Asia's gas cylinder. Myanmar has an extensive land area, and its population is concentrated in limited urbanized areas. This means that the country also has great potential for nuclear power plant construction and solar power facility development. Therefore, Myanmar has great investment opportunities.

- Panelist: Takashi Narusawa, Director and Vice Chairman, Nomura Research Institute, Ltd. (Japan)

Japan's post-Fukushima energy policy and cooperation with Asia

The Great East Japan Earthquake and Tsunami of March 11, 2011 caused serious damage to Fukushima Daiichi Nuclear Power Plant, resulting in radioactive leakage into the environment and the evacuation of residents from within a 20-km radius of the power plant. At the moment, the most pressing task of bringing the reactor under control is about to be accomplished, and the facility is expected to be safely put into cold shutdown by the end of the year, although a number of problems are still likely to remain for some time.

The disaster exploded the myth of nuclear safety that had long existed in Japan. Moreover, due to the suspension of operation of other nuclear power plants, Japan experienced a serious power shortage during the summer, which was barely dealt with through concerted power-saving efforts by businesses and households. Nevertheless, this approach cannot be a permanent solution, especially as cold winter is just around the corner and power demand will once again rise.

Japan is required to fundamentally review its energy policy and global warming control measures which require dependence on nuclear power. In this process, the absence of a backup energy supply system and the inflexible and centralized institutions of the energy industry require particularly close reexamination.

The Japanese government expects to adopt a new energy policy by next summer. As the country's future energy strategies, from the short- and medium-term perspective it is necessary to devise more effective power/energy-saving measures, enhance nuclear safety, restore public confidence in nuclear power, and shift a part of dependence on nuclear power to natural gas, while from the long-term perspective it is necessary to develop renewable energy sources, lessen the country's dependence on nuclear power, build dispersed energy supply systems, adopt smart grids and other high-efficiency energy supply systems, and restructure the energy industry. Now, what can Japan offer to the rest of Asia in the domain of energy? Firstly, Japan should conduct a thorough study of the unprecedented nuclear crisis of Fukushima so as to share with the whole world findings that can contribute to future accident recurrence prevention and nuclear safety assurance. Secondly, Japan should endeavor to offer the expertise and experience that have enabled Japan to achieve the world's highest-efficiency energy use in such forms as co-generation, the "smart city" concept, and the "eco-point" system which calls for change of behavior on the side of energy users. Thirdly, Japan should promote and construct a framework for bilateral cooperation in the area of energy, as in the example of Bilateral Offset Credit Mechanism, which Japan has been proposing toward COP17. In this regard, the Japanese government has already been conducting demonstrative research with some ASEAN members. This project is expected to greatly contribute to ASEAN-Japan cooperation.

Finally, I would like to propose to deepen our discussions on future cooperation in the energy area with an eye to expanding the ASEAN Power Grid envisioned by ASEAN to an Asia-Pacific Power Grid in the future to further enlarge the scope of regional cooperation.

Session 3: Human resource development, interaction and management

- Chair: Dato Mohamed Iqbal Rawther, Hon. Secretary, MAJECA and Group Executive Director of Farlim Group (M) Bhd, Malaysia

The theme of this session, human resources, is extremely important. Considering that the issues discussed in the two previous sessions, risk management and energy and environment, boil down to human intentions and desires, it can be said that the handling of these issues largely depends on the human resources in charge. In this sense, I hope that the discussions in this session will be active and conducted in a manner that summarizes all of the previous discussions.

- Panelist: Dr. Aunt Tun Thet, United Nations (Myanmar) Medical Division, Myanmar

Importance of human resource development and Myanmar's challenges

It was previously believed that economic development required natural resources. In today's globalized economy, however, abundance stems from human resources, the creativity of people with talent and skills. Malaysia is far behind Myanmar in terms of the quantity of natural resources, but it is clear that the former is far more economically developed than the latter. A country's richness and growth largely depends on what the people have learned and make use of. Myanmar's new administration cites poverty reduction and good governance as the pillars of its national development strategy, both of which cannot be realized without developing people's individual abilities. A country's development should be gauged, not solely by GDP figures, but by the extent to which an environment has been developed where people can actively make use of their abilities to improve the quality of their lives and by actual improvement of the quality of life.

Human resource development constitutes the basis of various goals such as economic development, poverty reduction, and individual autonomy. It is essential that society as a whole recognizes the importance of human resource development, and individuals, organizations and society as a whole must fulfill their respective responsibility in the process of human resource development.

One of the challenges facing Myanmar today is a capacity gap. Abundant human resources are required for the country's progress, but the absolute number of people with the necessary skills and knowledge is overwhelmingly small. Another challenge facing Myanmar is the outflow of human resources to nearby countries. The background to this situation is the difference in

income levels between Myanmar and countries such as Thailand, Malaysia and Japan, and the absence of optimal human resource utilization within Myanmar. As a result, Myanmar suffers from a human resources shortage, despite its abundant supply of labor.

To overcome these challenges, Myanmar must put further emphasis on education by allocating a sufficient budget as an investment in the future so as to construct a mechanism for effective human resource development and utilization within the country. Myanmar must also learn through networking with other ASEAN members and build a human resource development system.

For the future, it would be ideal for ASEAN and Japan to jointly establish an ASEAN Leadership Academy, an organization for human resource development, while Myanmar strives to attract investment from abroad to Myanmar and promote wide-ranging interactions of students and researchers.

Finally, I would like to emphasize that the ultimate purpose of human resource development is not merely improving GDP or activating the market and the economy but enriching people's lives.

- Panelist: Mr. Gerard B. Sanvictores - Head of Admin. & Core Business Services, SyCip Gorres Velayo & Co. / Secretary-General of PHILJEC, Philippines

ASEAN-Japan human resource development

As the advanced Western countries struggle to break away from the global recession, Asia enjoys rapid growth and is strengthening its presence in the world economy. Under such circumstances, many business leaders are required to deal with problems accompanying expansion into newly emerging economies and increased trans-national business activities.

The greater fluidity of human resources within ASEAN has resulted in a greater number of people, especially professionals, capable of working beyond national borders and cultural differences. Japan can benefit from more active use of such human resources to obtain added cost competitiveness and greater ease in conducting business in newly emerging markets. Moreover, such ASEAN-Japan collaboration can create a virtuous circle of policy measures for advanced human resource development in ASEAN resulting in greater motivation for skill acquisition by local people. Global corporations are expected to fulfill their global responsibility of contributing to local talent training through investing in companies in newly emerging countries and hiring local human resources.

In promoting international human resource utilization in such a manner, ASEAN should establish or readjust systems for the certification of advanced professionals and human resource migration. In respective countries, higher education should be reviewed from the standpoint of human resource training for international labor markets, and labor and other relevant laws should be updated regarding acceptance of highly qualified foreign human resources.

A successful example of international human resource development is a training program for sailors in the Philippines and other ASEAN countries. The key success factors in this example

include the establishment of a system that certifies internationally recognizable skills and knowledge and the designing of programs compatible with domestic and international employment.

- Panelists: Mr. Anwar Pulukadang, President, PT TRIPIND PATRIA, Indonesia

ASEAN-Japan human resource development and interaction

Concerning human resource development and interaction, I would like to take up two professional categories, namely health/medical care providers on the one hand and business managers, professionals and entrepreneurs on the other.

Between ASEAN and Japan and among ASEAN members, there are still differences in labor costs and domestic employment opportunities. It is necessary to close these gaps in ways that are optimal to all parties. Japan's population aging and birthrate decline are advancing at a rate far greater than anticipated ten years ago. New approaches will have to be adopted to preserve people's lifestyles and maintain the well-being of health/medical care providers.

Indonesia, which has historically provided human resources to other countries, wishes to reduce the number of people sent to work abroad, especially to the Middle East, as we achieve greater economic development at home. In view of this, relying on foreign labor may not be a sustainable solution for Japan in the long run.

Business managers, professionals and entrepreneurs are expected to increase in number as education and IT become increasingly widespread and corporate activities are globalized. For countries such as Japan, whose young population is dwindling, productivity can be enhanced by inviting foreign human resources of this category.

In the process of education and training for human resources of this category, it is important to instill in them the idea that their ultimate mission should be to create value for the world at large, instead of merely making money or creating wealth for themselves. In this regard, ASEAN can learn much from Japan.

I myself was educated in Japan; many students in Indonesia and Thailand learn Japanese and Japanese values at university. I hope that investment will be made for these young people and that they will be provided with great opportunities for professional activities in the future.

- Panelist: Takeo Takasu, Chairman and Representative Director, NAMCO BANDAI Holdings, Inc. (Japan)

Japanese companies in Asia: example of NAMCO BANDAI Holdings, Inc.

NAMCO BANDAI Holdings and many other Japanese companies wish to make long-term commitments in Asia. We hope to continue our business in the host countries and see our local employees work with us for a long period and acquire a wide range of skills and techniques. We believe this is a win-win situation for both employers and employees.

NAMCO BANDAI Holdings has four manufacturing bases and eight sales companies in Asia outside Japan. Bandai (Hong Kong) Co., Ltd., established in 1977, is charged with regional production and sales coordination in Asia. Based on the production plans drawn up by Bandai Hong Kong, Bandai Industrial Co., Ltd. in Thailand conducts manufacturing in its own factories. The two companies have seen their production and sales figures nearly double since 2002. At BANDAI NAMCO, our approach to human resource development begins by building a sense of solidarity among local personnel as BANDAI NAMCO Group members by having people share the common corporate mission and vision. As part of this process, messages from top management are communicated throughout the Group, and in-house newsletters are published. Moreover, training programs are organized in Asia in which both local and Japanese employees participate together. As a result, communication between Japan and other Asian countries and within Asia has become more active. Furthermore, a number of local employees in Asian countries are selected each year to take part in a short-term training program in Japan. The objective of this program is to have the Asian personnel experience first-hand Japanese-style corporate life, and the program participants are known to become even more motivated in their professional activities. We also commend employees who have made outstanding achievements each year. Our human resources, developed this way, are actively deployed in managerial positions in local companies in Asia. In fact, the percentage of local managers at our Asian facilities has already reached 60%.

We also actively promote the transfer of technology relating to 3D design of dies for plastic models and other toys to the Asian companies so as to enable product design in the local manufacturing field and shorten the development period. At the same time, this can increase the number of local personnel with advanced expertise. In the long run, they have technical advantages in the eye of companies arriving there in the future, enhancing the overall competitiveness of the region or country.

Our efforts throughout the 2000s have steadily advanced the localization of management as well as die production. As in our example, Japanese companies will have to spread their manufacturing facilities more evenly throughout ASEAN to avoid the risk of excessive concentration in China.

Some survey results indicate that the most important challenge facing Japanese companies as they develop their business globally is how to develop local human resources. The key to successfully overcoming this challenge is how to motivate local employees and maintain their enthusiasm with future prospects.

- Comments and opinions

- Many Japanese companies come to ASEAN, but business development in the opposite direction is very rare. ASEAN has 600 million people, but many Japanese companies still say that there are not enough local human resources. Isn't this because Japanese companies look for only those who are suitable for the Japanese-style business as prospective employees?

- (Mr. Takasu) I can say at least for our company that we do not believe that only Japanese can become the president of an Asian affiliate. We seek to build a long-term relationship with our local partner, and whoever can assume the responsibility does not have to be Japanese.

Closing Ceremony

- Closing remarks: H. E. Dr. Khin Shwe (Chairperson of the 37th AJBM, Myanmar)

One of the ASEAN-Japan Business Meeting's priorities for many years, the ASEAN-Japan Comprehensive Economic Partnership Agreement, was signed, and we, as business leaders, expect to see a range of policy measures implemented to yield concrete results.

In the 37th AJBM held in this context and on the theme of "Empowering ASEAN-Japan Economic Partnership in the Changing Setting of the Global Economy," we had discussions in the three sessions and confirmed the participants' intention for regional economic integration and development in the future.

While the AJBM aims at expanding trade and investment and reinforcing business ties between ASEAN and Japan, our intention goes far beyond the interest of the two sides, for we are convinced that Asia's growth and regional integration will contribute to regional stability and development as well as sustainable growth of the global economy.

Hoping that the AJBM continues to play the role of generating momentum for realizing these future prospects, I would like to introduce and pass the baton over to Malaysia, the host country of the 38th AJBM. The details of the next meeting will be presented later by Malaysia, and preparatory meetings will be held in the Philippines.

In closing, I would like to express my gratitude to the organizations and participants for their invaluable cooperation that has made the 37th AJBM a great success.

- Closing remarks: Eizo Kobayashi (Co-chairperson of the 37th AJBM, Japan)

I would like to express my gratitude to our Chairman Mr. Khin Shwe for this highly significant and insightful opportunity and to the session chairpersons, panelists and participants for their precious contributions.

The ASEAN-Japan relationship has never been closer. The discussions and proposals in the 37th AJBM have helped us to recognize anew the importance of the ASEAN member nations for Japan.

Session 1 on risk management clarified that the ASEAN-Japan ties based on the Economic Partnership Agreement and multi-level supply chains provide highly effective preparedness against eventualities and risks.

Session 2 has enabled us to confirm that we are facing the common challenges of energy security and environmental protection against the background of Asia's rapid growth and the changing global situation. Despite varying conditions in the respective countries, basically we are all in the same boat. We will not be able to construct a viable energy structure in the future without mutual cooperation.

In Session 3, we dealt with generalities and concrete examples of human resource development, or growing talent. We all agree on the vital importance of human resource development, but it is no easy task to define what constitutes best practice. As the ASEAN-Japan relationship become even closer and deeper in the future, new problems will emerge. Yet, continuing discussions and sharing views and experiences, as we have done in the AJBM, will always be the key to finding solutions.

I myself have acquired new knowledge through the three Sessions. I hope that the 37th AJBM has been as meaningful and rewarding for all the participants and the AJBM will continue to contribute to sustainable growth of the member countries, our region, and the world.

I look forward to seeing you again at the 38th AJBM in Malaysia.

● Closing remarks: Tan Sri D'ato Azman Hasim (Chairman of the 38th AJBM, Malaysia)

We are honored to host the 38th AJBM. It will be a hard act to follow, after the remarkable success of this meeting largely attributable to the great efforts by Chairman Khin Shwe. Nevertheless, the Malaysian national committee will do its utmost for the next meeting. Among the exchange of opinions on various themes during the 37th AJBM, the frank discussions on the future of AJBM and goals in the Steering Committee Meeting was particularly fruitful. I intend to prepare for the next meeting while continuing my discussions with Mr. Kobayashi, the Co-chair of the 38th AJBM, so that it will be a significant and meaningful event.

I look forward to welcoming you all to Malaysia.