

# ASEAN-Japan Economic Co-Creation Vision ~Interim Report~

## 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 midst of these changes, the vision for the future relationship between ASEAN and Japan is to “Realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation, based on the trust established over the past 50 years.”
- Taking full advantage of the diversity of ASEAN Member States, growth and innovation models that reflect the strengths of each country will be linked in an interactive manner to realize fair and mutually beneficial economic co-creation. To this end, ASEAN and Japan need to strengthen cooperation in both the public and private sectors to promote co-creation projects. In pursuing specific projects, not only is it necessary to combine the strengths of both parties, it is also essential to address issues concerning both ASEAN and Japan and to meet the needs of all stakeholders.
- Looking back over the past 50 years of our relationship, 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., foreign direct investment mainly in manufacturing, infrastructure development through public finance, and industrial human resource development through public-private partnerships. In the 21st century, Japan's relationship with ASEAN evolved into one that is more aligned with ASEAN's endeavor to realize an economic community. Japan has continued to contribute to ASEAN's development and promote horizontal relationships through the promotion of ASEAN-Japan cooperation from various perspectives, such as the reduction of regional inequality within the ASEAN region through the Japan-ASEAN Integration Fund (JAIF), the launch of the Chiang Mai Initiative after the Asian Financial Crisis and the establishment of ASEAN+3 Macroeconomic Research Office (AMRO) as a monitoring organization for macroeconomics, as well as the promotion of 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.
- "ASEAN Matters: Epicentrum of Growth" is the theme set by Indonesia's ASEAN chairmanship in 2023. ASEAN, which has established in tandem with Japan its position as the world's production base, especially in the manufacturing industry, is now transforming into a global growth market. Fueled by the growing market, a large middle class with purchasing power is emerging in ASEAN

and is contributing to further market growth. ASEAN is not only attracting attention from other Asian countries such as China and South Korea but also from the rest of the world including the U.S. and Europe. ASEAN is becoming the center of global growth both in name and reality.

- In response to these changes in ASEAN, Japan needs to redefine its economic relationship with ASEAN. Rather than and one-sidedly contributing to ASEAN's economic growth, Japan needs to engage with ASEAN as equal partners. Up to now, Japanese companies and ASEAN local communities have worked together and developed a strong sense of trust. ASEAN also has high expectations for Japan, as Japan is a pioneer in solving various social challenges that ASEAN is currently facing as it continues to develop. Japan must be aware of what is expected from ASEAN, while understanding its own strengths and strive to meet these expectations. This is the foundation for building a new relationship between ASEAN and Japan as partners for mutual growth.
- The strategic goal of ASEAN-Japan cooperation is to demonstrate what kind of society we can build together, rather than putting emphasis on the traditional goal of balance in an era of great power competition. This means acknowledging each other's differences, building a safe, prosperous and free society where fundamental human rights are upheld in each country, and shaping the international environment to this end.
- Looking ahead to the next 50 years, this vision will share the broad direction and strategic goals that ASEAN and Japan should pursue in order to bequeath the bond of trust between ASEAN and Japan to the next generation, allowing them to engage in a new generation of ASEAN-Japan economic partnership and co-creation of innovation. ASEAN and Japan will together decide how to achieve these goals.

## 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

- ASEAN's presence as an epicenter of global economic growth has been increasing. By establishing the ASEAN Economic Community and accelerating various forms of economic integration, ASEAN has been enhancing its position as a community while upholding ASEAN Centrality and Unity. 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 is continuing to promote innovation by accelerating startup companies with leapfrogging growth patterns that solve social challenges in a wide range of fields, such as logistics, payment and financial services using digital technology. Additionally, a middle-income class that enjoys urban city life is emerging with a young population that is seeing rapidly rising incomes. 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. ASEAN is truly becoming the global center of growth.
- On the other hand, ASEAN is facing various social challenges caused by the rapid economic development. Specifically, economic growth has forced rapid changes in the societies of ASEAN Member States, such as dramatic urbanization causing unbalanced development between urban and rural areas and widening inequality between high-income and low-income groups. In addition, many ASEAN Member States 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., changes in the relative positioning of the economic power of ASEAN Member States, declining birth rates and ageing populations). As ASEAN Member States grow, their diversity is expected to increase, and the characteristics and features of each country will become clearer.
- In order to achieve robust economic growth despite these social challenges, there are high expectations for Japan, who is a pioneer in tackling social challenges, and has already experienced solving many of the challenges that ASEAN is currently facing. Japanese companies have always respected the diversity within the ASEAN Member States and have worked together with ASEAN companies and societies to build trust, so there is high anticipation for their involvement in responding to such issues.
- Japan is the third largest economy in the world and has a mature economy and society with high technological capabilities in various fields including manufacturing, well-developed social infrastructure, and a social system that features universal health insurance. Furthermore, Japan's strength such as the "Japan brand" represented by high technological capabilities centered on the manufacturing industry and various subcultures, and the experience in solving social challenges related to the global environment and the urban environment ahead of other countries, is

increasing its importance.

- At the same time, because of its maturity, Japan faces economic challenges such as stagnant wages and GDP per capita, as well as social challenges such as a declining birthrate, aging population, and rural decline. Japan also faces challenges such as energy security and food security due to the low levels of energy and food self-sufficiency, the absence of digital platformers, or Big Tech Giants such as GAFA (Google, Amazon, Facebook, Apple), and the waning of its “animal spirit” for innovation. In order to achieve further economic growth, Japan faces challenges in terms of human resources, such as the shortages of digital human resources and women involved in technology areas, and it is vital for Japan to cooperate with ASEAN in the development and exchange human resources. In order to solve these challenges, Japanese companies need to enhance the agility and speed of their decision-making processes and create new ASEAN-Japanese business models that can respond to ASEAN's needs rapidly.

## **2.2 Towards a strong ASEAN-Japan partnership as co-creation partners in the changing relationship**

- The situation surrounding ASEAN and Japan is characterized by economic stagnation in various countries caused by the COVID-19 pandemic in addition to tensions amongst major powers, as well as an increasingly apparent need to address global social challenges, such as climate change and inequality. Specifically, the economic stagnation in each country due to the prolonged COVID-19 pandemic, coupled with the tensions between major powers, is jeopardizing energy security, economic security, and food security and is impeding global economic growth. Furthermore, 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 addition, while certain countries are achieving further growth through the development and dissemination of digital technologies, other 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 facing humanity and our planet. Specifically, the importance of addressing global common values such as sustainability and human rights has increased, and emerging countries have also been requested to take measures to balance both economic and social values. Under these circumstances, the collaboration undertaken between ASEAN and Japan to create a peaceful and prosperous region will contribute significantly to the stability of the Indo-Pacific.
- Against this backdrop, it is becoming increasingly important to address uncertainties, inequalities in economic growth and common values such as human rights on a global scale. Furthermore,

widening disparities within the Southeast Asian region are making it difficult to reach consensus for cooperation and deepen economic integration within ASEAN. This is a critical point for Japan in building a new relationship with ASEAN. In this rapidly changing environment, it is becoming increasingly important to establish an even stronger partnership in bilateral and multilateral cooperation between ASEAN Member States and Japan as a foundation for stability and prosperity.

- The ideal relationship of ASEAN and Japan will be realized by bringing together the experience, skills and vitality of the youth to deal with the various challenges ASEAN and Japan face, to co-create the 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 local ASEAN start-ups to develop new technologies and implement them.

### **3 Vision for a New ASEAN-Japan Economic Relationship**

#### **3.1 To realize a secure, prosperous and free economy and society 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 “Realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation, based on the trust established over the past 50 years.”
- This trust is an indispensable foundation for ASEAN and Japan to recognize each other's value and co-create economic and social value. 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, mutually beneficial manner, taking into account fairness, respecting the diversity of ASEAN Member States and enjoying the benefits of various growth models and innovations that reflect the strengths of each country.

#### **3.2 Three fundamental concepts to support the vision - sharing of experience in solving social challenges, facing the realities of the region and respecting diversity, and exchange of human resources**

- The economic and social landscape of ASEAN is undergoing major changes due to generational change in many ASEAN Member States and the circulation of human resources. Against this backdrop, the following are the three fundamental concepts that will support the vision.
- The first concept is sharing experience in solving social challenges. 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 Member States.
- The second concept is to respect the diversity and reality of the situations in each region. Japan has always worked to create realistic responses to the individual circumstances faced by each ASEAN Member State that respected the diversity that exists between them. 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. Japan has faced the political and social realities

of its partners in building 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 with the solutions to social challenges that arise from rapid economic development.

- The third concept is the exchange of human resources. Human resources are an indispensable foundation supporting the significant changes that the ASEAN-Japan economy and society is undergoing. Furthering the exchange 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 rich, diverse pool of next generation human resources. 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, in order to promote co-creation, it is desirable to actively invite young, highly motivated ASEAN people to Japan and promote entrepreneurship in Japan, and to reform the Japanese corporate culture and structure by, for example, reviewing the wage system of Japanese companies and introducing performance-based systems. In addition, ASEAN has an environment and opportunities that provide a foundation for innovation, and many start-ups have been created by not hesitating in taking advantage of these opportunities, 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 economy and society, ASEAN and Japan are expected to promote collaboration as co-creation partners by sharing their experience 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 economy and 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 economy and 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 economy and society based on mutually beneficial relations between ASEAN and Japan. Specifically, it is necessary to implement initiatives from four perspectives: achieving sustainability that balances diversity and inclusiveness, strengthening cyber and physical connectivity, promoting open innovation across borders, and building an ecosystem for co-creating vigorous human capital.
- Firstly, in order to achieve sustainability, it is essential to promote innovation to transform the current economy and 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 Achieving sustainability which balances diversity and inclusiveness that improves the global environment and solves its challenges, while ensuring wellbeing so that no one is left behind**

- In order to achieve sustainability which balances diversity and inclusiveness, ASEAN and Japan should pursue sustainability on both global and local scales.
- Regarding global sustainability, the gradual adoption of technologies to reduce greenhouse gasses would be significant since ASEAN Member States are heavily dependent on fossil fuels and natural gas for much of their energy needs. However, to increase the proportion of renewable energy in the energy mix of each ASEAN Member State, it is important to introduce optimal renewable energy-based power generation technologies, taking into account the industrial and social structures and geographical conditions of each country.
- In order to accelerate a realistic energy transition and achieve carbon neutrality, ASEAN and Japan should gradually adopt technologies such as energy-saving technology, Carbon Capture, Utilization and Storage (CCUS) technology for the reduction of greenhouse gas emission and renewable energy power generations. In addition to adopting such technologies, ASEAN and Japan should not only develop an ASEAN power grid to share clean energy on a regional scale, but they should also develop a carbon credit market to establish a mechanism for trading greenhouse gas emission credits. Through these efforts, it is essential to strive for a "diverse and realistic" decarbonization based on each country's situation, achieve energy security and promote economic growth, as indicated in the Asia Zero Emission Community (AZEC). Furthermore,



ASEAN and Japan should promote new businesses related to biodiversity such as the blue-economy, an area where ASEAN has much potential for growth.

- With regard to the pursuit of sustainability in daily life, various issues concerning waste management such as marine debris, food loss, e-waste need to be solved to realize a circular economy across the ASEAN region. In addition, ASEAN and Japan would be expected to take initiatives to strengthen their resilience to natural disasters associated with climate change to realize the safety and security of the people. As for the expansion of the middle class due to economic and income growth, ASEAN and Japan should also pursue quality of life and better living conditions to promote people's wellbeing. Furthermore, ASEAN and Japan should promote models of urban development that realize inclusive cities and solve issues such as urban-rural disparity, population outflow from rural areas to cities and traffic congestion in cities.
- Therefore, ASEAN and Japan should take the following measures: the development of infrastructure for the effective and efficient treatment of e-waste and other wastes to promote a circular economy across ASEAN; the formation of rules which contribute to the reduction of marine plastics; promote action with environmental consciousness by raising awareness; incentivizing environmental action. In addition, ASEAN and Japan will build infrastructure and mechanisms to strengthen resilience to climate change for disaster prevention and disaster mitigation on the premise of frequent natural disasters. Moreover, ASEAN and Japan should pursue a high quality of life (=wellbeing) through the development of products that promote better health quality and mechanisms (insurance, etc.) to realize people's safety and security throughout their lives. Furthermore, ASEAN and Japan should consider a new model for autonomous and decentralized rural urban development using digital technology, where balanced urban and rural development is promoted, and diverse societies thrive.

#### **4.3 Promoting cross-border open innovation in technology and business models to solve social challenges**

- Cross-border open innovation is fundamental to solving social challenges and creating a sustainable economy and society. Efforts to promote cross-border, open innovation need to be made both in terms of technology and business models.
- In terms of promoting technological innovation, an ecosystem is expected to be established to promote global joint research and open innovation by ASEAN-Japan institutions (universities, companies, etc.) based on an assessment of growth areas. In doing so, it is vital to promote technology adoption in areas where Japan can leverage its strengths.
- Therefore, opportunities will be expanded to identify social challenges and technological needs in ASEAN and develop new products and solutions through ASEAN-Japan joint research in areas

where Japan has expertise and can leverage its technology, experience and knowledge. In addition, initiatives to develop the environment for promoting joint research are expected to be implemented, such as initiatives on expanding the number and functions of R&D bases for joint research between ASEAN-Japan institutions, developing R&D infrastructure in ASEAN and training R&D personnel.

- As for the promotion of business model innovation, there are currently limited cases of ASEAN-Japan companies creating innovation through value co-creation. This is due to the fact that challenges persist in acquiring resources for business development and support for ASEAN-Japan value co-creation projects within companies.
- In order to promote business model innovation, efforts are expected to be made to promote collaboration (value co-creation) between ASEAN and Japanese companies. It is necessary to work towards the development of a value co-creation environment where ASEAN and Japanese companies can receive appropriate support (e.g. provision of 'field', 'information' and 'funds' for co-creation) in order to expand fair value co-creation opportunities where ASEAN and Japanese companies can meet, understand each other's needs and strengths and accelerate collaboration.

#### **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**

- Connectivity consists of two elements: 'physical connectivity' as connectivity through hard infrastructure, and 'institutional connectivity' as connectivity through soft infrastructure such as legal systems. To strengthen ASEAN-Japan connectivity, it is important to develop the economic infrastructure in terms of both physical and institutional connectivity.
- In terms of strengthening physical connectivity, while the needs for new infrastructure are increasing in ASEAN as the economy develops, there are also needs related to the maintenance and management of existing infrastructure. In ASEAN, the issues differ by country, with some ASEAN Member States having insufficient infrastructure, while others having infrastructure but facing new issues such as environmental considerations, maintenance and management, and extending the service life of infrastructure. Furthermore, ASEAN Members States and Japan need to respond to an increasing number of natural disasters that are unique to each country and so all countries need to respond to local needs.. Moreover, 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.
- Therefore, based on the trust that has been built between ASEAN and Japan, ASEAN and Japan

will respond by learning together and by utilizing the technology, knowledge, experience and know-how in infrastructure development and maintenance and management that Japan has developed over the years. Specifically, in order to develop the economic infrastructure of ASEAN-Japan by strengthening physical connectivity, ASEAN and Japan will develop strong, safe and secure high-quality infrastructure while meeting the needs of each country, improve infrastructure maintenance and management technology by utilizing Japan's knowledge, experience and know-how in infrastructure maintenance and management, and implement new institutional arrangements and create rules for the effective and efficient operation of infrastructure.

- As for strengthening institutional connectivity, in addition to the promotion of free trade based on the principles of the multilateral trade regime that has been pursued in the East Asian region, including ASEAN and Japan, and the steady implementation of economic partnership agreements such as RCEP and CPTPP, further cooperation is expected in the international rulemaking through the materialization of 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. Furthermore, it is also necessary to consider the institutional connectivity of areas where cyber and physical spaces merge to ensure trust in such areas.
- Therefore, in terms of strengthening institutional connectivity for the development of the ASEAN-Japan economic infrastructure, the following measures should be implemented in cooperation with ASEAN and Japan: the integration of logistics, commercial and financial flows and the resolution of tariff and non-tariff barrier issues to achieve smooth transactions between ASEAN and Japan; the realization of wide-ranging data and information integration with trust between ASEAN and Japan; and the formation of international trading rules originating from ASEAN, taking into account ASEAN Member State's circumstances.

#### **4.5 'Building an ecosystem for co-creating vibrant human capital' to create 'Globalised Asians' who can work globally on the ASEAN-Japan stage**

- As a foundation to support ASEAN-Japan economic co-creation, it is necessary to create and maximize the potential of "Globalized Asians," i.e., "Technologically Savvy, Democratically Compassionate and Culturally Hybrid," who can drive innovation and industrial transformation on a global scale. To this end, it is important to develop an environment for the development of economic human resources, both in terms of maximizing opportunities for human resource exchange and maximizing opportunities for human resource development, in order to build an

ecosystem for the co-creation of vibrant human capital.

- Firstly, in terms of efforts to maximize opportunities for human resource exchange, it is extremely important to deepen the interactions between the leaders of young generations while the generation shift continues across ASEAN.
- Therefore, ASEAN and Japan will cooperate in implementing initiatives that will contribute to the realization of “brain circulation” by promoting the multidirectional movement and cross-border flow of diverse human resources between ASEAN and Japan. In order to realize “brain circulation,” it is essential for both ASEAN and Japan to formulate comprehensive strategies on the circulation of human capital which include aspects on sending and receiving human capital, and implement concrete measures based on that strategy. In addition, it is important to eliminate barriers related to living and working across borders and create an environment favorable for the circulation of human resources.
- Next, in order to maximize opportunities for human resource development and increase the number of Globalized Asians who can be active globally from ASEAN and Japan, the first step for achieving value co-creation is to recognize the common values, strengths and weaknesses of ASEAN and Japan, and to learn together while teaching each other.
- Therefore, an environment will be developed to maximize opportunities for a wide range of ASEAN human resources to study in Japan (e.g., study in Japanese schools and internship or employment in Japanese companies). Furthermore, an environment will be developed to maximize opportunities for Japanese human resources to learn in ASEAN (e.g., employment and internship in ASEAN companies, dispatch to the ASEAN region, etc.). Furthermore, ASEAN and Japanese companies will cooperate with various players in government, academia, and finance institutions to form an ASEAN-Japan human resource development network that supports Globalized Asians such as social entrepreneurs, innovators and other stakeholders in the startup ecosystem who support such entrepreneurs including incubators, accelerators and investors.

## **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 “Realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation, based on the trust established 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 Member States 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.

- In order to realize ASEAN-Japan economic co-creation, it is essential to respond to the needs of ASEAN stakeholders, which include the establishment of trust based rules and mechanisms that facilitate the distribution of high-quality products, the dissemination of technologies, knowledge and experience addressing various societal challenges that Japan has accumulated in the past, establishment of long-term human resource development schemes; and expansion of opportunities for ASEAN companies to enter the Japanese market.
- This vision aims for creating economic and social value through mutually beneficial economic co-creation through the initiative of ASEAN and Japanese companies with the support from the government agencies and economy-related organizations of ASEAN and Japan. Therefore, specific measures already mentioned here include the upgrade 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 establishing an ecosystem for co-creating vigorous human capital, promoting co-creation of businesses that solve the social challenges of ASEAN and Japan (promoting the creation of 100 businesses every year which solve social challenges) as a way for promoting open-innovation across borders, and initiatives to realize the “Asia Zero Emission Community” concept for achieving sustainability which balances diversity and inclusiveness.
- 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 the public and private sectors and researchers, to work towards a sustainable economy and 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, ERIA should evolve into a new platform for social entrepreneurs and a place to set standards in the era of public-private joint governance.

- In response to the various issues that ASEAN and Japan face, ASEAN and Japan will combine their experience, know-how and the vitality of the youth to co-create and solve common challenges. Co-creating the future will lead to the continued ideal relationship between ASEAN and Japan. Thus, 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 public and private sectors of ASEAN and Japan and by building up a continuous series of successful examples. Japan will make solid efforts for the ASEAN-Japan Economic Co-Creation Vision, in cooperation with ASEAN government and private institutions.

## Examples of specific measures in the 'four pillars of action' for realizing the Vision

### 'Achieving sustainability which balances diversity and inclusiveness'

#### Global sustainability

- **Efforts to gradually remove greenhouse gases and achieve zero emissions in the ASEAN region**
  - Deployment of energy-saving related technologies that Japan has been developing and proved to be effective for the reduction of greenhouse gas emission
  - Promotion of greenhouse gas reduction business through Carbon Capture, Utilization and Storage (CCUS) technology
  - Promotion of co-creation projects and technology transfer between ASEAN and Japan in renewable energy (solar, wind, hydro, geothermal, etc.), taking into account the industrial and social structures and geographical conditions of each country, life cycle costs including initial construction costs and long-term operating costs, and benefits of greenhouse gas reduction.
  - Production and procurement of new energy sources (e.g., hydrogen) for stable energy supply.
  - Joint development and implementation of energy storage technologies essential for a gradual transition to renewable energy.
  - Deployment of renewable energy technologies in ASEAN Member States with a view to addressing energy shortages in the event of disasters (e.g., perovskite solar cells)
- **Deregulation of electric utilities transfer and development of a mechanism to exchange electricity and greenhouse gas credits across the ASEAN region**
  - Development of an ASEAN power grid.
  - Gradual development of energy grid (starting from industrial parks to international power grid)
  - Joint ASEAN-Japan development of small grid technologies such as solar and wind power generation (mainly targeting off-grid areas in ASEAN, where it is difficult to build and connect power grids).
  - Designing incentives for introducing decarbonization technologies, renewable energy technologies and energy-saving technologies by using existing mechanisms such as bilateral credit schemes (Joint Crediting Mechanism: JCM).
  - Promotion of greenhouse gas emissions “visualization” based on the TCFD scheme (Task Force on Climate-related Financial Disclosure).
- **Creation of new businesses utilizing biodiversity in ASEAN**
  - Maintenance, protection and utilization of biodiversity in accordance with the TNFD scheme (Task Force on Nature-Related Financial Disclosures).
  - ASEAN-Japan joint research and public implementation of a blue economy which contributes to the development of a circular economy (e.g., realizing low carbon, ensuring the sustainability of aquaculture and fisheries, maintaining marine biodiversity, and protecting and conserving marine habitats)

#### Sustainability in daily life

- **Developing the technological infrastructure, rule and awareness for the realization of the circular economy**

## **across ASEAN**

- Development and dissemination of technologies related to the utilization of eco-friendly materials, recycling and proper disposal of waste to solve the problem of marine plastics.
- Dissemination of technology related to food residues and other waste treatment (improvement of waste re-use technology).
- ASEAN-Japan technical infrastructure development to improve e-waste (e-waste) treatment technology.
- Promotion of the formation of rules such as the unification of standards for recyclable products (containers, etc.).
- Implementation of continuous awareness-raising activities and design of financial incentives in the field of public health to enable people to thoroughly acquire habits such as 3Rs (i.e., awareness of 'mottainai').

### ■ **Improving resilience and wellbeing in ASEAN Member States**

- ASEAN-Japan joint research on climate change adaptation technologies for large-scale disasters (e.g. Technologies that can be realized in the short term, such as matching technology/mechanisms between evacuation centers and evacuees, fluid inventory of goods, response to the socially vulnerable, and real-time visualization of the disaster situation, as well as technologies that can be realized in the mid- to long-term, such as 3D printer technology for ultra-rapid building of houses and flying base stations to supply electricity in times of disaster)
- Improvement of systems and mechanisms for compensation and disaster prevention/mitigation in the event of a disaster (e.g., enhancement of disaster prevention finance, promotion of BCP/BCM initiatives and establishment of certification systems, enhancement of damage certification-type insurance such as earthquake insurance, introduction of advanced index-type insurance, establishment of disaster funds, etc.).

### ■ **Balanced urban and rural development in ASEAN Member States.**

- Conceptualization of a new development model for local cities, different from megacities, using digital technology.
- Implementation of projects to build autonomous decentralized infrastructure systems in rural areas.
- Development of systems for the use of public infrastructure to link urban development to sustainable local development (e.g., management and monetization methods including user fee systems).

## **Promoting open innovation across borders**

### **Promotion of technological innovation**

#### ■ **Expansion of joint research opportunities in ASEAN-Japan.**

- Promotion of co-creation with ASEAN companies, universities, etc. in areas where Japan's strengths in high value-added technologies can be leveraged to solve social issues in ASEAN (examples of co-creation areas: biotechnology, production and processing technologies for agricultural and marine products, food logistics and food recycling technologies related to food loss, etc., healthcare technologies for nursing care, etc., environment-related technologies needed to solve social issues arising from climate change, etc.).

#### ■ **Development of a joint research environment in ASEAN-Japan.**

- Development of social infrastructure to expand and strengthen the functions of existing local R&D centers



needed for joint research.

- Formation of a mechanism and community where Japanese companies and universities can connect with local companies and universities in ASEAN and find co-creation partners (Formation of a mechanism for university researchers to form joint research partnerships with ASEAN companies in order to obtain research funding from various players)
- Development of researchers that contributes to solving social issues and establishment of a database that will allow researchers to share their work

### **Promoting business model innovation**

#### **■ Expansion of value co-creation opportunities in ASEAN-Japan**

- Accumulation and dissemination of information regarding ASEAN and Japan's market potential and societal issues, as well as the technologies, knowledge and know-how required to solve those social challenges (Creating shared property by accumulating ASEAN-Japan co-creation guidelines and best practices on a digital platform).
- Establishment of a 'field' for matching between ASEAN and Japanese companies
- Development of coordinators with know-how and implementation skills on business development in ASEAN-Japan who can promote co-creation based on an understanding of the needs and strengths of ASEAN and Japanese companies.
- Creation of networks between young entrepreneurs and stakeholders

#### **■ Developing a value co-creation environment in ASEAN-Japan**

- Development of a co-creation environment where ASEAN-Japan companies can form partnerships and obtain access to the 'field', 'funds', 'information' and 'networks' that are necessary to conduct demonstration projects.
- Development of mechanism to ensure fair and free competition (e.g., competition policies such as Intellectual Property (IP) protection and competition laws).

### **'Strengthening cyber and physical connectivity'**

#### **Strengthening physical connectivity**

#### **■ Developing strong, safe and secure quality infrastructure to be developed together in ASEAN and Japan.**

- Promotion of high-quality economic infrastructure based on trust between ASEAN and Japan (development of infrastructures such as roads, bridges, ports, airports, power generation facilities, etc. in the East-West Economic Corridor, the Southern Economic Corridor and the Maritime ASEAN Economic Corridor and development of digital infrastructure such as 5G technology and communications networks such as submarine cables)
- Infrastructure development using service life extension technology for infrastructure.
- Promotion of PPP scheme infrastructure projects for risk-sharing between public sectors and private sectors.
- Development of complex infrastructure such as Transit Oriented Development (TOD).

#### **■ Infrastructure maintenance and management technology to be learnt together in ASEAN-Japan**

- Improvement of infrastructure maintenance and management technology by utilizing Japan's knowledge,

experience and know-how in infrastructure maintenance and management.

- Establishment of low-cost infrastructure maintenance and management methods.

■ **Institutional design and rule formation for new infrastructure development and operation**

- Establishment of interoperable standards by ASEAN and Japan for the introduction of science, technology and design, which is necessary to implement new urban developments (e.g., smart mobility, robotics, space infrastructure, disaster sensing, etc.)
- Collaborative formulation of rules and systems for efficient and fair operation and trade in smart cities

**Strengthening institutional connectivity**

■ **Smooth ASEAN-Japan trade through the integration of logistics, commercial and financial flows**

- Harmonization of customs and tariff procedures in ASEAN and Japan.
- Using digitalization to resolve the complexity of information linkages and omissions in the application of Economic Partnership Agreements.
- Visualization of trade procedures through digitalization (e.g., through the use of smart contract technology).
- Building financial blockchains where Japan has strengths, such as digital currencies.
- Building an ASEAN-wide platform for more efficient data sharing

■ **Realization of ASEAN-Japan wide data integration**

- Realization of advanced data integration such as carbon footprint and human rights in the supply chain.
- Realization of cross-border integration of information on skills, qualifications, etc.
- Establishment of mechanisms/platforms for data integration in areas where confidentiality and trust are required for data management and fairness in sharing in situations without a monopoly (e.g. digitalization of Maternal and Child Health Handbook).

■ **ASEAN to lead international trading rulemaking**

- Promotion of a more advanced, resilient and green supply chain sophistication using digital technology
- Building a supply chain that can monitor indicators and data on the status of decarbonization and human rights initiatives.
- Creating incentives for data linkage, rulemaking in data sharing, and the studying of data sovereignty (decentralized ID, global authentication)
- Accumulating case studies on data integration and data sharing in ASEAN.
- ASEAN-led new global rules making and changing existing global rules.
- Database construction for data sharing and utilization across company boundaries.
- Ensuring cybersecurity and forming rules for privacy protection.

**'Building an ecosystem for co-creating vibrant human capital'**

**'Maximize opportunities for personnel exchange'**

■ **Realizing brain circulation on the ASEAN-Japan stage**

- Expand opportunities for mutual study, training and internships between ASEAN and Japan.
- Creating opportunities for interactions between the next generation of managers, entrepreneurs, researchers, and policy makers who will be responsible for the future of ASEAN and Japan.

- Establish mechanisms to encourage companies to send out highly skilled personnel (e.g., make work experience in multiple countries a requirement for promotion, design training programs with visualization of acquired skills and career paths, and provide support packages (language learning, understanding of cultures and customs, etc.) that contribute to the realization of the goals of high-level human resources, etc.).
  - Develop mechanisms to encourage companies to accept highly skilled personnel (e.g., concrete definition of acceptable personnel (verbalization of personnel requirements), development of the environment for accepting personnel (living environment, etc.), consideration of accepting and utilizing a wide range of personnel, including young people, interns and senior personnel, etc.).
  - Promoting the mobility of human resources familiar with both ASEAN and Japan's situation through funding for educational institutions that serve as bridges between ASEAN and Japan (e.g., Thai-Nichi Institute of Technology and Japan-Vietnam University).
- **Improving the environment through the removal of barriers to the return of human resources to the ASEAN-Japan region**
- Development of highly portable qualifications to enable cross-border activities.
  - Institutions related to employment (e.g., social security and employment-related benefits related to labor migration)
  - Living environment (e.g., educational environment for children)
  - Conducting research on the impact of digital technology on employment and labor.

**'Maximize human resource development opportunities'**

- **Maximize opportunities to learn in ASEAN and in Japan**
- Promotion of young Japanese personnel to work or intern in ASEAN companies and young Japanese entrepreneurs into the region.
  - Support for the employment of ASEAN personnel in Japanese companies in ASEAN and at their head offices in Japan, as well as for the promotion of personnel exchange between ASEAN and Japan.
  - Promote the production of human resources (social entrepreneurs) who can innovate to solve social problems.
  - Development of a human resource development environment that enables people to understand science and technology and to be aware of their own purpose in society and to work on their enterprises.
  - Training of incubators, accelerators, investors and other human resources to support entrepreneurs
- **Formation of an ASEAN-Japan human resources development network**
- Promoting networking to develop young and executive candidates from ASEAN-Japan companies on both sides.
  - Implementation of new network management using existing networks, both bilateral and multilateral partners, such as public and researcher networks, to develop human resources in multi-institutions (industry, government, academia and money).

**Cross-industry and cross-sectoral initiatives outside the four pillars**

- **Improve agricultural productivity to achieve food security**

- Accelerate technology transfer to improve agricultural productivity (e.g., high-tech farming, integration of modern farming methods into indigenous practices, use of ICT and drones to improve efficiency throughout the value chain, use of biotechnology such as high-quality seeds, etc.).
- Introduction of technologies on food storage and transportation such as cold chain related technologies, etc.

■ **Solving challenges through finance**

- Creation of Thematic Bonds (e.g., Green Bonds, Sustainability Bonds, Gender Bonds) in priority areas to foster bond markets (bond markets) to expand private financing.

■ **Solving problems through SME promotion**

- Setting up a 'forum' for the exchange of information between small and medium-sized enterprises from ASEAN and Japan.
- Provision of technical and financial cooperation schemes to promote value co-creation between small and medium-sized enterprises in ASEAN and Japan, etc.

... and upwards