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MEMORANDUM

FOR : The Directors
Biodiversity Management Bureau
Environmental Management Bureau
Ecosystems Research and Development Bureau
Forest Management Bureau
Mines and Geosciences Bureau

FROM : The OIC Director
Policy and Planning Service

SUBJECT : **ASEAN-JAPAN ECONOMIC CO-CREATION VISION AND
FUTURE DESIGN AND ACTION PLAN**

DATE : 27 FEB 2023

This refers to the letter dated 13 February 2023 of Assistant Secretary Allan B. Gepty from the Department of Trade and Industry (DTI), requesting for inputs on the key deliverables for the upcoming 29th ASEAN Economic Ministers – Ministry of Economy, Trade and Industry of Japan (29th AEM-METI) Consultations in August 2023.

Background

Please be informed that Japan has initiated the development of the documents regarding ASEAN-Japan Economic Co-Creation Vision and Future Design and Action Plan of an Innovative and Sustainable ASEAN-Japan Economic Partnership that would guide the future economic relations of ASEAN and Japan. The proposed initiatives aim to foster collaboration and harness opportunities brought about by the regional integration efforts of ASEAN as a center of economic growth vis-à-vis the economic stagnation of Japan, common challenges on post-COVID-19 recovery, and geo-political developments, among others.

Further, the ASEAN-Japan Economic Co-Creation Vision envisions a society that is safe, prosperous, and free through fair and mutually beneficial economic co-creation based on trust. This vision is a direct outcome of the on-going private sector consultations organized by Japan, and founded through the following pillars:

1. Balancing diversity and inclusiveness in sustainable development;
2. Promoting open innovation beyond borders;
3. Strengthening cyber-physical connectivity; and
4. Building an ecosystem in co-creating dynamic human capital

Action requested

In this regard, we would like to request your inputs/comments on the following working

drafts (*attached*), to wit:

- a. **ASEAN-Japan Economic Co-Creation Vision** - particularly on Section 2.2 (Economic stagnation in many countries due to the COVID-19 pandemic and tensions in world affairs, and the growing need to tackle global issues), Section 4.2 (Balancing diversity and inclusiveness in sustainable development that improves the global environment and solves its challenges, while ensuring wellbeing so that no one is left behind), and Section 5 (Next steps towards realizing the ASEAN-Japan Economic Co-Creation Vision);
- b. **Future Design and Action Plan of an Innovative and Sustainable ASEAN-Japan Economic Partnership** - particularly on the Sustainability pillar/section; and
- c. **Specific Questions posed by Japan (*Annex 3*)** - Japan had also expressed interest to proceed with an initial set of cooperation projects with ASEAN in anticipation of the future ASEAN-Japan Economic Cooperation. Relative thereto, we would also like to seek your inputs on specific areas of interest/cooperation in order to ensure the inclusion of the Philippines' interests in future ASEAN-Japan Economic Relations.

We would appreciate receiving your feedback/inputs by **02 March 2023**, in order to facilitate the submission to the DTI.

For your information and appropriate action, please.


CHERYL LOISE T. LEAL

13 February 2023

Please refer to the attached Distribution List

Subject: Request for Inputs on the ASEAN-Japan Economic Co-Creation Vision and Future Design and Action Plan

Dear Sirs/Mesdames,

The Department respectfully requests for your inputs on the key deliverables for the upcoming 29th ASEAN Economic Ministers – Ministry of Economy, Trade and Industry of Japan (29th AEM-METI) Consultations in August 2023, namely: (1) the ASEAN-Japan Economic Co-Creation Vision and the (2) Future Design and Action Plan of an Innovative and Sustainable ASEAN-Japan Economic Partnership.

To mark the 50th Anniversary of ASEAN-Japan economic relations this year, Japan has initiated the development of two (2) documents that would guide the future economic relations of ASEAN and Japan. The proposed initiatives aim to foster collaboration and harness opportunities brought about by the regional integration efforts of ASEAN as a center of economic growth vis-à-vis the economic stagnation of Japan, common challenges on post-COVID-19 recovery, and geo-political developments, among others.

The ASEAN-Japan Economic Co-Creation Vision envisions a society that is safe, prosperous, and free through fair and mutually beneficial economic co-creation based on trust. Such vision is a direct outcome of the on-going private sector consultations organized by Japan, and is founded on four (4) important pillars:

1. Balancing diversity and inclusiveness in sustainable development
2. Promoting open innovation beyond borders
3. Strengthening cyber-physical connectivity
4. Building an ecosystem in co-creating dynamic human capital.

In parallel, the ASEAN-Japan Economic Co-Creation Vision is a private sector-led initiative to guide the development of the Future Design and Action Plan by operationalizing the vision and aspirations identified in the former. Further, in anticipation of the future ASEAN-Japan Economic Cooperation, Japan has also expressed interest to proceed with an initial set of cooperation projects with ASEAN on the following projects and goals, and has specified a set of questions for ASEAN's comments:

Projects	Goal	Questions
1. Sophistication of supply chain infrastructure utilizing digital technology	Create 100 cases of data utilization for supply chain sophistication	• What areas of supply chain are you interested in when it comes to resiliency?
2. Developing a network of	Events to network 100 young business leaders	• How can we find good young entrepreneurs in each country

OFFICE OF THE ASSISTANT SECRETARY FOR INDUSTRY DEVELOPMENT AND TRADE POLICY GROUP

entrepreneurs in ASEAN-Japan	of ASEAN and Japan	(people who are promoting solutions to social issues through innovation and who are interested in Japan), and how can we collaborate with AMS to find those young entrepreneurs?
3. Support for promoting business co-creation addressing social challenges	Contribute to co-creation of 100 businesses solving social challenges such as food security as well as easier access to healthcare	<ul style="list-style-type: none"> • What kind of ideas are possible to have more involvement of AMS?


In line with this, we are requesting for your inputs and comments on these documents and questions posed by Japan. Your agency's assistance in identifying specific areas of interest would ensure Philippine interests are pushed forward and maintained in future ASEAN-Japan economic relations.

We have attached the Co-Creation Vision, Future Design and Action Plan, and the Additional Questions Posed by Japan for your reference and information. We look forward to receiving your comments by **Friday, 17 February 2023**.

Should you have any points for consideration, you may directly coordinate with Mr. Michael Allen Fernandez (MichaelAllenFernandez@dti.gov.ph).

Thank you for your usual cooperation.

Sincerely,


Atty. ALLAN B. GEPTY
Assistant Secretary

cc: Director Angelo Salvador Benedictos, BTR

Attachment a/s

Annex 3. Specific Questions Posed by Japan

Name of Agency: _____

<p>1. Sophistication of supply chain infrastructure utilizing digital technology</p>	<p>Create 100 cases of data utilization for supply chain sophistication</p>	<ul style="list-style-type: none"> • What areas of supply chain are you interested in when it comes to resiliency? 	<ul style="list-style-type: none"> •
<p>2. Developing a network of entrepreneurs in ASEAN-Japan</p>	<p>Events to network 100 young business leaders of ASEAN and Japan</p>	<ul style="list-style-type: none"> • How can we find good young entrepreneurs in each country (people who are promoting solutions to social issues through innovation and who are interested in Japan), and how can we collaborate with AMS to find those young entrepreneurs? 	<ul style="list-style-type: none"> •
<p>3. Support for promoting business co-creation addressing social challenges</p>	<p>Contribute to co-creation of 100 businesses solving social challenges such as food security as well as easier access to healthcare</p>	<ul style="list-style-type: none"> • What kind of ideas are possible to have more involvement of AMS? 	<ul style="list-style-type: none"> •

Interim note on the development of the ASEAN-Japan Economic Co-Creation Vision: Working Draft (Provisional Translation)

1. Introduction - Redefining the ASEAN-Japan economic relationship in commemoration of the 50th Year of Friendship and Cooperation between ASEAN and Japan

- The economic relationship between ASEAN and Japan has changed dramatically over the last 50 years and will keep changing over the next 50 years.
- In the latter half of the 20th century, Japan supported ASEAN's industrialization and economic development in line with the flying geese model, e.g., infrastructure development through a network of foreign direct investment, mainly in manufacturing, public finance, and industrial human resource development through public-private partnerships. In the 21st century, Japan has continued to contribute to ASEAN's development through promotion of ASEAN-Japan cooperation in various perspectives, such as reduction of regional inequality within the ASEAN region through the Japan-ASEAN Integration Fund (JAIF), the ASEAN+3 Macroeconomic Research Office (AMRO) as a monitoring organization for macroeconomics and the Chiang Mai Initiative after the Asian Financial Crisis, as well as economic integration through the RCEP negotiations and the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA).
- However, the relationship between ASEAN and Japan has changed drastically over the years.
- While Japan is the world's third largest economy in terms of GDP, its economic situation is still in what we call the “lost three decades: a period of economic stagnation” with low productivity and stagnation of wages and GDP per capita. Japan also faces social issues affecting many other mature developed countries, such as a declining birthrate, an aging population and a declining economy in rural areas. Particularly, the country faces challenges such as energy security and food security due to low energy and food self-sufficiency, the absence of digital platformers, or Big Tech Giants such as GAFA (Google, Amazon, Facebook, Apple), losing its “animal spirit” for innovation, and falling behind in the

transformation of its industrial structure.

- ASEAN, on the other hand, has enhanced its presence as a community, upholding ASEAN Centrality and Unity. Particularly, in terms of economy, it has established the ASEAN Economic Community and is working on economic integration from various perspectives. ASEAN also represents a dynamic growth center that will drive global economic development in the future with the prediction of exceeding Japan's GDP by 2030. ASEAN promotes innovation by startup companies whose growth patterns are called leapfrogging, the ability of a developing or less developed country to skip inefficient and unproductive industrial development stages and to achieve the standard of developed countries through the introduction of digital technology from developed countries. These companies have provided products and services to solve social challenges in a wide range of fields, such as logistics, payment and financial services using digital technology. Additionally, it has a young population with a rapidly rising income level, and a middle-income class who enjoy urban city life is emerging. Seeing the economic vibrancy of this region, China and South Korea, as well as Europe and the U.S., have actively been investing in ASEAN.
- In this context, there are voices from ASEAN countries which regard Japan as just one of their partners and not as a big player as it once was, and that Japan lacks agile decision-making. However, given the solid relationship fostered over the years by Japanese companies in ASEAN and the fact that Japan is a pioneer experienced in addressing social challenges in ASEAN countries, there are still high expectations for Japan.
- From Japan's point of view, it is important to accept the reality of such a drastic change in economic relations and to reaffirm Japan's strengths. Then it is necessary to build a mutually beneficial relationship between ASEAN and Japan. From ASEAN's point of view, it is important to clarify its expectations for Japan and actively encourage Japanese companies to expand their business into the ASEAN region.
- Furthermore, as a strategic goal to be achieved by ASEAN-Japan cooperation, it is more important to focus on what kind of society will we build together rather than the traditional goal of balance in an era of great power competition. This means building a safe, prosperous and free society in each country, where fundamental human rights are upheld, and shaping the international environment to this end.
- Looking ahead to the next 50 years, this vision will share the major directions and strategic goals that both ASEAN and Japan should aim for and plan the actions to achieve the goals to pass on the bond of trust between ASEAN and Japan to the next generation, to rebuild a new generation of ASEAN-Japan economic partnership and co-create innovations.

2. Recognition of the current situation - Reflecting on the changes in the relationship between ASEAN and Japan and understanding our current position

2.1. Changes in ASEAN-Japan relations

- The factors behind the continued growth of the ASEAN countries as global growth centers include: the location of manufacturing bases from other countries; the expansion of the middle class, especially in the metropolitan areas due to high economic growth; playing the role of an innovation hub, such as an environment for companies solving local social challenges through digital technology; and development via the leapfrog model, in which the lack of existing social infrastructure can be leveraged to accelerate technological progress by the introduction of unique initiatives or new business models and technologies from developed countries.
- At the same time, this economic growth has forced rapid social changes to the society of ASEAN countries. In the process, there are emerging social challenges such as unbalanced development between urban and rural areas due to dramatic urbanization and widening inequality between high-income and low-income groups. In addition, many ASEAN countries are entering a period of generational change, and there is an increasing need to consider the changes that the young generation will face in the next 20 years (e.g., declining birth rates and ageing populations, accompanied by changes in the relative positioning of the economic power of ASEAN countries). These changes are expected to increase the diversity of the ASEAN countries even more, and to clarify differences of the characteristics and features of each country. Widening disparities within the Southeast Asian region would make it difficult to reach consensus for mutual cooperation and deepening economic integration within ASEAN. This trend necessitates Japan to pay careful attention to the differences among each country.
- As mentioned above, Japan's growth has been stagnant, and the country faces challenges in terms of human resources, especially a shortage of digital human resources and women involved in technology areas, which could be an obstacle to future economic growth. On the other hand, the values which Japan holds are increasing in importance, given that Japan is a member of the Asia-Pacific countries as well as the only G7 member in Asia, the “Japan brand” represented by high technological capabilities centered on the manufacturing industry and subcultures, and the experience in solving social challenges related to the global environment and the urban environment ahead of other countries.

2.2. Economic stagnation in many countries due to the COVID-19 pandemic and tensions in world affairs, and the growing need to tackle global issues (e.g., widening inequalities and environmental problems)

- The situation surrounding ASEAN and Japan has become increasingly tense due to the prolonged economic stagnation in various countries caused by the COVID-19 pandemic in addition to tensions amongst major powers, leading to uncertainty over our future. In particular, Russia's aggression against Ukraine is not only a source of concern for the countries that rely on Russia for energy and food but has also spiked energy and food prices and has become an obstacle to global economic growth. In addition, the polarization of the U.S. and China has the potential to bring a significant impact on solidarity within ASEAN countries. There is an increasingly apparent need to address global social challenges, such as climate change, and country-specific social challenges, such as the widening inequality associated with rapid economic growth and urbanization. In the context of intensifying geopolitical conflicts, the collaboration between ASEAN and Japan to create a peaceful and prosperous region will contribute significantly to the stability of the Indo-Pacific.
- Regarding the business domain, both the U.S. and China have produced digital platformers that have successfully utilized digital data and technology, such as Big Tech (GAFA and BATH), and are developing business in both ASEAN and Japan. Thus, some developed countries are achieving further growth through the development and dissemination of digital technologies, the transformation of supply chains and the nature of industrial cooperation through digitalization, and some emerging countries will follow this path. On the other hand, some emerging countries have missed the boat on these changes, which is also a factor in creating disparities within emerging countries.
- The achievement of global agendas such as the Sustainable Development Goals (SDGs) has become an urgent issue as a response to global challenges. Specifically, the importance of addressing global common values such as sustainability and human rights has increased, and emerging countries have also been requested to follow and take measures to balance both economic and social values.
- Inequality in access to science and technology, revealed through the COVID-19 pandemic, will become more important over the coming decades. In the transition from an industrial economy to a knowledge economy, ensuring accessibility to advanced science and technology (e.g., mRNA vaccines, AI, quantum computing, etc.) that could solve major social challenges is a foundation for establishing trust on a global

scale to establish societies where “No one is left behind.”

2.3. Towards a strong ASEAN-Japan partnership as co-creation partners in the changing relationship

- It is becoming increasingly important to establish an even stronger partnership in bilateral and multilateral cooperation among ASEAN countries and Japan as a foundation for stability and prosperity to address uncertainties, inequalities in economic growth and common values such as human rights on a global scale.
- The ideal business relationship of ASEAN and Japan will be realized by bringing together the experiences, skills and vitality of the younger generation to deal with the various challenges ASEAN and Japan face, to co-create a future together.
- The ASEAN region, as a key region in the global supply chain, has experience in fostering new industries and employing the leapfrog growth model, utilizing digital technology with active investment from countries around the world. In response to these changes, a shift must be made from the flying geese development model to global value chain (GVC)-model development. In other words, instead of large companies taking the lead in overseas expansion and small or medium-sized enterprises (hereinafter, SMEs) and start-ups following afterward, a multilayered partnership is needed. For example, SMEs and start-ups could co-create new value utilizing their technologies and new business models through dialogue and collaboration with ASEAN local companies, and also, large companies could collaborate with ASEAN local start-ups to develop new technologies and implement them.

3. Vision for a New ASEAN-Japan Economic Relationship

3.1. To develop a society that is “safe, prosperous and free” through fair and mutually beneficial economic co-creation with trust

- In response to these changes in the economic and social situation in the world including ASEAN and Japan, the vision for the future relationship between ASEAN and Japan is to “Develop a society that is ‘safe, prosperous and free’ through fair and mutually beneficial economic co-creation, based on the trust that has been built over the past 50 years.” It is important to not only provide value in one direction, such as conventional aid from Japan and promotion of economic activities by Japanese companies in ASEAN, but also to promote economic co-creation while realizing inclusive growth in a two-way and mutually beneficial manner, taking into account fairness, respecting the diversity of ASEAN countries and enjoying the benefits of various growth models and innovations that reflect the strengths of each country.
- Trust is becoming increasingly essential because of the growing importance of the Knowledge Economy in the global economy, since trust is a key factor in the selection of partners for the acquisition/utilization/sharing of data and the testing of software and algorithms to create economic and social value.
- Trust between ASEAN and Japan could also be an enabler for both sides to discover one another’s economic and social value, which leads to further promotion of co-creation.

3.2. Three fundamental concepts to support the vision - sharing practices for overcoming challenges, facing the reality of the region and respecting diversity, and circulating human resources

- The economic and social landscape of ASEAN is undergoing major changes due to generational change in many ASEAN countries, and the circulation of human resources. Against this backdrop, the following are the three fundamental concepts to support the vision.
- Firstly, Japan has accumulated experience and knowledge as an advanced country in terms of solving social challenges that ASEAN will face in the near future, such as problems accompanied by urbanization and industrialization, air and water pollution and low birthrates and ageing

societies. Intangible values such as environmental friendliness and safety, which have been cultivated through the resolution of these social challenges, are effective experiences for resolving the challenges faced by ASEAN countries.

- Secondly, Japan has faced the individual circumstances of each ASEAN country, respected their diversity, and worked to respond in a realistic manner. Japan is expected to share with ASEAN the need for understanding such realistic and diverse responses, and also to play a role in directing discussions with the Western countries through multiple channels, such as the G7. One example is the Asia Energy Transition Initiative (AETI), which supports realistic and diverse approaches to realizing carbon neutrality. In the past, Japan has faced the political and social realities of its partners to build long-term relationships of trust and achieve economic growth together. In times of crisis, the countries have supported each other with their own unique approaches. The existence of such long-term and strong business relationships is becoming increasingly important in a fast-changing global order. The economic co-creation model established by ASEAN and Japan is expected to become a model that balances economic growth and solution of social challenges arising from rapid economic development.
- Thirdly, human resources are an indispensable foundation to support the significant changes that the ASEAN-Japan economic society is undergoing. Furthering the circulation of young human resources who will support the future of ASEAN and Japan will be the foundation for new ASEAN-Japan economic co-creation. ASEAN has a diverse and rich pool of young next-generation and human capital. Japan, by capturing the high value of the abundant next-generation human resources, including digital and STEAM human resources, is expected to create new industries that will contribute to the growth of the Japanese economy, and for ASEAN to expand opportunities for the global activities of its young generation. As an example, it is desirable to actively invite highly motivated ASEAN young people to Japan and promote entrepreneurship in Japan, and to reform the Japanese corporate culture and structure, such as by reviewing the wage system of Japanese companies and introducing performance-based systems, in order to promote co-creation. In addition, ASEAN has an environment and opportunities that provide a foundation for innovation, and many start-ups have been created by taking advantage of these opportunities without hesitation, while large companies represented by conglomerates are expanding their businesses globally. It is also important to send Japanese entrepreneurs, students and others to the ASEAN region, to build up the foundation for ASEAN-Japan economic co-creation.
- In this drastically changing economic society, ASEAN and Japan are expected to promote collaboration as co-creation partners by sharing their

experiences in solving social challenges and their diverse human resources, funds, technology and information. In other words, it is hoped that ASEAN-Japan will solve the social challenges they face and create a sustainable economic society through horizontal, mutually beneficial, fair and equitable economic co-creation in which value is provided and shared not in one direction but in both directions. The goal is to demonstrate the economic society built by ASEAN-Japan as one of the models to be pursued globally, and to contribute to the establishment of a free, fair, and open regional economic order.

4. Four pillars of action to realize the vision

4.1. Four pillars of action to achieve sustainability by promoting innovation based on ASEAN-Japan connectivity and human capital

- The creation of an equal foundation and undertaking activities to produce economic and social value on top of that foundation, is expected to create an economic society based on mutually beneficial relations between ASEAN and Japan. Specifically, it is necessary to implement initiatives from four perspectives: balancing diversity and inclusiveness in sustainable development, strengthening cyber and physical connectivity, promoting open innovation beyond borders, and building an ecosystem in co-creating dynamic human capital.
- Firstly, in order to achieve sustainability, it is essential to promote innovation which will transform the current economic society. To this end, ASEAN and Japan need to strengthen their physical and institutional connectivity and maximize the human capital of the companies, organizations and individuals who will be the driving forces for this.

4.2. Balancing diversity and inclusiveness in sustainable development that improves the global environment and solves its challenges, while ensuring wellbeing so that no one is left behind

- To achieve sustainability on a global scale, Japan is expected to realize the “Asia Zero Emission Community” concept through promoting a wide range of initiatives, including financial support and technical cooperation. It is necessary to make maximum use of Japan’s knowledge and experience to achieve diverse and realistic energy transitions with consideration to energy security and sustainable economic growth. In addition, ASEAN and Japan are also expected to work together to research and develop technologies and measures to improve the environment, such as biodiversity and natural capital conservation and initiatives regarding the circular economy, and to solve other global agendas.
- To realize sustainability in people's lives, expectation is focused on undertaking initiatives to realize a circular economy and food security, improve mobility to enhance urban convenience, and to strengthen resilience, including disaster prevention measures to improve the resilience of urban centers. In particular, initiatives such as urban development models with low environmental impact and resilience (e.g., TOD (Transit Oriented Development)) are expected to help solve the issues faced by ASEAN countries, such as the disparity between rural and urban areas,

population influx into cities, urban traffic congestion and natural disasters. In addition, it is also possible to conduct pilot projects in ASEAN for the construction of decentralized infrastructure systems in rural areas. The reason for this is that Japan, during its period of rapid economic growth, built highways connecting Tokyo to other regions under the slogan of “balanced development of the nation,” but contrary to the intention, the concentration of people in Tokyo has increased, resulting in social challenges such as the falling birthrate and ageing population. ASEAN is expected to build a new development model for regional cities different to megacities, utilizing digital technology. In addition, given the growing population of the middle class in line with ASEAN's economic growth and rising incomes, expectation is focused on implementing initiatives for achieving wellbeing such as providing a high quality of life and living environments. In particular, in terms of clothing, food and housing from the perspective of the realization of wellbeing, the following objectives are expected to be achieved: a high market share in the global market by leading Japanese companies; promoting the safety and quality of Japanese food; product technologies that support the reduction of negative environmental impacts and contribute to better health; and the establishment of mechanisms (such as insurance) that support secure lifestyles by eliminating future concerns and providing safety.

4.3. Promoting open innovation beyond borders to promote innovation and technology and business models to solve social challenges

- Innovation is necessary to solve social challenges and create a sustainable economic society. It is important to develop a co-creation environment from the perspectives of both promoting technological innovation and promoting business model innovation. In order to do so, measures to promote open innovation beyond borders have to be taken by ASEAN and Japan. For example, the governments and public institutions of ASEAN and Japan may support co-creation activities, such as ASEAN start-ups creating new businesses and solving social challenges by utilizing the data, supply chains, customer bases and other resources owned by Japanese companies.
- In terms of promoting technological innovation, focusing on growth areas, expectation focuses on building an ecosystem to promote global joint research and open innovation by ASEAN-Japan universities and companies, and also building a start-up ecosystem to promote support for the growth of ASEAN-Japan start-ups. It is also essential to promote social implementation in areas such as manufacturing and the IoT, where Japan's strengths can be utilized. As an example, initiatives to provide a matching service for start-ups with technologies and large companies

with social implementation capabilities are expected to contribute to value co-creation.

- As for the promotion of business model innovation, providing support for resources could promote collaboration (value co-creation) between ASEAN-Japan companies. In particular, support should include the sharing of technology, knowledge and skills between ASEAN and Japan through initiatives that enable young entrepreneurs to connect with each other (e.g., support for building a network of people involved in entrepreneurship) and a mechanism to ensure fair market trading and competition environments (e.g., competition policies such as IP protection and fair trade laws).

4.4. Strengthening cyber-physical connectivity through the development of physical and institutional economic infrastructure to build a seamless logistics network that will form the basis for the development of the ASEAN economies

- It is important to develop the economic infrastructure in terms of both strengthening physical connectivity and strengthening institutional connectivity so as to enhance ASEAN-Japan connectivity. In particular, with the recent development of digital technology, in addition to connectivity in physical space, it is also necessary to consider connectivity in cyberspace, and furthermore, in considering these issues, connectivity in managing the combined cyber space and physical space also should be taken into account.
- To strengthen connectivity in this digital age, for example, expectation focuses on advancing the sophistication of supply chains using digital technologies (such as making them more robust and greener) and promoting the development of institutions/systems based on actual examples. Specifically, to make ASEAN-Japan connectivity more resilient and flexible, a database for sharing and utilizing data beyond the boundaries of companies should be established. In addition, the development of supply chains that can manage indicators and data showing the status of human rights and decarbonization, and collection of specific examples of such systems, as well as organizing the necessary regulations, can lead to the development of specific systems for data sharing.
- As co-creation in the digital era, for example, it is conceivable to digitalize the Maternal and Child Health Handbook system that Japan has developed in ASEAN countries, build a platform to handle the data, and establish a system on which local companies can provide services using the data from the Maternal and Child Health Handbook on this platform. In this case, it is important that the platform operator is required

to have the trust to handle the personal information, and data privacy mechanisms should be established so that the data can be shared with local companies without being monopolized. Therefore, ASEAN and Japanese companies are expected to cooperate and demonstrate a new form of co-creation in the digital age.

- Furthermore, in order to strengthen connectivity in the digital age from a financial perspective, there is a need for two-way efforts to promote investment not only from Japan to ASEAN, but also from ASEAN to Japan.
- In terms of strengthening physical connectivity, expectation is focused on infrastructure development related to transport and logistics, and the development of digital infrastructures such as communication networks. Specifically, in addition to the development of infrastructure such as roads, bridges, ports, airports and power generation facilities in the East-West Economic Corridor, Southern Economic Corridor and Maritime ASEAN Economic Corridor, which will serve as the foundation for the economic activities of people in the ASEAN region, the development of digital infrastructure such as 5G technology and communication networks such as submarine cables is expected. Furthermore, given that digital infrastructure has become a lifeline, and with the digital divide in small and medium-sized enterprises (SMEs) becoming an emerging issue, it is important to aim for inclusive use of digital technology so that no one is left behind.
- As for initiatives for strengthening institutional connectivity, in addition to the steady implementation of economic partnership agreements such as the RCEP and the CPTPP, further developments are expected including the materialization of the Indo-Pacific Economic Framework (IPEF), the elimination of non-tariff barriers (investment regulations and trade procedures) towards the establishment of a seamless logistics network, the realization of digital innovation and DFFT (Data Free Flow with Trust) and the establishment of advanced supply chains. In particular, as digital technologies develop and become increasingly important in our daily lives, it is necessary to proceed simultaneously with the development of legislation to ensure cybersecurity and the protection of personal data.

4.5. Building an ecosystem in co-creating dynamic human capital to create “Globalized Asians,” working globally via ASEAN and Japan

- As a foundation to support ASEAN-Japan economic co-creation, it is necessary to create and maximize the potential of “Globalized Asians,” in other words “Technologically Savvy, Democratically Compassionate and Culturally Hybrid” people, who can drive innovation and industrial

transformation on a global scale, drawing out the best from their abilities. To this end, it is important to establish an environment to develop economic human resources in the light of both maximizing opportunities for human resource exchange and maximizing opportunities for human resource development for building an ecosystem in co-creating dynamic human capital.

- The exchange of human resources occurs not only between ASEAN and Japan but also other countries including the U.S. In order to ensure the exchange of human resources, which is the foundation of the ASEAN-Japan economic and social relationship, it is necessary to clarify the benefit of travelling to each other's regions and to reduce operational costs.
- Firstly, in terms of efforts to maximize opportunities for human resource exchange, it is extremely important to deepen the relations between the leaders of young generations. Specifically, it is necessary to enrich the flow of highly skilled human resources by creating opportunities not only for the exchange of labor, but also for the future young leaders of their respective societies, including students and internships, managers, entrepreneurs, researchers and policy makers. In order to achieve this, it is essential to find out how to attract such highly skilled human resources from ASEAN to Japan such as by offering more attractive career opportunities. These efforts, therefore, can establish a network of the next generation of ASEAN-Japan young business leaders, leading to the creation of mutually beneficial innovations by ASEAN and Japan.
- These efforts form the basis for the new maximization of human resource development opportunities. While ASEAN's economy is growing significantly, opportunities for the development of ASEAN's human resources are changing dramatically. Technical interns have played a major role in the past as well as undergraduate exchange, however, the current challenge is how Japan can contribute to the development of human resources in ASEAN, such as PhD holders, managers or candidates for such positions, who are internationally competitive. In addition to supporting human resource development for industrial upgrading, expectation is focused on boosting inter-ASEAN exchange such as providing employment opportunities for ASEAN nationals who come for technical training in Japan to work in Japanese subsidiaries in ASEAN and Japanese companies in Japan. Furthermore, in ASEAN, which is a growth market and faces many social challenges in each country, the role of social entrepreneurs and innovators who create new businesses to drive growth and solve social issues will become increasingly important. Therefore, the development of human resources, such as incubators, accelerators, and investors to support them, will also be important. For promoting the production of such human resources who can innovate and solve social challenges, an institutional environment needs to be

created across ASEAN-Japan, both geographically and in terms of fields, to foster human resources who understand the field of science and technology and who are aware of their own purpose in society and who can engage in entrepreneurial activities.

- In order to improve the environment for ordinary workers crossing borders, it is important to provide support for qualification tests and examinations, better social benefits in labor (support for social security, employment-related benefits, etc. for labor migration) and decent living conditions (educational environments for children, etc.). Furthermore, to strategically attract the global human resources of ASEAN, institutional reforms, such as systems and policies, will also be important for medium- and long-term social inclusion.
- Meanwhile, more unicorn companies have emerged in ASEAN than in Japan, and conglomerates are also expanding their business globally. Looking ahead to the next 50 years, ASEAN will become a place and incubator for the development of Japanese human resources. In this context, it is important that a large number of young people from Japan actively move into ASEAN, and the Government needs to actively encourage them to take challenges in the global field. Specifically, the public and private sectors, as well as academia, need to work together to encourage Japanese students to study abroad in the ASEAN region, for young Japanese personnel to work for top companies in ASEAN, interns to work in ASEAN companies, and entrepreneurs to be sent to the region.

5. Conclusion - Next steps towards realizing the ASEAN-Japan Economic Co-Creation Vision

- The future vision for ASEAN-Japan proposed in this paper is to “Develop a society that is ‘safe, prosperous and free’ through fair and mutually beneficial economic co-creation, based on the trust that has been built over the past 50 years.” (This vision is based not only on conventional value provision in one direction, such as Japanese technical assistance and the promotion of economic activities by Japanese companies in ASEAN, but also on the provision of value in the other direction, such as respecting the diversity of ASEAN countries and enjoying the benefits of various growth models and innovations reflecting the strengths of each country.) It is expected that both the public and private sectors of ASEAN and Japan will establish a cooperative framework and promote related projects in the future. Specific measures already mentioned here include the sophistication of supply chains utilizing digital technology (creating 100 use cases in five years) as a way of strengthening cyber-physical connectivity, fostering entrepreneurs and building a network of young entrepreneurs (building a network of 100 entrepreneurs) as a way of building an ecosystem in co-creating dynamic human capital, promoting co-creation of businesses that solve the social challenges of ASEAN and Japan (promoting the creation of 100 businesses that solve social challenges every year) as a way for promoting open-innovation beyond borders, and initiatives to realize the “Asia Zero Emission Community” concept for balancing diversity and inclusiveness in sustainable development.
- In addition, as a measure to integrate and promote these individual initiatives, the further activities of international organizations such as ERIA that link ASEAN and Japan should be encouraged. In this context, we welcome the statement by ERIA at the East Asia Summit Economic Ministers' Meeting in September 2022 of its policy to establish a “Digital Innovation and Sustainable Economy Centre,” which was also clearly stated in the Chairman's Statement of the East Asia Summit in November of the same year. ERIA, which has been making policy recommendations for the economic development of ASEAN and East Asia since its establishment by the consensus of the leaders of East Asian countries in 2008, will be a new center for co-creation where the people who will lead ASEAN-Japan can come together across various boundaries, including public and private sectors and researchers, to work towards a sustainable economic society for ASEAN and Japan, and to promote the next stage of economic integration in ASEAN. Specific initiatives such as strengthening cyber-physical connectivity in the digital era, promoting open innovation across borders using such platforms, and developing projects to ensure diversity and inclusiveness and

sustainability are also encouraged. Furthermore, through these initiatives, it should evolve into a new platform for social entrepreneurs and a place to set standards in the era of public-private joint governance.

- The initiatives set out in this ASEAN-Japan Economic Co-Creation Vision need to be spread and expanded through implementation of specific projects jointly by the ASEAN-Japan public and private sectors and by building up successful examples one by one. Japan will make solid efforts for the ASEAN-Japan Economic Co-Creation Vision, in cooperation with ASEAN government and private institutions.

ASEAN-Japan Economic Co-Creation Vision: Working Draft

(Overview of Interim note on the development of the ASEAN-Japan Economic Co-Creation Vision)

Introduction - Redefining ASEAN-Japan economic relationship in commemoration of the 50th Year of Friendship and Cooperation between ASEAN and Japan Due to:

1. A major transformation in ASEAN-Japan relationship.
 - The rise of ASEAN as an economic growth center and generational change in many ASEAN societies.
 - Japan's economic stagnation under the "Lost Three Decades" and an aging society.
 2. Common challenges for ASEAN and Japan such as ① COVID-19 pandemic, ② food and energy security risks caused by Russia's aggression against Ukraine, ③ economic stagnation due to increased geopolitical risks and ④ global issues highlighted in the SDGs.
 3. A shift in regional economic development from the flying geese model to global value chain (GVC)-model.
- ➔ In light of these changes, this vision aims to redefine ASEAN-Japan economic relations and share the major direction to aim together.

Vision for the next 50 years

**Develop a society that is "safe, prosperous and free"
through fair and mutually beneficial economic co-creation
based on the trust that has been built over the past 50 years**

Three fundamental concepts to support the vision

Sharing practices for
development
and overcoming
challenges

Be grounded in diverse
realities
and geopolitical
conditions

Circulating human
resources to
bring innovation together

~Four pillars of action to realize the vision~

Balancing diversity and inclusiveness in sustainable development

Promoting open innovation beyond borders

Strengthening cyber-physical
connectivity

Building an ecosystem in co-creating
dynamic human capital

Further utilize ERIA

Featuring ASEAN-Japan to set as a model of co-creation relationship, and
to be a foundation for free, fair, and open regional economic order

Future Design and Action Plan of an Innovative Sustainable ASEAN-Japan Economic Partnership

~ Draft for discussion purpose ~

Future Design

1 . Background / Objective

- . At the Twenty-Eighth AEM-METI in September 2022, the Meeting welcomed the Work Plan toward creating the “Future Design and Action Plan of an Innovative Sustainable ASEAN-Japan Economic Partnership” (hereinafter the Future Design and Action Plan) and agreed to develop the Future Design and Action Plan.
- . Here, ASEAN Member States and Japan create a new action plan for the future of ASEAN and Japan economic cooperation (initially targeting 2033, the 60th Year of ASEAN-Japan Friendship and Cooperation), based on the existing framework of ASEAN-Japan economic cooperation such as the “Renewed ASEAN-Japan 10-year Strategic Economic Cooperation Roadmap (2016 – 2025)” and the “ASEAN-Japan Economic Resilience Action Plan,” interests of both ASEAN and Japan, ASIA-Japan Investing for the Future Initiative (AJIF), the ASEAN-Japan Economic Co-Creation Vision and others.

2 . Current situation and challenges of ASEAN and Japan

ASEAN represents a dynamic growth center that will drive global economic development in the future with the prediction of exceeding Japan's GDP by 2030. ASEAN promotes innovation by startup companies whose growth patterns are called leapfrogging and these companies have provided products and services to solve social challenges in a wide range of fields, such as logistics, payment and financial services using digital technology. However, although ASEAN has a young population, some ASEAN Member States have declining birth rates and ageing populations, and some reports estimate that the population in the ASEAN region is expected to start declining in the 2060s. Additionally, it has been pointed

out that some ASEAN countries may fall into the middle-income trap, where rapid development drives up labor costs and the economic growth slows down.

On the other hand, Japan is now experiencing low economic growth and low productivity, which we call the “lost three decades.” Japan is now addressing social challenges such as the decrease in work force due to aging populations and environmental problems, which ASEAN Member States will face in the future.

3 . Designing the Future of ASEAN and Japan in 2033

Taking the opportunity of the 50th Year of ASEAN-Japan Friendship and Cooperation, under these current situations and challenges, ASEAN and Japan will make their commitments to develop a society that is “safe, prosperous and free” through fair and mutually beneficial economic co-creation, based on the trust that has been built over the 50 years of friendship and cooperation.

ASEAN and Japan will work together to realize the following future through concrete actions listed in the Action Plan.

Strengthening cyber-physical connectivity

- By utilizing digital technology, reliable, resilient and transparent supply chain is developed throughout ASEAN-Japan region, which has low risk of disruption even in the midst of geopolitical tensions or global disasters, visibility across the entire supply chain and centralized management of human rights compliance and decarbonization efforts, across corporate boundaries. According to this effort, ASEAN and Japan improve attractiveness as a global supply chain hub and take the lead in resilient and free trade with trust.
- Infrastructure such as roads, bridges, ports, airports and power generation facilities in the East-West Economic Corridor, Southern Economic Corridor and Maritime ASEAN Economic Corridor is developed, which serve as the foundation for the economic activities of people in our region. This leads to the seamless flow of people, money, and goods. In addition, the development of digital infrastructure such as 5G technology and communication networks such as submarine cables have been developed to realize an inclusive digital society where no one is left behind.

- Economic partnership agreements such as RCEP and CPTPP is implemented steadily and trade and investment is expanding in the region. Additionally, the elimination of non-tariff barriers (investment regulations and trade procedures) towards the establishment of a seamless logistics network, the realization of digital innovation and DFFT (Data Free Flow with Trust) and the establishment of advanced supply chains make our region an attractive investment destination. Investment is expanded from various countries such as Japan, and our region is full of vibrancy of business.

Co-creation of dynamic human capital

- Flow of skilled human resources is enriched and the opportunities for interaction are created for future young leaders of their respective societies, including students and internships, managers, entrepreneurs, researchers and policy makers. They study in each other's countries and start businesses locally. They establish a network of the next generation of ASEAN-Japan young business leaders, engage in vigorous discussion in that network regardless of their nationality, leading to the creation of mutually beneficial innovations by ASEAN and Japan.
- Movement of quality human resources among ASEAN and Japan is even more facilitated through initiatives such as institutional reform, mutual recognition of various professional qualifications and others.
- Industrial advancement and co-creation of value are promoted by young people who have acquired advanced skills at educational institutions or companies in ASEAN and Japan. Re-skilling and Upskilling are also promoted, and human resources with various experiences contribute to the development of economic society with increased motivation to live and work.

Promoting open innovation beyond borders

- The establishment of an intellectual property protection system and a mechanism to ensure fair market transactions and a competitive environment create an environment in which the deliverables of innovation such as technologies, knowledge and know-how, can be protected, accumulated and utilized between ASEAN and Japan. Micro small and medium-sized enterprises (MSMEs) and start-ups in ASEAN and

Japan utilize their own technologies and business model, and engage in dialogue and collaboration with large companies and universities to co-create new value. An ecosystem is created in which ASEAN-Japan companies and universities can be involved in a multi-layered manner regardless of their size. Open innovation is promoted so that technologies will be generated from the ASEAN-Japan region, which can solve global-scale social issues.

- The digital divide in MSMEs is closed, and with advances in cybersecurity technology and the development of personal information protection laws, all enterprises in ASEAN and Japan are able to fully utilize data and digital technology. They achieve a digital transformation that transforms their products, services, and business models in a way that meets the needs of society, and they gain a competitiveness over companies in developed countries.

Realizing Sustainability

- ASEAN Member States achieve diverse and realistic energy transitions in line with the energy transition roadmaps toward carbon neutrality which were established in each state and through promoting a wide range of initiatives including Asia Transition Finance, Green Innovation Fund and Asia CCUS Network, while considering energy security and sustainable economic growth.
- Rural and urban resilience is strengthened through mobility improvement and disaster prevention measures. Disparity between rural and urban areas, population influx into cities and traffic congestion are reduced. Cities with convenience, low environmental impact and resilience are realized throughout ASEAN region.
- The realization of a circular economy is recognized by companies in the ASEAN-Japan region as an agenda that should be addressed as a matter of course. In addition to the systems for resource recovery, recycling and fiscal and tax incentives are organized, which gives priority to the use of circular products. Advanced resource circulation technologies possessed by ASEAN-Japan are also implemented in the region.

4 . Review / Follow-up

- ASEAN and Japan will conduct an annual progress review & follow-up of this Future Design and Action Plan through SEOM-METI Meetings and report it at the annual AEM-METI Consultation.

Action Plan

(※Note for SEOM-METI discussions: The following actions are draft examples as of now, and is subject to change following the discussion with ASEAN and Japan, and internal consultation within each country.)

For reference:

“(10)”: Renewed ASEAN-Japan 10-year Strategic Economic Cooperation Roadmap (2016 – 2025)

“(ER)”: ASEAN-Japan Economic Resilience Action Plan

“(New)”: Other than above (including new initiatives to be conducted)

Pillar 1 : Strengthening cyber-physical connectivity

Promoting institutional connectivity

Strengthening supply chain resilience using digital technology New

- Creating use-cases of supply chain sophistication which uses digital technology to connect, share and visualize data among the supply chain.
- Subsidies for overseas supply chain diversification

Support the Regional Digital Trade Transformation in ASEAN in contribution to the promotion of existing trade platforms and other regional mechanisms such as ASEAN Single Window and the Electronic Certificate of Origin system. (ER)

- AMEICC contribute to the Regional Digital Trade Transformation project proposed by ASEAN-BAC and support ASEAN-BAC to promote each AMS towards the formulation of a roadmap for digitalization of trade procedure.
- Promote and improve existing trade platforms and other regional mechanism such as the ASEAN Single Window, the Electronic Certificate of Origin system and the Region-wide Self-Certification Scheme through the conduct of business outreach activities and development of promotion materials to improve business and implementing agencies’ understanding of these platforms and mechanisms.
- Promote mutual acceptance of Certificates of Origin in electronic PDF format, subject to each country’s laws and regulations, in light of sustaining trade and promoting supply chain connectivity and utilizing existing EPAs amid the COVID-19 pandemic.

Digital strategy to protect businesses in digital trade and e-commerce (ER)

- Explore a digital strategy that will help protect businesses in ASEAN as they explore opportunities in digital trade and e-commerce, including combating cyberattacks, data breaches and use of ICT for illegal conducts in digital trade and economy/e-commerce. This will ensure that the proper system and strategy are in place and will be implemented for the benefit of businesses in the region.

Promoting safety standard/conformance in automotive and selected E&E products 10

- Second phase of the JAIF project regarding the product safety, EMC evaluation and laboratory's management systems of business machine/equipment will be implemented.
- JAIF project regarding the qualification scheme for quality control experts will be implemented
- Policy dialogue, public-private joint forum and dispatching experts will be conducted under "ASEAN-Japan New Cooperative Program on Comprehensive Vehicle Safety and Environment Measures including Development of Technical Regulations and Establishment of Type Approval System for Vehicles" which was endorsed at the ATM+J in 2015 to further promote the development of vehicle safety and environment protection measures including international harmonization of motor vehicle regulations and mutual recognition of approvals.

Promoting physical connectivity

Improving product quality to comply global market through mentoring, including packaging, brand design & certification label 10

- As on a platform that serves for design innovation and development in ASEAN Member States, AJC supports establishing National Good Design Award in 6 ASEAN member states.

Promoting development of infrastructure 10

- Expand business network and partnership through the Asian Business Summit meetings and bilateral, multilateral policy dialogues with ASEAN member states. Early EIF of the RCEP and infrastructure development as well as enhancement of business environment are the key issues.
- JETRO will hold seminar and dispatch missions regarding infrastructure.
- JCCI will continue to promote exchanges between economic and business sectors of Japan and respective ASEAN countries , in order to enhance mutual understanding and networking among the business sectors.

Promotion of SME business

Organizing investment promotion seminars and business consulting for SME 10

- JETRO will plan seminars taking opportunities of ASEAN VIP(PM, ministers) coming to Japan.
- JETRO will organize web seminar to promote investment in ASEAN countries.
- JCCI will continue to follow up with SMEs that are interested in doing business internationally, by holding seminars or business matchings in cooperation with the embassies of ASEAN countries and business organizations.
- JCCI will promote SMEs' business in ASEAN countries through TCCI's advisory system.

Enhancing and expanding networks of SMEs in ASEAN and East Asia 10

- APEN will encourage new participation of SME related associations in AMS in APEN as regular members of APEN, and will take new measures of networking among those associations. APEN will promote joint research works and projects of enhancing networking SMEs among AMS with APEN member universities in AMS. APEN will establish some international networking entities of SMEs in specified areas including ICT.
- JCCI will continue to organize capacity building seminars for staff members of each CCI in ASEAN countries, by closely coordinating with other supporting program offered by government related institutions.

Enhancing opportunities for SMEs to take advantage of regional and global production chains 10

- METI-Kansai will support the realization of the self-reliance of the coordinators group authorized by Dong Nai Province People's Committee in Viet Nam. The activity of the coordinators group is to find potential Vietnamese companies, to share their information with Japanese companies in Viet Nam, and to arrange the business matching between Japanese and Vietnamese companies in order to promote their business.

CLMV Support Program

Improve logistics services 10

- Given its crucial rule toward developing further integrated ASEAN Economies, JETRO will continuously trace the latest development situation and its actual operation of cross-border infrastructure development.
- The Work Programme of the Mekong Industrial Development Vision will be regularly reviewed and updated to maintain its relevance and responsiveness at the Mekong-Japan Economic Minister's Meeting.

Dispatching investment promotion missions and holding seminars Enhancing investment promotion/industry accumulation in CLMV 10

- JETRO will continuously organize investment promotion seminars on Mekong countries.
- JICA will continue the above mentioned project and dispatch of experts in countries such as Indonesia and Vietnam (Hanoi).
- JICA is planning to host a short-term visit program on "Investment Promotion and Business Environment Reform (Advanced)" from the year 2020 targeting high-level officers.

Promote utilization of IT technology

Improving cyber security environment in the region 10

- Japan will continue to hold "Japan-US-EU Industrial Control Systems Cybersecurity Week for Indo-Pacific Region" and will contribute to building cybersecurity capacities in the region.
- Japan, through JPCERT/CC, will continue to collaborate with CSIRTs in the region through activities such as TSubAME and MEJIRO in order to contribute to create a safe, clean and reliable cyber space in the region.

Enhancement of mutual complementation among AMSs as well as between ASEAN and Japan 10

- JICA continues to support the implementation of the "ASEAN Leaders' Declaration on Disaster Health Management" in collaboration with ASEAN Secretariat, MoPH Thailand and NIEM Thailand in order to strengthen the disaster resilient health system in the ASEAN community

Encouraging people-to-people exchange through such measures as promotion of tourism

Organizing exchange program 10

- ASEAN Japan Centre will organize following activities:
 1. Will continue P.R. activities for ASEAN by improving AJC website contents on tourism, will conduct various events at AJC Hall, will participate in major travel fairs in Japan, and will visit local governments, business associations, and academic institutions for lectures and seminars.
 2. Exchange program to support women entrepreneurs in ASEAN and Japan SEAN-Japan women entrepreneurs
 3. ASEAN introductory classes at elementary schools in Japan including online
 4. Promotion of tourism between ASEAN and Japan.
 5. ASEAN-Japan Eco-School

Enhance trade and investment flows

Utilize trade and investment insurance and re-insurance schemes and human resource development cooperation programs 10

- NEXI will continue to provide opportunity to share the experiences of trade and investment insurance business to promote further cooperation with ASEAN's ECAs.

Enhancing trade in the region through information exchange, implementation of cooperative projects and strengthening networks among the Asian Trade Promotion Forum (ATPF) members 10

- JETRO will host and participate in ATPF CEO meeting to be held as its role of Co-Chair.

Strengthen support for ASEAN through relevant international organizations including the OECD 10

- ERIA and OECD is enhancing their cooperation especially in the area of innovation & technology transfer in East Asia and public finance for infrastructure development, which was confirmed by both presidents at The Meeting of the OECD Global Parliamentary Network in Tokyo.

Enhancing ASEAN-wide legal and regulatory frameworks related to e-commerce 10

Simplification and streamlining of non-tariff measures (NTMs)

- ERIA continues activities to: (i) update NTMs in ASEAN+6 Database; (ii) conduct capacity building programs for ASEAN government officials to promote their understanding of the importance of NTMs and appropriate approaches to manage NTMs in cooperation with the United Nations Conference on Trade and Development (UNCTAD) and governments of ASEAN +6 countries; and (iii) develop a toolkit for NTMs to address the trade-distorting effects of NTMs, particularly those affecting the free flow of essential goods and implement the toolkit.

Expansion and advancement of markets for ASEAN and Japanese goods and services

Promoting goods and services 10

- ASEAN-Japan Centre will continue to promote expansion and advancement of markets for goods and services in ASEAN and Japan.
- JETRO will support Japanese firms to participate in the exhibitions and coordinate online business matching held in ASEAN countries.
- JETRO will support business matching (including via online) to promote markets of food & beverage industry, machinery industry, medical equipment industry, design /consumer goods to make business matching opportunities.
- JETRO will support business matching to promote markets of Japanese service industry.

Enhance customs administration

Promoting cooperation for customs reform and modernization 10

- Japan will continue technical cooperation and capacity building for customs reform and modernization on various areas in ASEAN countries.

Work towards promoting full utilization of AJCEP and RCEP

Conducting FTA utilization seminars that would be open for participation of AMSs and Japan 10

- JETRO will hold symposium on economic integration.

Reviewing existing EPAs/FTAs with a view to improve implementation mechanisms 10

- Expand business network and partnership through Asian Business Summit, bilateral and multilateral economic meetings with ASEAN members. Early EIF of the RCEP and infrastructure development as well as enhancement of business environment are the key issues.

- EABC will continue to submit the recommendation for RCEP, e-commerce and SME to the AEM+3. JCCI continues to support the EABC activities together with JETRO.

Pillar 2 : Co-creating dynamic human capital

Promote human resource development and capacity building

Automotive sector

- Continue to engage in industrial cooperation initiatives such as through convening Automobile Industry Working Groups (WG) Meetings by AMEICC in which both public and private sectors from each AMS and Japan participate. The Automobile Industry WG discusses how to improve competitiveness of ASEAN's automotive industry, and exchange information and view of each country's policy including xEVs and biofuels.
- Human resource development cooperation for vehicle-related software.

Chemical sector

- Continue to engage in industrial cooperation initiatives such as through AMEICC Chemical Industry Working Group (WG), in which both public and private sectors participate from each AMS and Japan, and the Association for Overseas Technical Cooperation Sustainable Partnerships (AOTS).
- Convene Chemical Industry WG Meetings through AMEICC in which both public and private sectors participate from each AMS and Japan, and discuss how to promote competitiveness of ASEAN chemical industry and intra-ASEAN and Japanese investment in ASEAN, and how to enhance the transfer of technology from Japan and among ASEAN. WG also develops ASEAN Japan Chemical Safety Database (AJCSD) for enhancing transparency and reducing compliance risk on chemical safety among the countries.
- Conduct workshop programs on ASEAN-Japan Chemical Industry's Safety and Operational Safety Improvement Initiative participated by both public and private sectors from AMS and Japan. It is initiated for the capacity building of personnel in the pursuit of harmonization regarding common regulations on chemical management.

Enhancing Chemical Safety Management, i.e. Asian Sustainable Chemical Safety Plan including developing ASEAN-Japan Chemical Safety Database (AJCSD) 10

- Japan will continue to dispatch GHS experts for enhancing capability of GHS implementation as needed.
- The countries concerned with the AJCSD will continue to update and enrich contents of the AJCSD for harmonization of legislations on chemical management using the AJCSD.

- The member countries agreed with amendment of TOR (Term of Reference) of the AJCSD in order to facilitate to update the regulatory information.
- [Viet Nam] Viet Nam is establishing the first official National Chemical Inventory and the Decree on new chemicals evaluation scheme. Japan will continue to support such activities as needed.
- Japan is planning to continue a training program in ASEAN(10 countries) in late 2022 and 2023.

Developing a “Comprehensive Higher Professional Education System (Multiversity)” in interested AMSs 10

- Based on the outcome of the 'Comprehensive Industrial Human Resource Development' Project financed and supported by JAIF, compiled in September 2017, APEN will hold regular seminars in AMS on the issues of a new education system of higher industrial human resource development based on the concept of Multiversity. APEN will also promote joint projects and research works with APEN member universities on issues of tackling the Middle Income Traps in AMS. Higher industrial human resource development will be a key element in measures of tackling the Middle Income Traps.

Human resource development through strengthening faculty staffs of top engineering schools and building network by ASEAN University Network/Southeast Asia Engineering Education Development Network (AUN/SEED-Net) 10

- After the end of Phase 4 (March 2023), JICA will dispatch an Expert to AUN for the smooth transition of operation of the network to AUN, and will further explore possibility to contribute to maintaining and strengthening the network by collaboration with Japanese universities.

Exchange human resources in industrial sectors for future generations 10

- AJC will continue to organize seminars related to improving ASEAN human resources development and management.

Technology transfer and human resource development support in the environmental field 10

- METI-KANSAI will aim to promote improvement of environmental problems and improvement of the business climate and market acquisition in Binh Duong Province in Vietnam, through building networks and trust with stakeholders in Vietnam.

Supporting human resource development for SMEs 10

- The project "Fostering Competitive SMEs in ASEAN by promoting Business-Academia Networking of Entrepreneurship Education," has established the basic network of “Teaching Incubation Centers” throughout of ASEAN countries to correspond the reinforcement of ASEAN Economic Unity. Under the mission statement of “Born ASEAN or Die Local, ” the incubation centers will support human resource development for SMEs in AMSs through providing incubators with the know-how of entrepreneur education programs based on "Consulting Based Learning

for ASEAN SMEs (COBLAS)" program. The program has been introduced into universities in AMSs as "Common Curriculum for Entrepreneurship in ASEAN." The methodology and materials constantly will be reviewed and improved in collaboration with the Association of ASEAN-Japan Entrepreneurship Education (AAJEE) a network consisting of university professors and researchers. Incubation managers and lecturers, who have participated in the multiple workshops will be authenticated as ASEAN Business Professors in collaboration with AAJEE. The Entrepreneur Test will give the base for the further research on entrepreneurship and proposed effective country SME policies toward "Born ASEAN or Die Local," and also give the base for the leadership advice to the entrepreneurs.

- Further acceleration of this project with TICs' function is highly expected. Following items are possible future plans.
 - (1) To increase the penetration of COBLAS program in local areas
 - (2) To conduct Entrepreneurship Education Program for Kids
 - (3) To conduct crossover workshop "Born ASEAN Business Course."
 - (4) To conduct business matching for Japan and ASEAN SMEs
 - (5) To support ASEAN-wide Business Model Competition

Capacity building for a lean and efficient factory management with IoT technologies(ER)

- provide training programs for engineers to realize not only a lean and efficient factory management with IoT technologies, which enables trainees to identify several kinds of losses in factories and improve manufacturing process more efficiently.

CLMV Support Program 10

- ASEAN-Japan Centre will continue to organize export capacity building programs in CLMV countries to improve access to markets in Japan. The following activities are decided for FY2020 :Seminar and workshop on trade in the digital economy in Viet Nam in October 2020 to provide up to-date information focusing on utilizing non-equity mode of operations.

Industrial human resource development, including, reskilling workforce for the 4th Industrial Revolution(ER)

- METI continues to promote human resource development through dispatching Japanese experts to ASEAN, inviting trainees to Japan, and holding online training.
- JICA offers Knowledge Co-Creation Program for Business Innovation (IoT, AI) in the Fourth Industrial Revolution (4IR). This Program targets Ministries in charge of industrial promotion and international cooperation, local governments and chambers of commerce.
- ASEAN and Japan to explore initiatives to further enhance workforce competency and productivity.

Capacity building and holding joint seminar for ASEAN ECAs(ER)

- NEXI holds joint seminars for companies in ASEAN and bilateral meetings with Asian ECAs and government officials of AMSs to share NEXI experiences of trade insurance business.

Promoting capacity building in science, technology, and innovation, and encouraging research cooperation(ER)

- Japan Society for the Promotion of Science (JSPS) continues its collaboration and linkage efforts with AMS by providing long-term and short-term programs such as joint research projects and seminars, research fellowships, workshops, and scientific meetings.
- JST also continues its collaboration with AMS by joint research programs such as SATREPS, e-ASIA and Collaboration Hubs for International Research Program (CHIRP) and by organizing Japan-ASEAN Multi-Stakeholder Strategic Consultancy Forum with MEXT as one of the major activities under “Japan-ASEAN STI for SDGs Bridging Initiative.”

Supporting the development of ICT skill standards in ASEAN (ASEAN Common skill standard initiative for ICT professionals) 10

Supporting for ASEAN SME's strategic action plan 10

- Japan will support ASEAN to implement and monitor ASEAN SAP SMED.

Expand business network and partnerships between ASEAN and Japan

Development and networking of entrepreneurs conducting business in ASEAN-Japan (New)

- Events to network 100 young business leaders of ASEAN and Japan

Organizing network meeting 10

- ASEAN-Japan Centre will organize network meetings for ASEAN Member States.
- Expand business network and partnership through the Asian Business Summit meetings and bilateral, multilateral economic meetings with ASEAN Members. Early EIF of the RCEP and infrastructure development as well as enhancement of business environment are the key issues.
- EABC will submit the recommendation for RCEP, e-commerce, SME to the AEM+3. JCCI fully support the EABC activities together with JETRO.

Organizing investment missions, assigning investment advisors, holding seminars and providing individual consultations 10

- ASEAN-Japan Centre will continue to work together with ASEAN Member States to organize bilateral high-level investment dialogues, ministerial-level policy dialogues for CLMV countries, dialogue and networking sessions in the local cities across Japan.
- The ASEAN-Japan Centre will organize bilateral out-sourcing business promotion related-activities for ASEAN Member States.

The ASEAN-Japan Centre continues to organize trade and investment related seminars and lectures on Environmental, Social and Governance (ESG) as well as topics in accordance with ASEAN-Japan interests.

- The ASEAN-Japan Centre will continue to organize the ASEAN Study Group in Tokyo (ASGT) dialogues with ASEAN agencies and related governmental bodies.
- JETRO will organize investment promotion seminars on ASEAN economies continuously.
- ASEAN-Japan Centre will continue to update the Centre's webpage on ASEAN investment to provide up-to-date investment-related information.
- JETRO will continuously organize investment promotion seminars and missions focusing on infrastructure development in ASEAN economies.

Pillar 3 : Promoting open innovation beyond borders

Promote innovation network for start-ups, innovators, investors and others(ER)

- Support for co-creation of business opportunities
- Facilitate dialogues between and among start-ups, innovators and investors by holding regular forum where new business ideas, new products, and innovation are presented for possible funding or commercialization.
- JETRO to facilitate sharing of information and best practices through webinars and holds online matching events to support the creation of business opportunities.

Nurture New Industries and create social good using IT technology through collaborative innovation 10

- JETRO continues to follow up the adopted companies under “Asia Digital Transformation(ADX) projects”
- JETRO continues to support open innovation between Japan and ASEAN through J-Bridge platform.

Support for solving various socio-economic challenges through innovation(ER)

- Provide financial support for demonstration projects which use innovation such as digital technologies to solve various socio-economic challenges.

Financial support by JBIC(ER)

- Japan Bank of International Cooperation (JBIC) provides financial support for overseas business activities of Japanese companies

Insurance programs by NEXI(ER)

- NEXI sets loan insurance program up to 1.5 trillion Japanese yen in order to support financing of working capital of Japanese subsidiaries operating overseas business.
- NEXI covers payment defaults of overseas buyers and the losses incurred due to political risks, such as import restriction, foreign exchange restriction, etc.
- The LEAD Initiative was launched by NEXI to support the active planning of projects in key areas such as enhancing industrial competitiveness in decarbonization and digital technologies, solving social challenges and contributing to the achievement of the SDGs.

Reinsurance network between NEXI and ASEAN ECAs (ER)

- NEXI provides ASEAN ECAs with additional risk capacity under the existing reinsurance arrangement with them to support business in the region.

Facilitate collaboration between public, private and academic sectors(ER)

- ERIA continue to support activities to provide policy recommendations.
- Dialogue between the Secretary General of ASEAN and the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA) and ASEAN-Japan Business Council

Cooperation in promoting smart cities(ER)

- Japan supports the ASEAN Smart Cities Network (ASCN) through the Japan Association for Smart Cities in ASEAN (JASCA).

Conducting a feasibility study on investment in healthcare; strengthening the network among medical personnel 10

- Japan will support spreading preventive medicine such as medical check-up system, which can contribute to improve citizen's health.

Promote utilization of satellite technology

Promoting the use of satellite data to resolve social issues 10

- METI has launched satellite data platform "Tellus" providing Open and Free satellite data and data utilization environment. Japan will pursue to resolve social issues through promoting the use of satellite data.
- [Vietnam] Earth Observation Satellites supported by "the Project for Disaster and Climate Change Countermeasures Using Earth Observation Satellite" will be launched.

Improving cyber security environment in the region 10

- Support the creation of new businesses, including healthcare, green and creative industries

Supporting missions, assigning advisors and holding seminars for the advancement of service industries 10

Work towards strengthening the protection of Intellectual Property Rights (IPRs)

Pillar 4 : Realizing sustainability

Energy Cooperation

Realizing realistic energy transition new

· Realizing “Asia Zero Emission Community” concept through initiatives such as support through Asia Energy Transition Initiative (AETI) etc. Regarding AETI, in order to support the simultaneous achievement of sustainable economic growth and carbon neutrality in Asia, Japan has proposed a package of concrete support measures based on the following five pillars.

- ✓ Support for formulating energy transition roadmaps
- ✓ Presentation and promotion of the concept of the Asia Transition Finance
- ✓ 10 billion US dollars financial support for renewable energy, energy efficiency, LNG, CCUS and other projects
- ✓ Technology development and deployment, utilizing the achievement of Green Innovation fund
- ✓ Human resource development, knowledge sharing and rule-making on decarbonization technologies

Support for infrastructure or energy transition financing 10

- JICA will continue to support construction of gas turbine combined cycle power plants, hydropower plants, substations and distribution facilities in Vietnam.
- JICA will continue to support hydro and geothermal power plants and high voltage transmission line in Indonesia.
- [Lao P.D.R.] JICA will continue to seek an opportunity to support power transmission.
- [Cambodia] JICA will continue to implement the prioritized projects.
- ASEAN and Japan support ERIA's study on CADP 3.0 for improving financing mechanism.

IPP (Independent Power Producer) Support Projects (ER)

NEXI continuously supports IPP projects to ensure access to affordable, reliable, sustainable and modern energy in the ASEAN region.

- To realize sustainable societies, Japan supports energy transitions and the realization of low-carbon societies in developing countries. Japan has a track record of underwriting export insurance to serve this purpose and is planning other projects in consultation with private companies.

- Although there are inquiries from companies, there is no record of underwriting.

Human resource development cooperation for high efficiency low emission (HELE) thermal power generation and carbon recycling technology (ER)

Development of CCUS/Carbon Recycling technologies (ER)

The cooperative alliance for conducting energy efficiency, green growth in industry sector, utilizing cleaner and innovative energy technologies and mobilizing public and private investments (ER)

- The 3rd Cleaner Energy Future Initiative for ASEAN (CEFIA) Government-Private Forum was held in 2022, and discussions on CEFIA collaboration, roadmaps, and others were made.

Promoting Low Carbon Technology 10

- Japan will enhance the activities of CEFIA to facilitate collaboration between public and private sectors for accelerating the dissemination of low carbon technology in the ASEAN region.
- Utilizing the contribution to AMEICC, needs assessment projects will be launched to find potential needs of green and sustainable growth projects in ASEAN, which will result in pilot projects or actual investment conducted by collaboration between Japanese and ASEAN companies.
- JICA will try to mainstream climate change in the context of development
- JICA will continue participating in policy dialogues under the SP-RCC (Support Program for Response to Climate Change) phase 3 (2016-2020) in Vietnam.
- JICA will support to strengthen the Government of Vietnam's capacity to implement the commitments on mitigation of GHGs under Nationally Determined Contribution (NDC) through the technical cooperation , "Support for planning and implementation of the Nationally Determined Contributions" in Vietnam.

Capacity Building programs to deploy energy efficiency and renewable energy technologies (ER)

- In FY2021, Japan is implementing human resources development programs through online workshops for ASEAN countries. In addition, Business Forum for Energy Efficiency and Renewable Energy will be held in 2022 in an ASEAN country.

Demonstration projects of energy efficiency and renewable energy technologies in ASEAN countries (ER)

- Japan supports technical cooperation in energy efficiency and new energy as demonstration projects in order to roll out demonstrated technology and reap the results of such technical cooperation back in Japan. In ASEAN region, 3 international demonstration projects are running and 12 cases of feasibility study are underway.

Implementing fundamental researches, feasibility studies and joint pilot demonstrations projects of Smart Community related technologies 10

- Japan will continue to implement feasibility studies and joint pilot demonstration projects of Smart Community related technologies.

Developing basic energy infrastructure in less developing ASEAN countries 10

- [Laos] JICA will start to support to establish “Clean Energy Transition Roadmap towards Carbon Neutral Society”.
- [Cambodia] JICA will start to support to establish “Clean Energy Transition Roadmap towards Carbon Neutral Society”.
- [Vietnam] JICA will continue to support energy and renewable energy projects and to support capacity improvement on the power operation when introducing large amount of variable renewable energy through technical cooperation in Vietnam.

Energy Efficiency and Renewable Energy (10)

- Japan will continue to implement AJEEP (ASEAN-Japan Energy Efficiency Partnership) to support capacity building on Energy Efficiency .

Cooperation toward circular economy

Cooperation on End-of-Life Vehicle Recycling (TBD) (New)

Establish a resilient society in East Asia

Cooperation for disaster resiliency (10)

Deployment of Japanese technology and knowledge related to disaster management and prevention etc. to ASEAN.

Expanded Partnership for Quality Infrastructure (10)

- Japan will implement to improve related measures and promote quality infrastructure project in Asia, such as through support for feasibility study and demonstration projects and financial support.

Annex 3. Specific Questions Posed by Japan

Name of Agency: _____

<p>1. Sophistication of supply chain infrastructure utilizing digital technology</p>	<p>Create 100 cases of data utilization for supply chain sophistication</p>	<ul style="list-style-type: none"> • What areas of supply chain are you interested in when it comes to resiliency? 	<ul style="list-style-type: none"> •
<p>2. Developing a network of entrepreneurs in ASEAN-Japan</p>	<p>Events to network 100 young business leaders of ASEAN and Japan</p>	<ul style="list-style-type: none"> • How can we find good young entrepreneurs in each country (people who are promoting solutions to social issues through innovation and who are interested in Japan), and how can we collaborate with AMS to find those young entrepreneurs? 	<ul style="list-style-type: none"> •
<p>3. Support for promoting business co-creation addressing social challenges</p>	<p>Contribute to co-creation of 100 businesses solving social challenges such as food security as well as easier access to healthcare</p>	<ul style="list-style-type: none"> • What kind of ideas are possible to have more involvement of AMS? 	<ul style="list-style-type: none"> •

**Project on the development of
ASEAN-Japan Economic Co-Creation Vision**

Interim Report on the Primary Research

December 2022

This document provides a summary of the interviews conducted to ASEAN and Japanese companies and startups.

		Overview	Research Method	Status (23, Dec.)
Desktop Research	Japan	<ul style="list-style-type: none"> Research on private/ public sector initiatives by Japan, ASEAN and other major countries. 	<ul style="list-style-type: none"> Research on Japanese and ASEAN private / public sector initiatives regarding the four pillars of the Vision. Research private/ public sector initiatives regarding the four pillars of the Vision by US, Europe, Australia, China, South Korea and other countries. 	Finished with collection of information
	ASEAN			
Interview	Japan	<ul style="list-style-type: none"> Interviews with Japanese companies doing business in ASEAN. 	<ul style="list-style-type: none"> Conduct interview on challenges Japanese companies face in ASEAN, the value they provide to ASEAN, and needs for economic co-creation from ASEAN. 	16/20 Interviews
	ASEAN	<ul style="list-style-type: none"> Interviews with ASEAN companies. 	<ul style="list-style-type: none"> Conduct interview on business/ initiatives by ASEAN companies, challenges they face, the value they expect from Japanese companies, and needs for economic co-creation from ASEAN companies. 	8/20 Interviews
	ASEAN startup	<ul style="list-style-type: none"> Interview with ASEAN startups. 	<ul style="list-style-type: none"> Conduct interview on business by ASEAN startup companies, challenges they face, their business value, the value that Japan can offer to ASEAN, Necessary government support for their growth. 	10/10 Interviews
Panel Discussion in Japan		<ul style="list-style-type: none"> on the four pillars of the Vision by experts from academia and the public / private sectors 	<ul style="list-style-type: none"> Conduct panel discussion by experts from academia and the public / private sectors. Set circa 8 themes based on the 4 pillars of the Vision. 	1/8 Events
Panel Discussion in ASEAN		<ul style="list-style-type: none"> Panel Discussion and surveys proposed by ASEAN institutions to reflect their opinion to the Vision. 	<ul style="list-style-type: none"> Collecting comments and opinion from the ASEAN side on the vision through events and survey projects based on proposals from economic organizations and other organizations in ASEAN countries. 	1/10 Events

Challenges/Key Success Factors (KSFs) of co-creation and values that Japan can offer to ASEAN were identified in the interviews conducted to Japanese companies.

Challenges/KSFs of Co-creation with ASEAN	"Value" that Japan can offer to ASEAN
<p>Challenges</p> <ul style="list-style-type: none"> ● Shortage of local managers and Japanese with global skillset <ul style="list-style-type: none"> ➢ Lack of human resources with a global mindset who can take charge of overseas business development. ➢ Difficulties in hiring and retaining local skilled talent. ➢ Lack of cross-border recruitment to facilitate brain circulation in ASEAN, career paths and talent development for developing "global human resources." ● Limited access to local information <ul style="list-style-type: none"> ➢ Limited information on reliable local partners, distributors and investors. ➢ Limited access and connection to local government officials. ➢ Difficulties in collecting information on the local business environment such as rules, regulations and policies. ➢ Difficulties in evaluating market size and potential of local social challenges. ➢ Difficulties in utilising local Japanese networks including local Japanese embassies, local Japanese government agencies, etc. ● High institutional barriers for cross-border business <ul style="list-style-type: none"> ➢ Lack of standardization of regulations, certification, accreditation, etc. ➢ Difficulties in protecting technology/Intellectual Property through patents. ➢ Time consuming and complicated local administrative procedures. <p>Key Success Factors (KSFs)</p> <ul style="list-style-type: none"> ● Changing Mindset for co-creation <ul style="list-style-type: none"> ➢ Understanding and accepting local values. ➢ Sharing common purpose, values and corporate philosophy. ➢ Being open for dialogue and sharing information and build relationships. ● Maximizing potential of local offices/branches <ul style="list-style-type: none"> ➢ Utilizing them to identify local needs and co-create with local partners. ➢ Provide them with independent budget and enable fast decision making. ➢ Share the best practices to headquarter from local offices. 	<ul style="list-style-type: none"> ● Japanese Mindset and values <ul style="list-style-type: none"> ➢ Mindset for teamwork with respect and carfullness for others. ➢ High standards of products and service with trust, high quality and security. ➢ Working ethics with Craftsmanship and hardworking. ● Technology and know-how of Japan <ul style="list-style-type: none"> ➢ Mass production technologies and know-how, including Kaizen (1→100). ➢ Advanced technology and detailed design capabilities for enabling high added value (e.g. R&D capacity in agricultural products and chemicals) ➢ Japanese-style systems (e.g. healthcare system, agricultural cooperatives, environmental management system, sanitation system, waste and sewerage management system) ➢ Operational excellency in factories/production with high productivity. ➢ Problem-solving skills, including troubleshooting skills . ● Environment for human resources development <ul style="list-style-type: none"> ➢ Lifetime employment enabling long term OJT (on-the-job training). ➢ Working culture in which employees teach each other derived from apprenticeship culture. ➢ High demand in accepting interns and hire personnel from Japan, as well as training personnel in Japan and ASEAN. ➢ Increased demand in acceleration programmes in recent years.

Challenges/Key Success Factors (KSFs) of co-creation and values that Japan can offer to ASEAN were identified in the interviews conducted to ASEAN companies.

Challenges/KSFs of Co-creation with Japan	"Value" that Japan can offer to ASEAN
<p>Challenges</p> <ul style="list-style-type: none"> ● Lack of professional Japanese personnel who can work globally <ul style="list-style-type: none"> ➢ Japanese players lack the hunger to expand the business outside Japan and companies are not willing to cooperate with local companies. ➢ Despite there being a large opportunity for Japanese manufacturers to sell directly to local markets, there is a lack of personnel who can promote overseas business. ➢ Despite Japan's advanced efforts in the field of sustainability, there is a lack of experts in sustainability who can work on a global basis. ● Forcing the Japanese way and language <ul style="list-style-type: none"> ➢ Difficulties for adapting to Japanese way of doing things and unable to accept the Japanese way due to cultural differences ➢ Japanese people have a strong desire to maintain Japanese culture and corporate practices (Understanding Japanese culture and language is a key success factor in becoming a successful business partner). ➢ While English can be used as a global language in the West, Japanese language and culture becomes a barrier with Japanese partners. ➢ It is important to lower the hurdles, increase opportunities, and be flexible in learning Japanese culture and language. ● Stereotypes on Japanese technology <ul style="list-style-type: none"> ➢ There is a stereotype that Japanese companies are technologically advanced, but in reality, Japanese technology do not meet the needs on the ground in a rapidly changing external environment. ➢ Despite of Japanese technological capabilities, they are struggling to expand overseas. <p>Key Success Factors</p> <ul style="list-style-type: none"> ● Understanding the importance of localisation <ul style="list-style-type: none"> ➢ Recruiting local personnel and promote diversity to adapt local. ➢ Localising products to adapt to local market needs and employ local teams to bridge the language gap. ➢ Access to accurate and robust data are essential to ensure competitiveness in foreign markets as well as product localisation. ● Forming networks/partnerships with appropriate partners <ul style="list-style-type: none"> ➢ Important to employ senior local advisers with a strong local network. 	<ul style="list-style-type: none"> ● Mid & long-term human resources development schemes <ul style="list-style-type: none"> ➢ One of Japan's strengths in attracting foreign personnel is that, compared to other countries, Japanese companies take a more careful approach to human resources development, and the attitude to mid-to-long term training of employees, ingrained in the corporate culture. ➢ Many people who return to their home country after working in Japan obtain high positions, and thus, going to Japan has become a brand. If the number of such workers (people who work in Japan and return to their home country) increases, it will be easier for Japanese companies to expand into foreign markets and promote 'high value-added' technology. ➢ Japanese companies do not hide their knowledge/know-how and are open to share their expertise to the society. ● Attractiveness of Japanese market <ul style="list-style-type: none"> ➢ Japan is a very large market and is attractive for startups. ● Expertise in solving social issues <ul style="list-style-type: none"> ➢ As Japan is experiencing to solve social challenges such as an ageing population and shrinking workforce, ASEAN countries are starting to face similar challenges, leading to the creation of new business such as elderly care services. ● Expertise in urban design <ul style="list-style-type: none"> ➢ ASEAN can learn from Japan on brownfield projects and how to integrate smart cities into existing infrastructure. ● World-leading 'Sustainability' standards <ul style="list-style-type: none"> ➢ World standards can be achieved by adopting Japanese certification standards on sustainable building. ➢ Many companies recognise Japan as a best practice in the area of sustainability - particularly in the domain of hotel industry (e.g. Japan specifies minimum areas to be set aside for public and social use of beaches, Japan sets an upper limit on electricity and water consumption). ● World-leading 'Hospitality' standards <ul style="list-style-type: none"> ➢ Many Japanese staff demonstrate high integrity and good work ethic.

Necessary initiatives to promote co-creation identified in the interviews conducted to Japanese companies.

Necessary initiatives to Promote Co-creation (Ideas by Japanese companies)

① Transform mindset of Japanese companies (global mindset)

- ✧ Promote localisation and faster decision-making by transforming corporate culture, internal procedures and strategic talent allocation scheme.
- ✧ Foster understanding that 'co-creation with ASEAN companies is an opportunity to create new business'.

② Address the lack of internal resources (especially for SMEs and startups)

- ✧ Government should provide risk money to reduce the risks associated with co-creation with ASEAN companies and promote new business.
- ✧ Provide and develop coordinators who are able to support and facilitate co-creation with ASEAN (e.g. JETRO's overseas business development specialists, senior personnel with extensive local networks and technical skills, and workers who worked in Japan and returned to their home country).

③ Address barriers to cross-border business

- ✧ Remove regulatory barriers related to human resources (mobility of professional human resource), goods and services (intellectual property rights and export regulations) and capital (foreign investment regulations).
- ✧ Promote rule-making and standardisation for further co-creation projects (e.g. remove regulations, certification and accreditation)

④ Establish local networks as 'All Japan'

- ✧ All Japanese stakeholders should work together to share their information and network in ASEAN.
- ✧ Establish a platform for connecting and co-creating with key local business players, international organisations and government agencies.
- ✧ Establish a "Team Japan" in each country sharing purpose to address local social challenges.

⑤ Provide agile support and financial assistance to local offices

- ✧ Localize government subsidies and supports to allow Japanese local offices to increase budget and promote co-creation projects using local resources.

Necessary initiatives to promote co-creation identified in the interviews conducted to ASEAN companies.

Necessary Initiatives to Promote Co-creation (Idea by ASEAN companies)

⑥ Design an ASEAN-wide mobility programme

- Designing a brain circulating program in which ASEAN companies send their human resource to Japan for training; After the training program in Japan, the ASEAN personnel will be transferred to the other countries to work globally.
- Provide training programmes in ASEAN on Japanese culture and increase opportunities to work in Japanese companies based in ASEAN.

⑦ Clarification of the position of Japan in ASEAN (Deepen understanding on ASEAN)

- Create initiatives/strategies that support ASEAN personnel who want to learn Japanese and develop their careers in Japan.
- Japanese companies should first recognize the strength and value of Japan and their own industry, and second, identify the strength and value of ASEAN and its human resources.
- Support is needed for companies that provide mid-to-long term projects – for example, projects that teach Japanese to high school/university students at a low cost and help them find employment in Japan in the long run.
- Japan needs to realize that developing the capacity and potential of the 600 million people in ASEAN leads to Japan's growth.

⑧ Build local networks and design 'catalysts'

- Create an ecosystem where stakeholders can meet face-to-face and promote collaboration.
- Support 'catalytic' institutions/organisations that can connect various stakeholders in business and academia, etc.

⑨ Set sustainability standards in ASEAN

- There is a need to set standards and benchmarks on what business should do to achieve the SDGs.

Challenges in business, values that Japan can offer to ASEAN and necessary support were identified in interviews conducted by JETRO to ASEAN startups.

Business Values	<ul style="list-style-type: none"> <input type="checkbox"/> Social impact is the main purpose of starting business <ul style="list-style-type: none"> • Young entrepreneurs aim to make a social impact by using technology and building a platform accessible to all. <input type="checkbox"/> Partner with various countries based on their value proposition <ul style="list-style-type: none"> • Young entrepreneurs with increased information-gathering capabilities do not choose their partner based on the location of the company, but rather by the value proposition offered to them by each company.
Challenges	<ul style="list-style-type: none"> <input type="checkbox"/> Securing personnel to promote and expand business <ul style="list-style-type: none"> • Difficulty recruiting personnel to scale business - such as personnel capable of building foreign networks and expanding business overseas. • Difficulty recruiting personnel that have sufficient language skills and business experience. <input type="checkbox"/> Adapting to the market <ul style="list-style-type: none"> • Difficulty adapting to government regulations and tax regimes, as well as, achieving product market fit and penetrating local markets. (Product Market fit)
Values that Japan can offer to ASEAN	<ul style="list-style-type: none"> <input type="checkbox"/> Business based on mid-to-long term relationship <ul style="list-style-type: none"> • Japanese companies are capable of building trust through mid-to-long term relationships and promoting stable/sustainable business. <input type="checkbox"/> Expertise in problem-solving as leading company in terms of solving social challenges <ul style="list-style-type: none"> • As Japan has already faced social challenges, Japanese companies have technology that can solve such social challenges. • Young entrepreneurs envisage partnerships with Japanese companies who have high technical competence and are familiar with ASEAN's regulations. <input type="checkbox"/> Mutually beneficial relationship <ul style="list-style-type: none"> • Young entrepreneurs expect for a mutual relationship with trust. While ASEAN companies can provide market-in business ideas based on their knowledge of the local market, Japanese companies can support business initiatives with intangible assets such as technology and know-how. <input type="checkbox"/> Japan's Weakness: Lack of speed of business decision and language barriers <ul style="list-style-type: none"> • Japanese companies' decision-making is slow. Time is critical, especially for startups in early stages. • It is often difficult to communicate in English with Japanese companies. Misinterpretation may occur in the interpretation process.
Necessary government support	<ul style="list-style-type: none"> <input type="checkbox"/> Introduction of partner companies <ul style="list-style-type: none"> • Promoting partnership with Japanese companies through networking events and support for selecting appropriate business partners. <input type="checkbox"/> General business support <ul style="list-style-type: none"> • Government should support seed and early stage fundraising as well as provide acceleration programmes. • Government should support R&D and recruitment of R&D personnel, in order to develop core technology that improves business competitiveness.