

42nd ASEAN-Japan Business Meeting (AJBM)

Date : Monday 10 October - Wednesday 12 October 2016
Venue : Sapporo Park Hotel, Hokkaido, Japan
Theme : Strengthen ties between ASEAN and Japan, by vitalizing local economy of ASEAN and Japan

Meeting Summary

1. Opening Ceremony

- **Event Open : Dr. Yoshimitsu Kobayashi, Chairman, Keizai Doyukai**
 - ✓ The world is hitting a major tipping point. As the global integration of economies is accelerating, politics in Europe and the U.S. are being affected by public outrage about the adverse effects of globalization, including income disparity and the rapid increase in immigrants. The effects of public outrage emerged as Brexit in the U.K. and the Trump phenomena in the U.S. presidential election.
 - ✓ In this environment, management in the ASEAN region and Japan are responsible for deepening economic integration in Asia, which has been steadily making progress.

- **Welcoming Remarks : Mr. Ryuzo Yokouchi, Chairman, Hokkaido Keizai Doyukai**
 - ✓ Given the global economic slowdown, there are signs of protectionism in Europe and the U.S. Against this backdrop, it is very important that management in the ASEAN region and in Japan should deepen mutual understanding and promote international exchange.

- **Special Remarks by Guest of Honour: Mr. Yasuhiro Tsuji, Vice Governor of Hokkaido Prefecture**
 - ✓ We aim for “Hokkaido shining in the world.” We are promoting initiatives in a variety of fields, including tourism, food and human resources, making the most of Hokkaido’s four seasons as well as the characteristics and specialties in different regions.

2. Plenary Session 1

Mr. Koichi Kawana, 42nd AJBM Co-Chairman, chaired Plenary Session I. In the first half, three lecturers delivered keynote speeches. In the second half, a panel discussion was held, where four panelists and a moderator participated.

(1) First Half: Presentation

- **Dr. Fukunari Kimura, Professor, Faculty of Economics, Keio University / Chief Economist of Economic Research Institute for ASEAN and East Asia**
- ✓ The ASEAN region has achieved economic growth based on the Global Value Chain (GVC) built into the manufacturing industry. This is a model unique to the ASEAN region, unseen in other regions in the world. Moreover, no other regions or emerging economies have been able to achieve this model, which is very important to ASEAN.
- ✓ Each ASEAN member state needs to promote their industry in accordance with their stage of development for the concentration of industry and innovations to build stronger relationships with the GVC. To that end, it is important for them to increase their research and development level and attract outstanding human resources from abroad.
- ✓ For Japan, it is important to address challenges on the supply side, especially issues related to the labor force. Japan should consider accepting foreign workers. the ASEAN countries and Japan can strengthen their cooperation, taking these challenges into consideration.

- **Ms. Chian Voen Wong, Director, Mayer Brown Consulting**
- ✓ The ASEAN Economic Community (AEC), which was established at the end of 2015, has four goals: (i) a single market and production base, (ii) a highly competitive economic region, (iii) a region of equitable economic development and (iv) a region fully integrated into the global economy. There are a number of challenges that remain to be addressed in relation to the establishment of a single market and production base, the most important goal.
- ✓ ASEAN has formulated AEC 2025, the goal of the AEC for the next 10 years, in which facilitating trade to promote economic integration is an important item. For the ASEAN economy including small- and medium-sized enterprises (SMEs) to promote its integration into the GVC and to maintain its position as a production base, an environment facilitating a free trans-border flow of goods, investments and services is important. ASEAN has already been taking steps to improve the environment, both tangible and intangible.

- **Mr. Yoshiaki Nakamara, President, Japan Inbound Solutions Co., Ltd.**
- ✓ According to government statistics in 2014, two million people visited Japan from ASEAN countries, and that number is only half the number of Japanese who visited the ASEAN countries, four million. In 10 years, the number of travelers from ASEAN countries to Japan is expected to become about the same as the number of those from Japan to ASEAN countries, which will create new business opportunities for Japan.
- ✓ There are three important factors for Japan in building sustainable relationships with ASEAN countries through inbound tourism: marketing using social networking services, utilizing the sharing economy and promoting electronic settlement using credit cards and electronic money.
- ✓ For revitalizing local communities using tourism, it is important to promote sustainable tourism, while protecting the living environment of local residents.

(2) Second Half : Panel discussion

Panelist:

- **Dr. Fukunari Kimura, Professor, Faculty of Economics, Keio University / Chief Economist of Economic Research Institute for ASEAN and East Asia**
- **Ms. Chian Voeng Wong, Director, Mayer Brown Consulting**
- **Mr. Yoshiaki Nakamara, President, Japan Inbound Solutions Co., Ltd.**
- **Tan Sri Dr. Michael O.K. Yeoh, Co-Founder and CEO, The Asian Strategy & Leadership Institute**

Moderator:

- **Dr. Yoshinori Fujikawa, Associate Professor, International Business Strategy, Hitotsubashi University**

Following the keynote speeches in the first half, a panel discussion was held to discuss possibilities for collaboration and the strengthening of relationships between ASEAN nations and Japan in three fields: tourism, food and regional resources. Four panelists, including the three speakers that delivered the keynote speeches and a moderator participated in the discussion.

The four panelists vigorously exchanged views regarding the importance of improving multifaceted connectivity in the ASEAN region and expectations of Japan's cooperation, institutional harmony for the movement of people, the cross-border use of human resources, and possibilities for developing points of contact between provincial cities, SMEs and overseas countries.

Based on the exchange of views, Dr. Yoshinori Fujikawa, Associate Professor,

International Business Strategy, Hitotsubashi University, the moderator, pointed out that not only urban areas and large companies, but also rural districts and SMEs are exposed to globalization. He concluded the discussion, saying, “For deepening the relationship between ASEAN and Japan, cross-border cooperation between provincial communities and SMEs is becoming more and more important. Expanding discussion from such a viewpoint at this meeting is timely.”

3. Luncheon

PhD. Ryusuke Hatano, Professor, Hokkaido University described a program that Hokkaido University is implementing jointly with six universities in Indonesia and Thailand, the Populations-Activities-Resources-Environments Program. It is intended to cultivate human resources working on the frontier for reversing the vicious cycle resulting from causes related to populations, activities, resources, and environments. Following his explanation, students from Indonesia, Thailand and Japan who participated in the program presented the results of their efforts in addressing such issues as the improvement of food and nutrition, the improvement of the imbalance between urban and rural areas, the proper use of fossil resources and the monitoring and improving of environmental issues.

4. Plenary Session 2

Plenary Session II was chaired by Mr. Shinya Katanozaka, 42nd AJBM Co-Chairman. Three speakers described the distinctive initiatives in Hokkaido in the fields of tourism, food and regional resources.

● Mr. Hiroshi Yoshikawa, Japan Shopping Tourism Organization

- ✓ We are promoting Shopping Tourism to get foreign tourists to deepen their understanding of Japan through shopping at their travel destinations.
- ✓ We promote tourism to tap into the consumption of foreign tourists. Shopping and eating meals are major incentives on which they spend money. It is important to attract strong purchasing power from overseas and use it to revitalize the regional economy.
- ✓ We hope that foreign tourists will see local culture and lifestyles and take home memories and specialties unique to the area of their visit as souvenirs or gifts. Hokkaido has plenty of appealing foods found in cold climates. We hope that tourists will find enjoyment in eating those foods, taking them home, and ordering them from abroad.

- **Mr. Makoto Mitsui, Executive Director, Office of Food Industry promotion, Department of Economic Affairs, Hokkaido Government**

- ✓ Hokkaido has an ambitious target of exporting 100 billion yen's worth of food annually by FY2018. To expand exports in the long term, it is important to establish the Hokkaido brand among young foreigners. To that end, we are executing the COOL HOKKAIDO project, using TV programs and SNS.
- ✓ Through this project, we have been shocked to learn that things in Hokkaido that we take for granted are appealing to foreigners. We have learned that it is important to sell what foreigners want to buy instead of selling what we want to sell.
- ✓ It is difficult for Hokkaido to enter the ASEAN market by itself. We need assistance from ASEAN. We would like to cooperate with ASEAN from the planning stage and to sell products and tourist services in the global market that ASEAN and Hokkaido will develop together.

- **Mr. Hiroyuki Itoh, CEO, Crypton Future Media, Inc**

- ✓ HATSUNE MIKU is a 16-year-old girl who sings well. She does not exist in the real world. She is software we have developed that synthesizes a singing voice. We can make her sing on a real stage in a concert using 3D computer graphics technology.
- ✓ HATSUNE MIKU is popular in the ASEAN region too. The tickets for her concert held in Singapore in 2011 were sold out. Jakarta was chosen as the venue of MIKU EXPO, HATSUNE MIKU's world tour, by fans worldwide. More than 10,000 young people attended the event.
- ✓ We have created SNOW MIKU, the snow version of HATSUNE MIKU, to contribute to Hokkaido. We are sure that SNOW MIKU will become popular in the ASEAN region. We would like to commercialize SNOW MIKU in cooperation with people in the ASEAN region.

5. Roundtable Discussions in Parallel

Based on the comprehensive discussion at the Plenary Sessions, the participants split up into three roundtable meetings: Roundtable 1: Tourism, Roundtable 2: Food and Roundtable 3: Regional Resources. At each meeting, participants exchanged their views in smaller groups.

(1) Roundtable 1: Tourism

- **Mr. Yuthasak Supasorn, Governor of Tourism Authority of Thailand**
 - ✓ The Tourism Authority of Thailand believes that tourists from Japan want high-quality services. To respond to the demand from Japanese people, it is executing programs to attract Japanese tourists under a number of themes, including medical care and health, sports, students and women.
 - ✓ The Thai tourism industry has two challenges. One is to make Thailand a bridge between Japan and the ASEAN region, a regional hub in the tourism industry. In this way, Thailand would like to contribute to increasing opportunities in the entire ASEAN region. The other challenge is linking tourists in the country to the development of the Thai economy. We would like to increase the competitiveness of the Thai tourism industry to transfer wealth from urban areas to rural areas.

- **Prof. Rokhmin Dahuri, Chairman & Economic Advisor on behalf on Ruling party -PDIP Indonesia, for Maritime Affairs / Senior Advisor, PT JSB (Jiva Samudera Biru) Indonesia**
 - ✓ The Indonesian government has set seven priority fields in its development policy, and tourism is one of them. The government has developed a plan to increase the number of foreign tourists from 9 million at present to 20 million by 2019. Specifically, the government has established ten special tourism zones and is developing infrastructures there, including airports, stations and ports.

- **Mr. Ross Findlay, Representative director, NAC (Niseko Adventure Center)**
 - ✓ As the Japanese economy declined in the 1990s, the number of ski tourists fell in the Niseko area in Hokkaido, and owners of pensions and hotels faced challenging situations. We proposed introducing rafting as a measure to attract tourists in summer. The introduction of rafting was followed by the launch of other businesses. At present, Niseko has tourists throughout the year.
 - ✓ Niseko has become a resort town where tourists remain for extended stays, which has affected not only hotel operators but also all residents. Residents' income has increased, and they have become more interested in foreign countries. They have come to consider new businesses targeting affluent foreign tourists. The local economy has entered a virtuous circle.
 - ✓ The challenges of Niseko are a lack of future vision for the entire town and an insufficient number of Japanese who speak English.

- **Mr. Ven Nishimura, Chairman, Prime Travel & Tour Pte. Ltd.**

- ✓ We are promoting driving trips in Hokkaido for foreign tourists. Finding the resolve to accept losses with the launch of the business, we prepared cars to rent and charter flights and invited 162 tourists from Singapore to Hokkaido. They traveled around Hokkaido for eight days, using 50 rental cars. We arranged three or four similar trips every year. As a result of those efforts, our business has expanded. Now, we are providing 270,000 rental cars annually for driving trips in Hokkaido.
- ✓ Among ASEAN countries, Japan is the most popular travel destination, and the number of tourists to Japan has been increasing. A Japan boom has occurred not only in ASEAN countries but also all over the world. Japan needs to prepare to accept foreign tourists.

- **Mr. Yoshiaki Nakamara, President, Japan Inbound Solutions Co., Ltd.**

- ✓ The population will continue to increase in Asia. However, in 15 to 20 years, Asian countries will have aging populations and will become like Japan. Instead of becoming panicked at that time, we need to join with other Asian countries in studying how to deal with the aging population now.
- ✓ Asia's tourism market is expected to continue growing for a few decades. Japan needs to take steps to tap into the growth. Two-way tourism between Japan and Asia, instead of one-way, will be necessary.

(2) Roundtable 2: Food

- **Mr. Yuichi Narita, President & CEO, NIPPON ACCESS HOKKAIDO Inc.**

- ✓ Hokkaido plans to increase food exports to 100 billion yen in 2018. The main purpose of the plan is developing the agriculture and fishery industries and the food-processing industry, the mainstay industries of the region, and building a strong regional economy. We will achieve this by developing sales channels to reach overseas markets, tapping into the dynamism of growing markets overseas.
- ✓ Our challenge for increasing exports of foods produced in Hokkaido is to make Hokkaido products popular in overseas markets and expand the supply to retailers by getting rapidly increasing inbound tourists to recognize the products. To overcome this challenge, the use of e-commerce and regular flight service is important.

- **Mr. Abdul Kadir, Director, PT TRIPINDO PATRIA**

- ✓ Japan has a similar food culture to ASEAN countries and has advanced technologies in the food industry. The ASEAN countries need Japanese technology in a wide range of fields, including seeds, agricultural machines, the fisheries industry, and dairy farming.

- ✓ In Indonesia, for example, there are three major stages, from rice producers to consumers. Because of these stages, consumers rarely have the opportunity to observe the processes. The time involved in both the processing and distribution also makes it quite difficult to keep the rice fresh. To solve this problem, we would like to propose a new concept that includes the use of Japanese technology.
- ✓ Specifically, we will be able to introduce smaller and lower-priced machines using Japanese technology, and will consolidate places for the three processes into one place. In this way, we will be able to start businesses with as small an amount of capital as possible. As a result, the distribution process of rice will be shortened, and the price of rice will be held down. Consumers will be able to have fresh rice. All of the processes will be checked in one place, and consumers' concerns will be removed.

- **Mr. Myint Wai, Founder and Patron, Wa Minn Group of Companies**

- ✓ The strengths of Myanmar's food industry are plentiful natural resources, human resources, government assistance, a large local market, and easy access to overseas markets. It is important for Japan and ASEAN countries to cooperate and establish a win-win relationship. This also applies to relationships between ASEAN member states.

- **Mr. Takashi Nishiyama, President, Nishiyama Seimen Co., Ltd.**

- ✓ We manufacture ramen noodles. We are exporting ramen as food and are also introducing its history and culture to overseas countries. In the domestic market, we cannot expect growth due to the declining birth rate and aging population. In foreign countries, ramen as a Japanese dish has gained customers, mainly among high-income individuals and young people.
- ✓ I would like to point out three challenges that Japanese restaurant businesses face when they expand to foreign countries. First, many Japanese restaurant businesses are sole proprietorships and SMEs, and choosing local partners is important when they expand further into foreign countries. Overcoming the language barrier will thus be a challenge. Second, quarantine regulations and standards are different from those of Japan. Third, it is difficult to protect techniques and craftsmanship that are handed down as intellectual property in the restaurant and service business.

- **Mr. Tomohiro Deguchi, President, Wakka Japan**

- ✓ We are expanding business overseas as a rice store selling only Japanese rice. Our main feature is exporting unpolished rice from Japan and polishing the rice at our overseas mills to provide fresh Japanese rice overseas.
- ✓ I would like to point out three important keys to overseas operations. First is opening specialty restaurants. In the ASEAN countries, especially Singapore, the Japanese meal market is mature, and the need for restaurants serving specialty dishes, such as rice bowl dishes, rather than restaurants serving a variety of Japanese dishes, is increasing. Second are activities for raising awareness of Japanese rice. Countries in Southeast Asia have a rice culture, but their food culture is completely different from Japan where long-grain rice is eaten. We need to understand the difference. Third is setting reasonable prices. We are sticking to reasonable prices, hoping that people overseas will eat Japanese rice every day. We are making efforts to sell Japanese rice at a price reflecting its value, while protecting the Japanese rice brand.

(3) Roundtable 3: Regional Resources

- **Mr. Yeonhang Chuah, Managing Director, Inter-Asia Links Co., Ltd.**

- ✓ In 2011, I was involved in the foundation of AirAsia Japan, a joint venture of All Nippon Airways and AirAsia. AirAsia Japan started service in 2012, but the joint venture was dissolved only ten months later. AirAsia believed that an approach to joint ventures in the ASEAN countries could also be employed in Japan and did not attempt to understand the Japanese market. All Nippon Airways thus terminated collaboration with AirAsia.
- ✓ Subsequently, AirAsia Japan changed its name to Vanilla Air Inc. and is continuing to operate flights steadily under ANA Holdings Inc. On the other hand, AirAsia established AirAsia Japan again in 2014, but has not started service yet three years after the establishment. Like this example, unfortunately, there have been some failed attempts.

- **Mr. Truong Gia Binh, Chairman, FPT CORPORATION**

- ✓ We are entering the fourth industrial revolution, and IT is changing from a tool to a business itself. Vietnam is attractive as a country where subcontractors in the IT industry can be found with abundant human resources. The ASEAN countries, including Vietnam, have plentiful human resources to make up for the shortage of human resources in Japan during the fourth industrial revolution.
- ✓ We have a program for cultivating in-house engineers for Japanese customers. In this program, engineers who receive training in Vietnam for three months are sent to Japan, where they stay for a year. In this way, we are cultivating human

resources who have an understanding of Japanese language and Japanese customs in addition to IT skills.

- **Mr. Noboru Tsujimoto, President, T-PLAN CO.,LTD**

- ✓ Established in 2002, we operate sewing plants, a futon leasing business, and linen supply business both in Japan and overseas. As the domestic market is shrinking, we expanded into Cambodia.
- ✓ When we started business in Cambodia, we considered doing mainly B2B business. However, we changed the policy and shifted the focus from B2B to B2C. We have decided to aim to provide the best quality and service in Phnom Penh. In addition to Japanese and other foreign customers, local customers have been increasing. Orders from hotels have also been increasing. We opened our first store in Aeon Mall. Subsequently, we established standalone agencies and agencies alongside other facilities. We will increase the number of agencies step by step. We plan to make local staff members into independent owners of agencies and improve their standard of living.

- **Mr. Gerard Bustos Sanvictores, Chairman & President, QRD INVESTORS INC**

- ✓ Of the four goals that the AEC has set, establishment of a single market and production base has not been achieved. One of the reasons is the low level of mobility of human resources for highly specialized services in the ASEAN region. As a solution, ASEAN has agreed on a service framework agreement. The agreement stipulates the mutual recognition of licenses and certifications in services among the ASEAN member states.
- ✓ For Japan and the ASEAN cooperating in sharing human resources, preparing for discussions on mutual recognition arrangements (MRA) is important. The biggest challenge for sharing human resources is the language barrier.

- **Mr. Daichi Konuma, Chairman of the Board, CROSS FIELDS**

- ✓ Many Japanese companies feel that expanding into ASEAN countries is difficult. There are two major reasons: (1) lack of entrepreneurship and global leadership among young Japanese, and (2) lack of mutual understanding between ASEAN nations and Japan regarding each other's culture at a grass-roots level.
- ✓ We offer a program where Japanese companies dispatch employees to NGOs and companies addressing social issues in Asian countries, primarily ASEAN member states. In the program, dispatched employees are expected to make contributions to the local society, using their skills as business people. In general, businesses essentially do not exist solely for pursuing profits, and they have been

linked to solving social issues. We believe that many Japanese companies have become respected in ASEAN countries because of their involvement in solving social issues.

6. Closing Remarks

In the closing session, the moderators of the roundtable meetings reported discussions and exchanges of views at each roundtable meeting.

Co-Chairman Kataonaka made a closing address, in which he emphasized three key phases in relation to the strengthening of ties between Japan and the ASEAN: two-way communication, never-ending development and local-to-local.

Lastly, Dr. Thanong Bidaya, Representative of AJBM Thailand national committee, announced that the 43rd AJBM will be held in Thailand.

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