

ASEAN-Japan Economic Cooperation in the Post-Pandemic Era

10 January 2022

Ministry of Economy, Trade and Industry

Government of Japan

Two Initiatives for the Next Chapter of Japan's Economic Relations with ASEAN

1. Offer effective solutions to the **reality** faced by ASEAN countries
 2. Create foundation for **sustainable** economic society, using private sectors' **innovation** to the maximum extent
 3. "**Co-create**" the region's future through collaboration with local businesses and partnership between Japan and ASEAN countries
- Strongly promote **new future-oriented investment ("Future Investment")**

Newly Announced

**ASIA-Japan Investing for the Future Initiative
"AJIF"**

Announced in May 2021

**Asia Energy Transition Initiative
"AETI"**

Three ideal images of the future which Japan and ASEAN co-creates

Improving Attractiveness of the region as a Hub of Global Supply Chain

Creating Innovation to enhance Sustainability & solve Social Challenges

Promoting Energy Transition

Enhance new investment for the region's future with ASEAN

Three ideal images of the future to co-create

Improving attractiveness of the region as a hub of global supply chain

e.g., Enhancing Supply Chain, Improving connectivity, Human resource development

Creating Innovation to enhance Sustainability & solve Social Challenges

e.g., Utilizing digital technology, inventing new technology

Promoting Energy Transition

e.g., Realizing diverse and pragmatic energy transition through innovation in technologies

Ongoing Projects by Japanese companies

Parts manufacturer A develops human resources for lean and efficient production utilizing IoT.

Electronics company B supports industries optimize their supply chain management using data.

Trading company C invests in companies of Asia and others, which holds and utilizes a total of over 400 million patients data to realize efficient and enhanced medical services.

Start-up company D developed new fiber using carbon-free material, and started mass-production in ASEAN.

Engineering company E partners with ASEAN company to conduct feasibility study for building hydrogen supply chain.

Heavy industry manufacturer F partners with ASEAN company to enhance environmental performance through co-firing of coal and fuel ammonia.

Government's Strong Support

Examples of Japan's cooperation for Future Investment

To realize the three ideal images, Japan will promote cooperation in five areas (supply chain, connectivity, digital innovation, human resources, green)

Improving attractiveness of the region as a hub of global supply chain *Below are measures and budgets as of now.

- ✓ Support for Japanese companies to diversify their supply chains to make them more resilient (approx. 35 billion yen)
- ✓ Promote enhancement of supply chains. Create 100 good practices over the next five years (1 billion yen)
- ✓ Over the next 5 years, provide opportunities for ambitious 50,000 highly-skilled Asian professionals to seek jobs in Japanese companies in Asia as well as Japan.
- ✓ Promote demonstration projects etc. to expand market for next-gen vehicles, such as EVs
- ✓ Utilization of public finance (NEXI: LEAD Initiative, JBIC: Post-COVID-19 Growth Facility)
- ✓ Ensuring the full implementation of the RCEP and supporting the digitization of trade procedures

Creating Innovation to enhance Sustainability & solve Social Challenges

- ✓ Promotion of social issue solving by Japanese and Asian companies' collaboration, using digital tech etc. (approx. 7.5 billion yen)
- ✓ Matching events and hands-on support to promote collaboration projects between Japan and Asian companies
- ✓ Investment by Japan Investment Corporation (JIC) to a private fund which invests in collaboration projects between Asian venture companies and Japanese companies

Promoting Energy Transition

- ✓ Support drawing roadmaps for energy transitions toward carbon neutrality
- ✓ \$10 billion finance support for renewable energy, energy efficiency, LNG etc.
- ✓ Support for the introduction of equipment for green growth projects, etc.
- ✓ Human resource development of decarbonization technologies for 1,000 people

Promote "Future Investment" and
"Co-Create" innovative and sustainable economic society

Examples of Future Investment And Co-creation by Japan

Improving attractiveness of the region as a hub of Global Supply Chain①

Agendas items

- Developing domestic industries so that they can take on higher value-added areas in the supply chain of automobiles and other products is necessary.
- Using digitalization and other technologies, know-how, and human resources as a basis for creation of new industries is required. Especially, highly-skilled professionals are required in all industries.
- Japanese auto manufacturers employ about 160,000 people within ASEAN and export about 720,000 vehicles to outside ASEAN (2019).
- A Japanese auto parts manufacturer in cooperation with Japanese Government conducts human resources training to efficiently produce products in a lean manner, by utilizing IoT technology, targeting small and medium-sized companies that are also part of the supply chain of Japanese companies.
- A Japanese startup conducted endowed courses on automated driving platforms for students of a local university, with the aim of developing IT human resources who can take charge of the development of automated driving systems.
- Through industry-academia-government collaboration, Japanese companies provide human resources development to promote smart industrial safety, in order to prevent accidents from occurring due to the aging of petrochemical plants, etc., and to improve productivity.
- The Government supports Japanese companies to diversify their supply chains with a view to increasing investment in Asian countries.
- Support for providing opportunities for ambitious 50,000 highly-skilled Asian professionals to seek jobs in Japanese companies in Asia as well as Japan, through initiatives such as Japanese universities establishing degree programs in collaboration with foreign universities.
- Support for development of human resources, including IT human resources, by dispatching experts, providing training in Japan, and supporting the establishment of endowed courses at ASEAN local universities.

Improving attractiveness of the region as a hub of Global Supply Chain②

- The automobile industry, as a key industry, is facing the challenge of transition to EVs etc. Paving the way for the future transition to EVs etc. is necessary.
- Japanese automakers have started to nurture the EV market, and have also begun to consider EV manufacturing. On the other hand, all options for carbon neutrality, such as hydrogen and biodiesel, are offered to meet the reality and actual situation in ASEAN
- The Government is considering to support local demonstration tests and other measures to expand the market for EVs and other next-generation vehicles.
- Trade supports economic growth. To expand trade, reducing the costs associated with customs clearance and other trade-related operations for imports and exports is necessary.
- A Japanese company aims to digitalize all trade related documents, including bills of lading, and use blockchain technology to build a trade platform that enables sharing information comprehensively among stakeholders, while ensuring security, and connecting it with platforms of ASEAN countries.
- The Government supports demonstration projects by the private sector for the advancement of supply chains through the digitalization of trade procedures, and will examine the possibility of digitalizing and streamlining the entire supply chain.
- Promotes measures and consultations with relevant countries to digitalize Certificates of Origin for AJCEP and bilateral EPAs.

Improving attractiveness of the region as a hub of Global Supply Chain③

- Experienced disruption in the supply chain due to COVID-19 pandemic. Therefore, enhancement of the supply chain management is necessary.
- A Japanese electronics manufacturer is promoting the optimization of production and inventory planning in its supply chain by utilizing data from multiple suppliers and other sources of data.
- The Government will provide support for structuring a resilient and competitive supply chain that fully utilizes data. 100 good practices will be created over the next 5 years.
- NEXI's LEAD Initiative and JBIC's Post-COVID-19 Growth Facility (Supply Chain Resilience Enhancement Window) provides financial support to enhance supply chain.

Creating innovation to enhance sustainability & solve social challenges①

Agenda items

- Necessity to accelerate inclusive digital transformation including rural areas and SMEs. Also, seeking to create businesses to solve social issues through innovation such as digital technology.
- A Japanese venture company will contribute to improving access to healthcare by building a remote platform to support diagnosis and treatment for patients who are unable to receive proper diagnosis due to the shortage and uneven distribution of medical specialists.
- A Japanese trading company aims to develop comprehensive healthcare services by integrating medical data across hospital boundaries for data analysis and service development, as well as by linking data with other areas such as pharmaceuticals and insurance. In addition, the company will accelerate investment in local companies to strengthen its business for local consumers, including finance, retail, and real estate.
- A Japanese venture company provides FinTech services for low-income cab drivers and individuals who are unable to pass the loan or lease screening process, by installing a device in their cars that remotely disables the car if payment is not made on time, allowing them to purchase a vehicle with a loan. The service contributes to the creation of new employment opportunities by improving the creditworthiness of low-income earners.

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Creating innovation to enhance sustainability & solve social challenges②

- In aquaculture business, a Japanese venture company is currently demonstrating the use of its AI technology to analyze the appetite and growth of shrimp and automatically feed them at the right time, with the aim of improving labor productivity and profitability. Another Japanese venture company is demonstrating the use of satellite data to predict yields and to build a data platform for farmland information in Asia. These efforts are expected to strengthen the industrial base in rural areas, improve the economic disparity between urban and rural areas, and contribute to the digitalization of administrative systems.
- In order for Japanese and Asian companies to develop businesses which solve local social issues such as by utilizing digital technology, the Government holds matching events and provides hands-on support to facilitate collaborative projects between Japanese and overseas companies through JETRO's J-Bridge, supports demonstration projects and feasibility studies for the introduction of high-quality infrastructure.
- Providing support through NEXI's LEAD Initiative.
- The Japan Investment Corporation (JIC), a public-private fund, plans to invest in a Japanese venture capital firm that has strength in investing in Southeast Asian ventures. Through the investment by JIC, co-creation between Southeast Asian venture companies with cutting-edge digital technologies and Japanese companies will be pushed forward.

Creating innovation to enhance sustainability & solve social challenges③

- Solve social issues such as traffic congestion in urban areas and deterioration of the living environment caused by economic development, and make society more sustainable and livable.

- A Japanese electronic parts manufacturer collaborates with a local company to install high-performance sensors on the roads to collect and analyze various data (traffic volume, vehicle type information, rainfall, vibrations, noise, etc.) and verify traffic regulations to solve serious traffic congestion, air pollution, vibrations problems, etc.
- Japanese automobile manufacturers and other companies are working with a local public corporation to study the feasibility of developing a carbon-neutral industrial park that uses renewable energy sources, including hydrogen, and biogas power generation that effectively utilizes agricultural waste.
- A Japanese trading company is conducting a feasibility study on a smart city to examine sustainable town management in the areas of mobility, energy, and digital infrastructure.
- Japanese industrial refrigeration equipment manufacturers and the Japanese government collaborate to introduce Japanese safety regulations for refrigeration equipment to the local market by training human resources of local regulatory authorities and raising awareness among business operators. The goal is to improve safety and energy efficiency and build a strong cold chain by switching to the latest equipment.

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Creating innovation to enhance sustainability & solve social challenges④

- A Japanese venture company developed protein fiber as an alternative to petroleum-derived products. It is a resource circulative new material using local agricultural products, can be manufactured from carbon-free materials, and biodegrade after use. The company established a local mass production plant of it.
 - To reduce marine plastic waste, an alliance of Japanese companies aims to share the know-how developed through Japan's efforts on plastic waste issues with the Japanese public and private sectors, and to promote the use of Japanese plastic-related technologies.
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- The Government conducts feasibility studies, demonstration projects, matching support, financing support, and other activities to formulate projects for the introduction of high-quality infrastructure.
 - The Government promotes the transfer of Japan's systems and technologies through human resource development for government officials and industries in partner countries, in order to introduce systems and improve business environment in partner countries.
 - The Government introduces Japan's pollution control manager system to Mekong countries, and develop human resources to improve the environmental management capacity of factories, ensure the effectiveness of environmental regulations, and raise the environmental awareness of local governments and companies.

Creating innovation to enhance sustainability & solve social challenges⑤

- With the aging of the population, there is a need to introduce care services for the elderly and other people necessary, and introduce health promotion initiatives.
- A Japanese company conducts a project aimed to raise awareness of nursing care in the local community and to improve the skills of care workers by introducing a national qualification system (care worker system) to train qualified personnel to achieve specialized knowledge and skills required in the nursing care field. An expert review and advice on the syllabus and curriculum for training care workers prepared by the local Ministry of Health, and as a result of these support, the Indonesian National Qualification System for Care Workers was introduced.
- The Government provides support for business initiatives to establish systems and improve the business environment in emerging countries, coordinate and participate in seminars held by Japanese companies and related organizations with local government officials and industry associations, as well as provide financial support for the dispatch of local experts and training programs to Japan.

Promoting Energy Transition①

Agenda items

- Maximizing energy conservation, use of renewable energy, and energy management in order to achieve carbon neutrality.
- A Japanese electrical equipment company is planning to conduct a study on the introduction of distributed power sources using solar and biogas renewable energy in the islands, in order to contribute to both the conversion of diesel power generation to renewable energy and the stable supply of electricity in the islands.
- A Japanese gas company, together with a Japanese consultant and local companies, is conducting a study on a smart city project to introduce an energy management system and gas cogeneration in a central urban development area.
- A Japanese trading company, an oil and gas company, and others are participating in a large-scale geothermal power generation project, and have started commercial operation for 30 years with the aim of selling electricity to a local state-owned power company.
- Utilize NEDO international demonstration project to support the spread of Japan's advanced technologies, including renewable energy grid stabilization, mobility (MaaS, EV buses, etc.), energy management (storage batteries, etc.), smart city development, and decarbonization technologies such as hydrogen and ammonia.
- In the field of energy conservation and efficiency, the Government supports the development of energy conservation and efficiency laws and guidelines and the establishment of an enforcement system (qualified person for energy management), as well as human resource development for energy audits and energy management in factories and buildings.

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Promoting Energy Transition②

- In the field of renewable energy, the Government supports the establishment of systems and human resource development related to grid stabilization and demand-side initiatives as the introduction of variable renewable energy increases, distributed power sources, and hydrogen.
- Promote the spread of energy conservation and efficiency and renewable energy through the CEFIA (Cleaner Energy Future Initiative for ASEAN), a public-private initiative that combines business-led low-carbon technologies, institutional development, and financing.
- Support feasibility study and demonstration projects under the Joint Crediting Mechanism (JCM), etc.
- Training of local human resources who will become on-site leaders to promote the reduction of energy consumption at factories of Japanese companies in Asian region by improving the efficiency of production processes and the defect rate through quality improvement.

Promoting Energy Transition③

- While electricity demand is expected to continue to increase, the distribution of renewable energy resources in each country is uneven. Support for realistic energy transitions, including zero-emission use of fossil fuels is required.
- A Japanese engineering company and others are conducting a feasibility study in cooperation with a local company to establish and reduce the price of hydrogen supply chain businesses, from hydrogen production to hydrogen supply in demand countries, utilizing hydrogen carrier technology, in view of the expected future expansion of demand for hydrogen toward the realization of a decarbonized society.
- A Japanese heavy industry manufacturer is cooperating with a local company to conduct a feasibility study on the application of ammonia co-firing to coal-fired thermal power plants, with the aim of improving environmental performance to reduce CO2 emissions and the production and supply of blue/green ammonia.
- A Japanese electric power company invests in local electric power company and work to promote decarbonization of energy in the partner country by utilizing LNG and other means to support fluctuating renewable energy sources and contribute to increasing the amount of renewable energy introduced.
- A study group led by Japanese banks with the participation of more than 20 banks in Europe, the U.S., and Asia to present and promote the concept of Asia Transition Finance was established . The Ministry of Economy, Trade and Industry, the Ministry of Finance, the Financial Services Agency, and governments of various countries (including Singapore, Thailand, and Indonesia) are also participating as observers.

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Promoting Energy Transition④

- The Government supports drawing roadmaps for energy transitions toward carbon neutrality.
- Develop leading projects such as the promotion of zero-emission thermal power generation using ammonia, etc. on a scale of 100 million dollars to achieve realistic energy transitions.
- To promote cooperation between the public and private sectors in the fields of distributed power sources using renewable energy, decarbonized power grid, geothermal energy, etc., by leveraging Japan's strengths, while delving into issues and providing support through policy dialogues with countries to expand the renewable energy and energy management business in Asia.
- Provide insurance under NEXI's LEAD Initiative and finance through JBIC's Post-COVID-19 Growth Facility (Decarbonization Promotion Window).