



Business Sentiment Survey Report:

Perception of ASEAN Businesses
Towards Japan 2022



JETRO



FOREWORD



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As the Chair of ASEAN BAC 2022, I am delighted to convey ASEAN-BAC's recognition of Japan's firm commitment to promote ASEAN's regional economic integration, growth and the region-wide supply chains development. We acknowledge the continued support and active engagement of the ASEAN Japan-Business Council together with JETRO in our Joint Business Councils platform through the different Working Groups of the ASEAN BAC Joint Business Councils.

Japanese businesses have been one of ASEAN's most important business partners. Japan's outward Foreign Direct Investment (FDI) to ASEAN accounts for 14.0% of the country's total FDI in 2019. In the same year, Japan is also the second largest external source of FDI and fourth largest trading partner for ASEAN.

There are huge opportunities of expanding trade through our joint active participation in RCEP. ASEAN BAC is therefore committed to strengthen our participation as a member of The Dialogue for Innovation and Sustainable Growth (DISG) Task Force launched in 2021 in response to the ASEAN-Japan Economic Ministers' "Joint Statement on Initiatives on Economic Resilience in Response to the Corona Virus Disease Outbreak on April 2020".

In 2023 marks the 50th anniversary of ASEAN-JAPAN friendship and cooperation. We look forward to deepening the intensive discussions with the Japanese government and business community for an even closer ties and brighter shared future.

For Indonesian business, Japan has not only been our long-standing major trading and investment partner, but they have also become a significant part of our journey to economic and industrial development. With rapid technology advancement and digitalization, disruptions and changing constellation in global supply chain, great uncertainty posed by existing geopolitical turmoil, global growth is expected to slow down by almost 3%, endangering countries to another economic crisis, Indonesia's relationship with Japan, both in bilateral and regional context, has never been more valuable. Nevertheless, changing global context and their consequences to our respective economies call for an adjusted prerequisites to economic recovery, growth and socio-economic development in our countries.

In this challenging time, economic relationships need to be strategically re-adjusted to overcome challenges while tapping opportunities of the changing economic landscape. JETRO Survey Report on the Perception of ASEAN Business towards Japanese business & government will be a key document for us, Indonesian business community as well as Indonesian government, to perform educated evaluation and re-invention of our economic relationship with Japan. From this report, Indonesia and Japan business communities can build a fit-for purpose roadmap to level up our partnership to the best interest of Indonesian and Japanese business communities' growing competitiveness in the global economy as well as the prosperity of our two countries.

Foreword



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The quantitative and qualitative findings in this report on what Asean corporates think of Japanese companies in their conduct of business are a good baseline for near term review and reset going forward in the medium term. Mainly positive, derived from Japan's leadership in the region in industrial and manufacturing capabilities (Japan was the largest foreign investor in these sectors from 2012-2019), in advanced technology and project management, there are however weaknesses to be addressed such as: speed to market, better pricing, more aggressive marketing and improved participation of women in management. Japanese business presence and strength in Asean will persist. Japanese technology and Japanese government support are recognized as highly developed and strong. Inherent challenges and weaknesses are not overwhelming. Addressing them and understanding what Asean businesses want would help Japan get closer to Asean. In addition, both sides could also work together to understand better the global geopolitical and geoeconomic environment in which their businesses will have to operate. A new shape to the world, involving supply chains and strategic sourcing, food security and technological contest, could mean new configurations in business activities which Japanese and Asean companies might be able to cooperate in. This would steal a march on competitors also involved in fast-growing and well-endowed Southeast Asia.

First, on behalf of Japan's industrial sector, I would like to thank everyone from ASEAN for their thought-provoking and meaningful input into this report. The history of Japan-ASEAN relations dates back to 1973, and more than 14,000 Japanese companies have already expanded into the ASEAN region. Japan has become ASEAN's fourth largest trading partner, and the economic partnership between Japan and ASEAN is continuing to strengthen as we are important business partners. This is the result of continuous, proactive cooperation between Japan and ASEAN. Also, industries have made efforts to promote mutual friendship and understanding, trade, investment, industrial cooperation, tourism, and human and cultural exchanges through the activities of the ASEAN-Japan Business Council. While the results of this year's survey provide some confidence to Japanese companies, they also point out many issues that need to be improved. Decision-making, flexibility, and language skills have long been issues faced by Japanese companies, and the results of this survey are a great achievement in sharing and visualizing the issues that lie between ASEAN and Japan. The year 2023 will mark the 50th anniversary of ASEAN-Japan friendship and cooperation. I look forward to the next 50 years of close collaboration between ASEAN and Japan as partners in co-creating the future and working together to tackle a variety of issues.

Special Messages



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This survey is a project that is part of “Dialogue for Innovative and Sustainable Growth (DISG)” activities, which I have been actively involved in managing, and I am pleased to finally be able to publicly present. The DISG has received various inputs from ASEAN business, academia and government with the aim of disseminating successful cases of cooperation between the ASEAN-Japan business community and further developing ASEAN-Japan cooperation accordingly. A number of local companies from ASEAN countries cooperated with us in this survey and gave us various insights into how Japanese companies can develop their business with Southeast Asian companies. We firmly believe that Japanese companies will find this information valuable. The DISG will also enthusiastically participate in discussions leading up to the 50th anniversary of ASEAN-Japan Friendship in 2023. We will ensure that the voices of the ASEAN business community, including those of this survey, are reflected in the discussions, so you can look forward to further development of ASEAN-Japan economic ties.

It was my honour to lead this important and first mixed-method survey research from ASEAN business perspective on behalf of JETRO and DISG. We are most grateful for the support from our colleagues in ASEAN-BAC and CARI’s collaborators that has enabled us to gain insights from senior business leaders across ASEAN.

This report serves as a good reference point for ASEAN-Japan business cooperation going forward at a meaningful juncture of 50th anniversary to commemorate ASEAN-Japan friendship and cooperation. Japanese firms’ strengths as business partners are well recognised, some of which almost unanimously agreed across ASEAN while a few areas for improvement are also generally observed with the intention to foster stronger economic ties between both sides. Nuances exist between countries and future studies can be carried out to deep dive into national circumstances to inform Japan’s strategies in ASEAN.

ASEAN business community views Japan as one of the two East Asian countries to be the most influential and rightly so given the geographic proximity and interconnectedness of trade. ASEAN and East Asia should build upon the Regional Comprehensive Economic Partnership (RCEP) and forge closer economic ties to truly realise the Asian Century for our common growth, prosperity and peace.

Executive Summary



A. Quantitative Survey Insights

A.1 ASEAN businesses see economic recovery and regional economic integration as their top medium-term concerns

- The top three challenges in ASEAN's trade and investment recovery in the next three years are (i) post COVID-19 pandemic economic recovery (82.4%), (ii) supply chain constraints and demand-supply mismatch (59.5%), and (iii) weakening purchasing power impacting market demand (43.8%).
- The main concerns for ASEAN are (i) economic integration not delivering its promise as an integrated market (76.9%), (ii) trade facilitation measures such as customs clearance that are inefficient to cope with the booming e-commerce (65.6%), and (iii) ASEAN's non-tariff barriers remain unresolved (61.7%).

A.2 Digitalisation and supply chain connectivity projected to be the top growth areas

- The COVID-19 pandemic and the option to work from home (WFH) have accelerated digital adoption. 84.1% of respondents expect digitalisation to be the main growth area in the next decade, followed by supply chain connectivity (64.9%), sustainability (57.1%), automation (51.9%), and research and development (46.0%).

A.3 China, Japan and the US are perceived to be the most influential partners in ASEAN's trade and investment with varying degrees of dominance

- The majority of the analysed areas are dominated by China, Japan and the US. China, Japan, and the US are the top three countries perceived to be able to help boost ASEAN's economic recovery, while China, the US and Japan are the leaders in terms of industrial capability. Japan's industrial capability is perceived to be the third strongest among ASEAN's trade partners, it ranks second in government support, and is projected to become the second most dominant country in ASEAN's economic, trade and investment in the next decade.
- It is also noted that ASEAN businesses perceive Japan to be playing an important role in the region. Japan is also seen as a leader in helping to transform the region into a sustainable ASEAN and the best balancing alternative to the US and China given the trade tension between the two countries.



Source: ASEAN Secretariat

A.4 Japan's industrial strength may face significant challenges from other ASEAN trade partners in the next decade

- Japan's industrial strength will likely face significant challenges in the next decade, with 56.4% of respondents recognizing that another major economy “will significantly improve and may overtake Japan”, while 35.3% expect another major economy to marginally improve but not overtake Japan.
- The top three reasons respondents believe that their selected major economy “will improve and could overtake Japan” or “improve marginally but will not overtake Japan” in the next 10 years are because (i) their speed to market is faster (18.5%), (ii) they have better pricing and are able to provide more value for money (16.1%), and (iii) are more aggressive in marketing their offerings (14.6%) than Japan.

Executive Summary

A.5 Japan's Industry 4.0 advancements are highly competitive

- Japanese technology is perceived to be either most compatible with IR4.0 (52.5%) or somewhat compatible with IR4.0 (43.1%), giving it combined perceived compatibility of 95.6%.
- The two main advantages of Japan are its (i) established manufacturing/industrial dominance in ASEAN which serves as a foundation (21.2%) and (ii) Japan's technological advancements that have been tested in other markets and will be helpful for ASEAN countries (19%). Furthermore, Japan's investments in ASEAN are mutually beneficial and Japan's high-tech society is a good model for ASEAN of what it can aspire to achieve.
- A combined 74.9% of respondents acknowledged that Japanese government support is influential and beneficial in determining the attractiveness of their company working with Japanese businesses is vital with "very influential and beneficial" at 40.3%, followed by "somewhat influential and beneficial" at 34.6% while neutral is at 19.4%.

A.6 Japan's automotive industry will likely remain dominant in the next decade

- The automotive industry is a key industry for Japan and it is known for its reputable international automotive brands such as Toyota, Honda, Nissan, Mazda, Subaru and Suzuki.
- In view of electric cars and driverless car development, 49.9% of respondents expect Japan's automotive industry to remain competitive in the next 10 years and that they will be able to transition to electric and driverless cars in the next decade. On the other hand, 27.7% of respondents expect Japan to remain competitive because combustion engine-powered cars will still be the norm in the next decade.
- The top three countries expected to challenge Japan's dominance in the automotive industry are China (27.3%), South Korea (21.9%), and the US (20.6%).

A.7 Superior quality, advanced technology and solid reputation solidify Japanese businesses' attractiveness as a partner but pricing, human capital and marketing may compromise its competitive advantage

- The top three most compelling reasons to partner with Japanese companies are (i) technology (41.6%), (ii) business culture (19.6%), and (iii) products (12.0%), while the three least compelling reasons to partner with Japanese companies are (i) Japanese regulations/business support (24.4%), (ii) business culture (23.5%), and (iii) human capital (22.9%).
- The competitive advantages of Japanese services compared to companies from other countries are its superior service quality (80.4%), advanced technology (79.3%), solid reputation (73.2%), and strong brand equity (60.8%). However, Japan faces the most competition when it comes to pricing (75.4%), marketing and promotion (59.3%), and human capital (55.3%).

- The top three areas that Japan needs to improve on, so as to preserve its competitiveness in the next decade are pricing (36.8%), human capital (30.7%) and marketing and promotion (18.3%).

A.8 Japan ranked first in localisation policy, technology transfer, and in being strategic SME partners but it needs to enhance its flexibility

- The leading sentiment is that the Japanese are “not so flexible” as business partners (32.9%), possibly since Japanese businesses prefer to operate in a structured and systematic manner with little room for flexibility.
- Nevertheless, the indigenisation (localisation) policy of Japanese businesses when compared to other countries is the highest at 34%.
- Furthermore, Japan is ranked highest for technology transfer (29.6%) when compared to other countries. Japanese businesses are known to transfer their manufacturing processes and efficient ways of working to their partners and subsidiaries in ASEAN.
- Japan’s communication and openness came in fourth behind the US, UK and EU, most likely due to their conservative and reserved culture.
- Japanese SMEs are the backbone of Japan’s economy as are ASEAN SMEs to ASEAN’s economy and as such, 31.4% of respondents viewed Japanese SMEs as the most strategic partners to ASEAN businesses. There are presently over 14,000 Japanese companies operating in ASEAN as of January 2022.¹

Overall, Japan is a very important partner for ASEAN businesses and it is viewed favourably by the ASEAN business community thanks to their trustworthiness, strong work ethic, and legendarily high quality and standards. As such, respondents urge Japan to continue investing in and transferring their excellent technologies, products and methods to ASEAN, especially ASEAN’s automotive industry. However, improvement in the areas of flexibility, pricing strategy, human capital development, as well as marketing and promotion activities are critical to Japanese businesses going forward. Japanese businesses have and will continue to play an important role in ASEAN-Japan economic relations and this should continue for the benefit of both sides.

¹ H.E. Hagiuda, K. (2022). The Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era.

Executive Summary

B. Qualitative Survey Insights

The qualitative analysis complements the quantitative survey as it yielded insights that were largely aligned with the findings of the quantitative survey but with nuances observed.

B.1 Product quality and technical competencies are key partnership criteria

For partnership criteria, three themes emerged: (i) product quality and technical competency are the top priorities, (ii) priorities differ depending on industry and nature of business; and (iii) values and business culture matter.

B.2 Partnerships experience with Japanese businesses can be enhanced

Respondents with experience working with the Japanese highlighted five key themes about working with them: (i) they have easily adaptable business processes such as Kaizen, (ii) they have strong work ethics, high levels of trustworthiness, and are committed to long term partnerships, as well as (iii) high quality and highly advanced technologies. However, respondents warn that (iv) other countries are catching up and (v) they need to empower local employees more, take more risks, and improve their language and communication abilities.

B.3 Competitors are catching up fast

While the Japanese are perceived to be leading in terms of technological advancement, respondents say that (i) other countries are catching up fast, (ii) Japanese products lack global content, and the Japanese are (iii) too slow to change and more conservative.

B.4 A mixture of strengths and gaps

These insights are corroborated by respondents' perceptions of the strengths and gaps of Japanese business. The key strengths of Japanese businesses are their culture, transparency and ethics, commitment to long-term partnerships, willingness to share knowledge and train, and a sense of community well-being. On the other hand, respondents say that the Japanese would be even more effective if they were less reserved, more flexible and more open.

B.5 Positive view of Japanese businesses but the younger generation needs to preserve Japanese values such as a commitment to long-term relationships

Overall, respondents have a positive view of Japanese businesses. The gaps can be addressed by being cognizant of the increasing competition from countries such as China and Korea. A key message that one can glean from the analysis is that one size does not fit all. The respondents' perceptions are informed by their industry and nature of business, as well as the scale and duration of the Japanese footprint that has been felt in the respective country. More importantly, the younger generation of Japanese may need to be cognizant of the importance of long-term relationships which emerge as the key strength of Japanese partnerships.

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I.O Introduction

I.I About ASEAN-Japan Cooperation

I.I.I History

Japan and ASEAN have established a strong and mutually beneficial relationship since formal ties were established in 1977.²

Economic ties between Japan and Southeast Asia during the 50s and the 60s were mostly centred on the export of natural resources from the latter. The formation of the Association of Southeast Asian Nations (ASEAN) in 1967 radically altered the geopolitical framework of the region, creating a new avenue for cooperation between Japan and the region.³

1974 was a turning point in relations, with Japan committing to ASEAN as a vital multilateral institution within the larger East Asia geopolitical framework. Japan also sought to ensure that its trade, investments, overseas development assistance and government-facilitated

economic cooperation would be implemented as part of nation-building packages. As part of this nation-building approach, Japan deployed infrastructure to support ASEAN projects, including Singapore's petrochemical refining complex on Jurong Island in 1977, as well as a massive industrial agglomeration project on Thailand's southeastern coast, which led to the creation of Southeast Asia's largest centre of automobile production. Japan also supplemented this hard infrastructure support with soft know-how, technical assistance, and technology transfer, including human resource development.⁴

I.I.2 FDI distribution in ASEAN

Japan is a key trade and investment partner of ASEAN. Between 2010 and 2019, Japan was the second-largest extra-ASEAN source of foreign direct investment (FDI) for ASEAN after the US, accounting for 13.0% of total FDI inflows to ASEAN. However, the sharp drop in FDI from Japan to ASEAN in 2020 alone led to the dip in Japan's ranking from second place to fourth place during the 2011-2020 period, when it accounted for 12.4% of ASEAN's total FDI inflows (Figure 1).

In 2020, Japan was ASEAN's fourth largest external source of FDI, with flows from Japan to ASEAN amounting to US\$8.5 billion, which accounted for 6.2% of all FDI flows to ASEAN⁵ (Figure 2).

² ASEAN, "Overview of ASEAN-Japan Dialogue Relations," as of December 2021.

³ Corey Wallace, 'Japan's strategic contrast: continuing influence despite relative power decline in Southeast Asia', *The Pacific Review*, 32:5, 863-897, 2019.

⁴ Ibid

⁵ ASEAN Secretariat

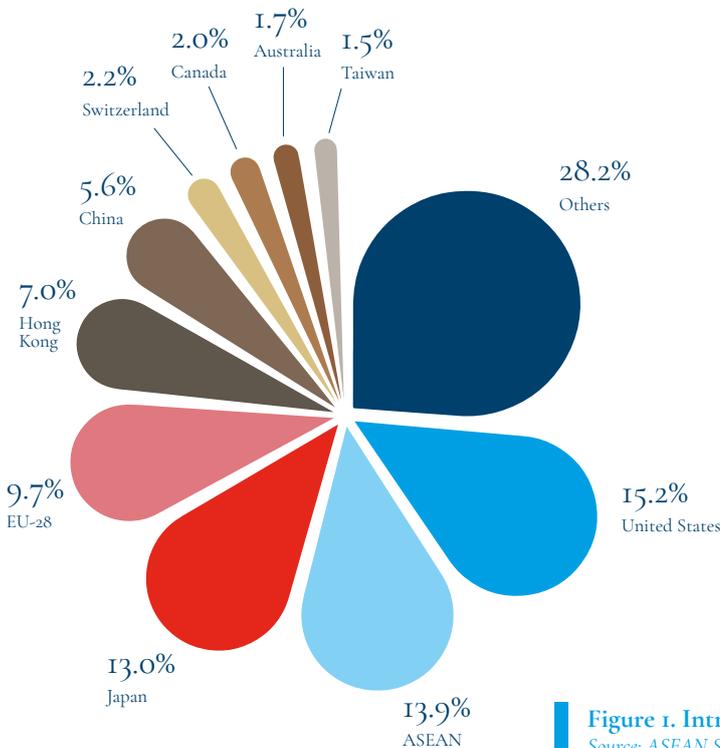


Figure 1. Intra and Extra-ASEAN FDI Inward Flows, 2010-2019
Source: ASEAN Secretariat

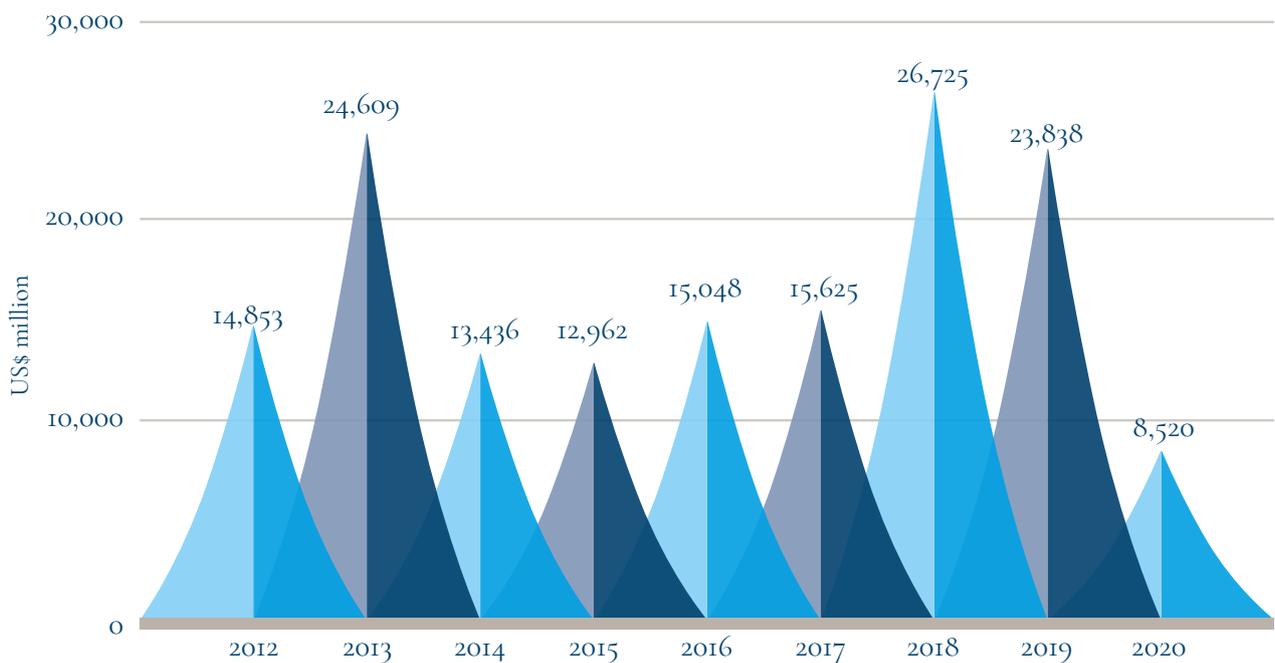
Figure 2: ASEAN Top 10 FDI Sources by Country, 2020
 Source: ASEAN Statistical Yearbook 2021

Country	Value (million US\$)	Share (%)
United States	35,039.20	25.5
ASEAN	22,815.80	16.6
Hong Kong	11,627.30	8.5
EU	10,015.80	7.3
Japan	8,520.20	6.2
China	7,732.60	5.6
South Korea	6,849.50	5
Canada	5,100.70	3.7
Switzerland	4,620.90	3.4
Taiwan	3,930.10	2.9
Top 10 Countries	116,252.10	84.7
Others	21,079.40	15.3
TOTAL	137,331.50	100

1.1.3 Investment trends (2012-2020)

Japan's FDI in ASEAN saw an upward but fluctuated trend between 2012 and 2019 and saw a drop in 2020. Inflows peaked in 2018 and reached the lowest in 2020 due to the pandemic (Figure 3).

Figure 3: Foreign Direct Investment (FDI) Inward Flows to ASEAN from Japan 2012 - 2020
 Source: ASEAN Statistical Yearbook 2021





1.1.4 Japan was the largest investor in ASEAN's manufacturing sector between 2012-2019

It is worth noting that Japan's dominance in the manufacturing sector is reflected in it being the largest foreign investor in the manufacturing sector in ASEAN, taking the top spot five out of eight years between 2012 and 2019⁴ (Figure 4).

Figure 4: Inward FDI to ASEAN's Manufacturing Sector Ranking 2012-2019
 Source: CARI's calculation based on ASEAN Statistical Yearbook 2020 Data

Ranking	2012	2013	2014	2015	2016	2017	2018	2019	Overall Ranking by Value
1	Japan	Japan	EU	Japan	Japan	Japan	US	US	Japan
2	South Korea	US	Japan	EU	EU	EU	Japan	Japan	South Korea
3	Canada	EU	South Korea	South Korea	South Korea	South Korea	EU	China	US
4	India	South Korea	US	China	China	China	South Korea	South Korea	EU
5	China	China	China	US	Australia	India	China	EU	China
6	Australia	Australia	Canada	Australia	Canada	Canada	India	Australia	Canada
7	US	Canada	India	Canada	India	Australia	Canada	Canada	India
8	EU	India	Australia	India	US	US	Australia	India	Australia

1.1.5 Inward FDI to ASEAN from Japan by sector (2012-2020)

Manufacturing, financial and insurance activities are among Japan's largest areas of investment in ASEAN (Figure 5).

Figure 5: Inward FDI to ASEAN from Japan by Industry 2012-2020

Source: ASEAN Statistical Yearbook 2021

Source Country	2012 US\$ mil	2013 US\$ mil	2014 US\$ mil	2015 US\$ mil	2016 US\$ mil	2017 US\$ mil	2018 US\$ mil	2019 US\$ mil	2020 US\$ mil
Agriculture, forestry, and fishing	77.6	50.0	73.0	50.0	11.5	21.3	21.3	-20.2	10.1
Mining and quarrying	198.2	-292.0	637.6	514.5	615.2	635.0	225.0	57.0	-317.3
Manufacturing	2,524.8	12,604.5	6,671.7	7,273.4	4,400.4	5,952.3	11,187.1	7,034.8	2,688.4
Electricity, gas, steam and air conditioning supply	29.4	217.9	13.1	181.2	61.0	950.7	241.9	158.6	276.4
Water supply; sewerage, waste management and remediation activities	-2.5	420.3	-17.2	-2.2	29.2	58.5	35.6	43.1	22.9
Construction	-300.2	125.4	-37.9	-139.1	-130.0	504.1	278.4	522.3	325.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	4,305.4	1,491.0	647.3	1,856.9	2,413.3	1,879.5	4,297.0	2,848.3	-3.8
Transportation and storage	-336.0	245.0	114.5	464.6	609.5	-385.5	2,223.4	511.9	432.3
Accommodation and food service activities	18.9	29.2	23.0	-47.9	40.4	-110.0	122.2	102.8	141.6
Information and communication	204.3	95.7	170.9	192.8	253.1	449.2	127.1	47.0	283.3
Financial and Insurance activities	6,217.8	8,105.0	4,777.3	1,999.7	4,279.4	3,380.7	4,703.4	7,717.5	3,709.6
Real estate activities	390.8	355.7	358.8	179.7	446.0	884.0	1,078.3	660.5	486.6
Professional, scientific and technical activities	128.6	198.8	-44.8	73.7	272.4	1,099.4	1,626.5	1,928.7	267.1
Administrative and support service activities	69.7	16.4	86.0	130.1	41.2	41.6	86.7	-22.9	198.1
Public administration and defence; compulsory social security	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education	0.5	13.0	4.3	2.6	4.9	13.4	13.5	15.0	20.0
Human health and social work activities	9.8	53.1	22.0	70.2	-252.5	103.3	155.6	2,104.7	9.2
Arts, entertainment and recreation	25.8	11.0	-3.3	-3.8	22.7	33.4	122.2	8.0	-7.3
Other services activities	961.2	562.2	-687.5	79.5	275.0	114.4	179.5	118.7	-22.3
Others	328.7	306.4	627.3	86.2	1,655.0	0.0	0.0	2.0	0.1
TOTAL	14,852.8	24,608.6	13,436.1	12,962.3	15,047.6	15,625.4	26,724.6	23,837.9	8,520.2

1.1.6 The Next Chapter

The economic partnership between Japan and ASEAN has grown from strength to strength despite the temporary set back due to the COVID-19 pandemic. As announced by H.E. Koichi Hagiuda, Japan's Minister of Economy, Trade and Industry (METI) in January 2022, ASEAN and Japan will be embarking on the "Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era" underpinned by the Asia-Japan Investing for the Future (AJIF) Initiative.⁶

Asia-Japan Investing for the Future (AJIF) Initiative

The AJIF initiative aims to (i) offer effective solutions to on-ground challenges and realities faced by ASEAN countries, (ii) create the foundation for a sustainable economic society by using private sector innovation to the maximum extent, and (iii) co-create ASEAN's future through collaboration with local businesses and partnerships between Japan and ASEAN countries. These objectives also culminate in a strong emphasis on promoting new and future-oriented investment.

Three visions for the future: Future Investment and Co-creation

Synergising the AJIF initiative and the Asia Energy Transition Initiative (AETI) announced in May 2021, Japan envisions co-creating a future for Asia and ASEAN that is ideally characterised by three images, namely (i) improving the attractiveness of the region as a hub for global supply chains, (ii) creating innovation to enhance sustainability and solve social challenges, and (iii) promoting energy transition.

To realise the three ideal images, Japan will promote cooperation in five areas, namely (i) supply chain, (ii) connectivity, (iii) digital innovation, (iv) human resources, and (v) green growth. The following are examples of ongoing projects by Japanese companies in ASEAN that are receiving strong support from the Japanese government:⁷

- Parts manufacturer A develops human resources for lean and efficient production utilising the Internet of Things (IoT).
- Electronics company B supports industries optimising their supply chain management with data.
- Trading company C invests in companies in Asia and other regions, which holds and utilises over 400 million patients' data to realise efficient and enhanced medical services.
- Start-up company D developed new fibre using carbon-free material and started mass production in ASEAN.
- Engineering company E is partnering with an ASEAN company to conduct a feasibility study for building a hydrogen supply chain.
- Heavy industry manufacturer F partners with an ASEAN company to enhance environmental performance by co-firing coal and fuel ammonia.

⁶ H.E. Hagiuda, K. (2022). The Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era.

⁷ Ministry of Economy, Trade and Industry Government of Japan (2022). ASEAN-Japan Economic Cooperation in the Post-Pandemic Era.

1.2 About the project

On the cusps of ASEAN and Japan celebrating friendship and cooperation of 50 years in 2023, the ASEAN Economic Community, which was announced in 2015, is experiencing a changing economic and political landscape characterised by a VUCA—highly volatile, uncertain, complex and ambiguous—environment. Japan seeks to better sense the sentiments of the ASEAN business community and reassess its partnership strategy in ASEAN to maintain its leading position in the region.

CARI ASEAN Research and Advocacy (CARI), with the support from the ASEAN-Japan Business Council (AJBC) and the full support of Japan External Trade Organisation (JETRO) Singapore and ASEAN Business Advisory Council (ASEAN-BAC), carried out a mixed-methods survey to understand ASEAN companies' sentiment towards Japanese businesses and government, better understand their expectations, and further enhance Japan-ASEAN economic cooperation through stronger involvement and collaborations with the private sector.

1.3 About the survey

The survey was conducted using mixed methods to gather insights on the general trend of trade and investment, business sentiment and perception of Japanese technologies, the competitiveness of Japanese services, the attractiveness, strengths and areas for enhancement as a business partner, as well as its project management capabilities in comparison with other major economies. Both quantitative and qualitative surveys were conducted in parallel in January and February 2022 with representatives from ASEAN's private sector from all ten ASEAN countries.

The research project involved 44 team members that included the project management team (5), country coordinators (11), interviewers (5), researchers (17), and others such as editors, transcribers and graphic designers (6).

For quantitative data, we conducted a questionnaire-based survey using Survey Monkey and received

570 submissions, though only 459 completed questionnaires were used for this analysis. The questionnaire contained 43 questions.

To supplement the quantitative survey, we conducted 42 sessions of key informant interviews with 42 senior and top management executives from manufacturing and non-manufacturing companies operating in ASEAN, with and without direct Japanese experience. Each interview session lasted approximately 60 minutes with one dedicated interviewer. The interviews contained 28 questions.

All respondents were offered incentives for their participation.

The empirical analysis results are presented in the following sections.

2.0

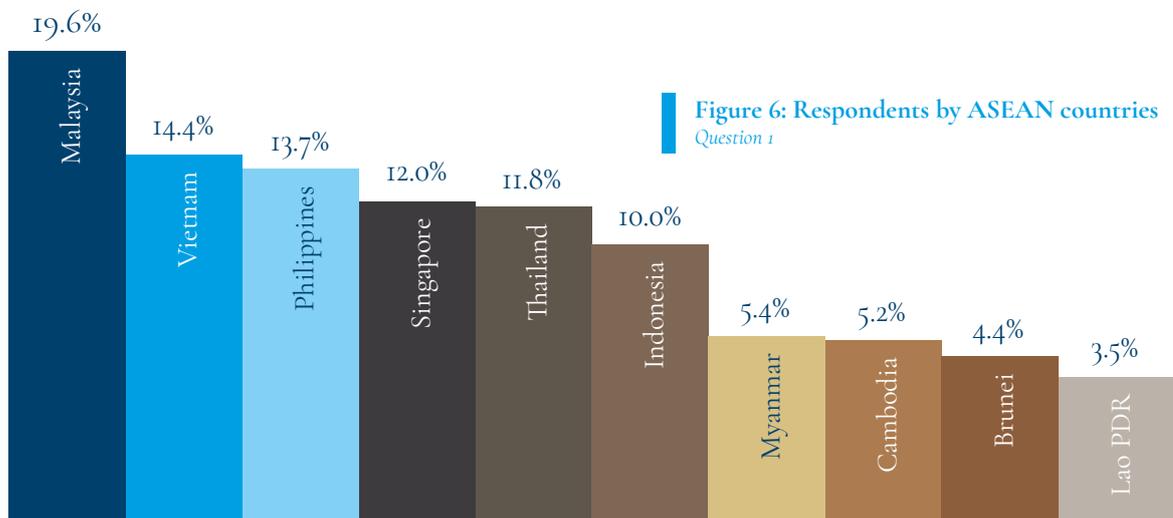
QUANTITATIVE SURVEY ANALYSIS



2.1 Respondents' Information

2.1.1 Greater representation from ASEAN-6 led by respondents from Malaysia

The survey distribution sees greater representation from ASEAN-6 countries than smaller ASEAN economies, with Malaysia having the most respondents in the survey. The majority of the respondents have their offices based in Malaysia (19.6%), followed by Vietnam (14.4%), the Philippines (13.7%), Singapore (12.0%), Thailand (11.8%), Indonesia (10.0%), Myanmar (5.4%), Cambodia (5.2%), Brunei (4.4%), and Laos (3.5%).



2.1.2 Over 62% of the respondents are C-Suite executives

The survey received insights from top-level and senior managers reflecting the credibility of the insights yielded from this exercise. 62.5% of the respondents are from the senior management of their respective organisations which included group-level and C-suite executives, directors and general managers. Non-senior management level respondents make up 28.8% of the respondents, while 8.7% of the responses were excluded.

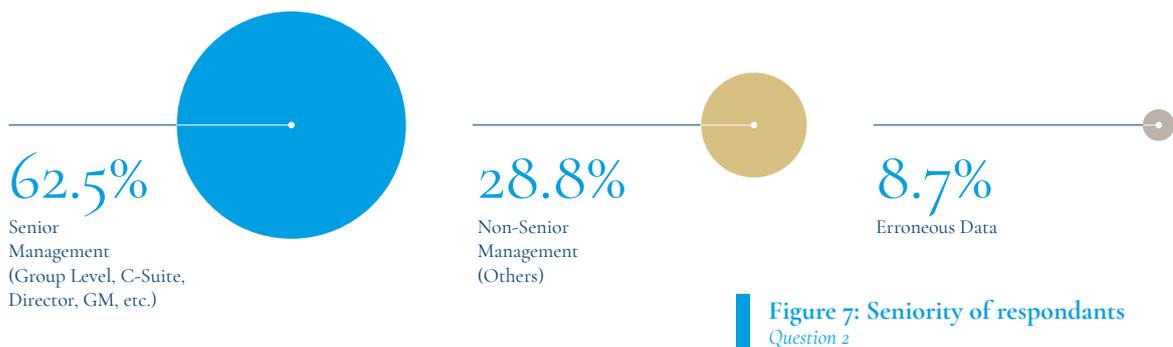
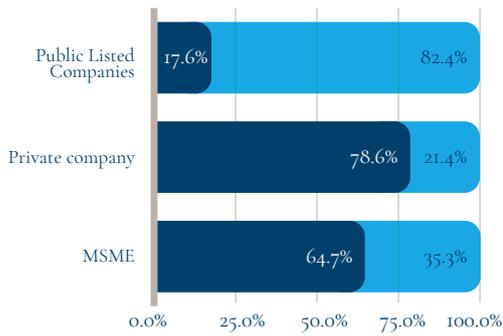


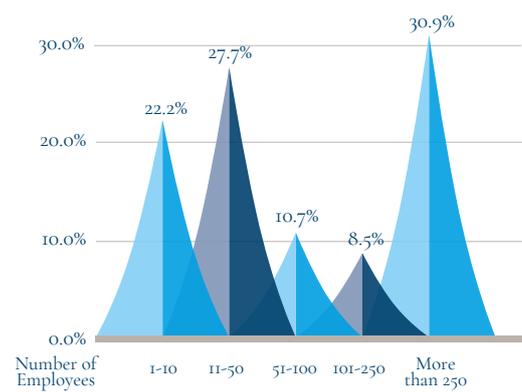
Figure 8: Company Types
Question 3



2.1.3 Nearly 79% of respondents are from private companies, while over 64% are MSMEs

Although MSMEs make up between 97-99% of business enterprises in ASEAN, they only constitute 64.7% of respondents in this survey. Public listed companies constitute 17.6% of respondents, while 78.6% of respondents are private companies, followed by Micro, Small & Medium Enterprises (MSMEs) at 64.7%.

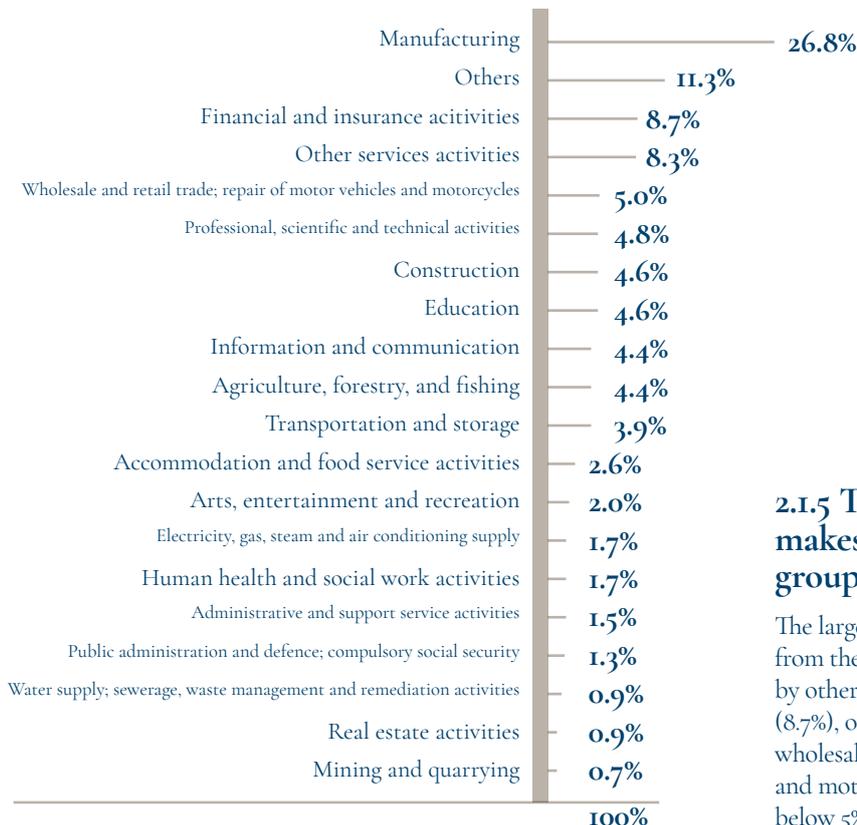
Figure 9: Number of Employees
Question 4



2.1.4 Over 30% of respondents work in organisations with more than 250 employees

The results reflect ASEAN's MSME-dominated business landscape, with close to half of the respondents working in companies having less than 50 employees. Most of the organisations have more than 250 employees (30.9%), followed by 11-50 employees (27.7%), 1-10 employees (22.2%), 51-100 employees (10.7%), and 101-250 employees (8.5%).

Figure 10: Distribution of Respondents by Sector
Question 2



2.1.5 The manufacturing sector makes up the largest respondent group in the survey

The largest sector group of respondents came from the manufacturing sector (26.8%), followed by others (11.3%), financial and insurance activities (8.7%), other service activities (8.3%), as well as wholesale and retail trade; repair of motor vehicles and motorcycles (5.0%). The rest of the sectors are below 5%.

2.1.6 A combined 74% of the respondents work in companies with an annual turnover below US\$50 million

37.9% of companies have annual revenue below US\$1 million followed by US\$1-50 million (36.2%), US\$50-500 million (14.4%) and US\$501-1,000 million (4.6%).

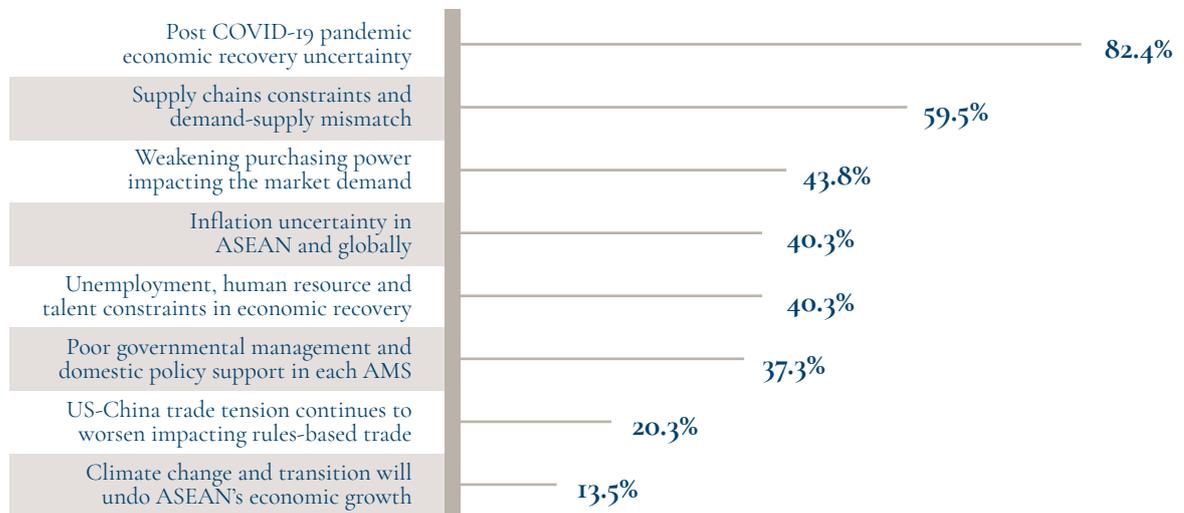
The survey also received insights from larger corporations with an annual turnover of more than US\$1 billion at 7% of the total number of respondents.

Figure 11: Range of annual revenue
Question 5



2.2 General Sentiments On Trends Of Trade And Investment

Figure 12: Top 3 challenges in ASEAN's trade and investment recovery in the next 3 years
Question 6 (respondents were asked to choose at least 3 options)



2.2.1 Post-COVID-19 economic recovery uncertainty, supply chain constraints, and weakening purchasing power are the top three concerns

Unsurprisingly, post COVID-19 pandemic uncertainty continues to overwhelm business sentiments with a landslide representation (82.4%), followed by supply chain constraints and demand-supply mismatch (59.5%), weakening purchasing power impacting the market

demand (43.8%), unemployment, human resource and talent constraints in economic recovery (40.3%), inflation uncertainty in ASEAN and globally (40.3%), poor governmental management and domestic policy support in each AMS (37.3%).

Unexpectedly, only 20.3% of respondents saw the US-China trade tension as one of the top three concerns, ranking it just one spot above longer-term concerns of climate change and transition that will undo ASEAN's economic growth (13.5%).

2.2.2 Weak ASEAN economic integration is the top concern for respondents in the next three years

Respondents are generally concerned about all the ASEAN issues suggested in the question, with the least chosen ASEAN challenge still constituting close to half of the total respondents' choices. This indicates that all of these issues are important and need to be addressed.

The chief concern of respondents is that ASEAN is not delivering on its promise as an integrated market (76.9%), followed by trade facilitation measures such as customs clearance that are inefficient to cope with the booming e-commerce (65.6%), ASEAN's non-tariff barriers remain unresolved (61.7%), ASEAN centrality under threat due to foreign power's increasing pivot towards ASEAN and increasing militarisation to establish political influence (57.7%), and increase in protectionism among ASEAN member states (49.2%).

Figure 13: Top 3 concerns about ASEAN in the next 3 years
Question 7 (respondents were asked to choose at least 3 options)



2.2.3 China, Japan and US are perceived to be most able to help boost ASEAN's economic recovery

China, Japan, and the US have a relatively significant lead over other countries when it comes to being perceived as being able to help ASEAN regain its economic momentum after COVID-19.

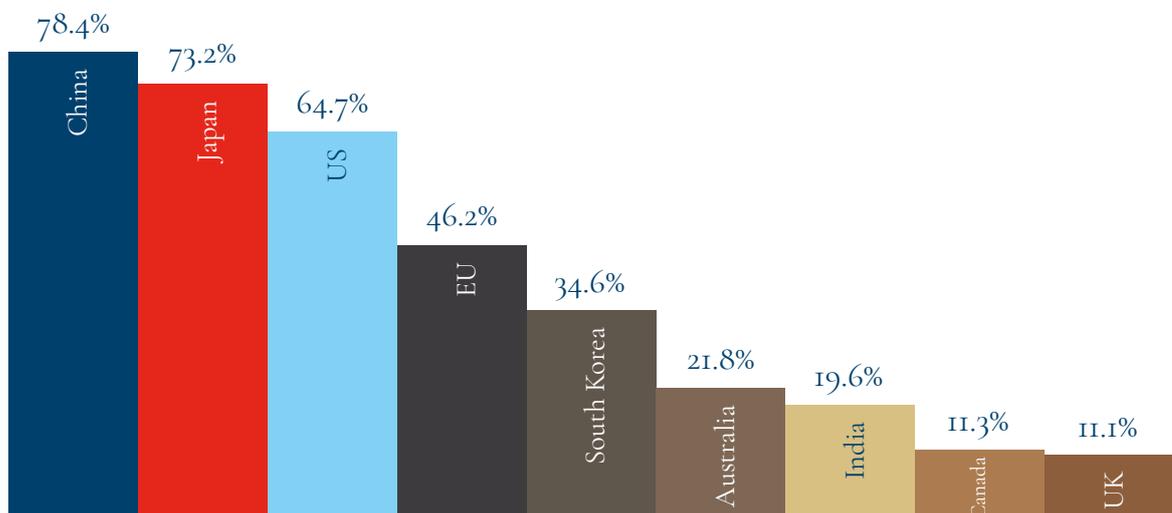
China sits at the top of the list of countries that will help

to boost ASEAN's economic recovery (78.4%), followed closely by Japan at 73.2%, the US (64.7%), and the EU (46.2%).

The EU is also viewed as a vital partner in fourth place, consistent with it being the fourth largest contributor to FDI inflow into ASEAN between 2012 and 2019 as shown in Figure 2.

The rest of the countries are South Korea (34.6%), Australia (21.8%), India (19.6%), Canada (11.3%) and the United Kingdom (11.1%).

Figure 14: Top 3 countries perceived to help boost ASEAN's economic recovery
Question 8 (respondents were asked to choose at least 3 options)



2.2.4 Digitalisation, supply chain connectivity and sustainability are perceived to be the main growth areas in the next 10 years that would see an increase in investment

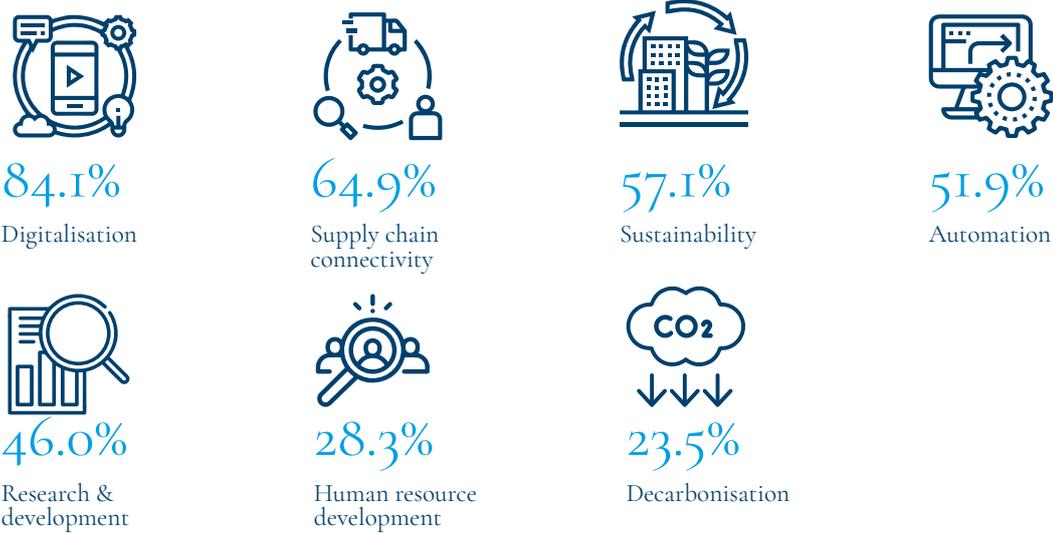
The growth potential of the digital sector commands a landslide lead as viewed by the ASEAN business community. Supply chain connectivity, one of the

top three concerns of the private sector, is viewed as an important growth area. Although only 23.5% of respondents view decarbonisation as a growth area, sustainability garnered strong interest as the third most important growth area.

The top area of growth is digitalisation (84.1%), followed by supply chain connectivity (64.9%), sustainability (57.1%), automation (51.9%), research and development (46.0%), human resource development (28.3%), and decarbonisation (23.5%).

Figure 15: Areas of growth expected to see investment in the next 10 years

Question 9 (respondents were asked to choose at least 3 options)



2.2.5 China is perceived to have the strongest industrial capability among ASEAN's trade partners

China came in first, followed by the US, Japan, the EU, South Korea, India, the UK, Australia, and Canada. The

top three countries here are the same as the top three countries chosen by respondents in Q8 (Figure 14) which asked respondents to name countries whose trade and investment will help boost ASEAN's economic recovery, though in this case the US' industrial capability is viewed to be slightly stronger than Japan's.

Figure 16: Perceived strengths in industrial capability among ASEAN's trade partners

Question 10

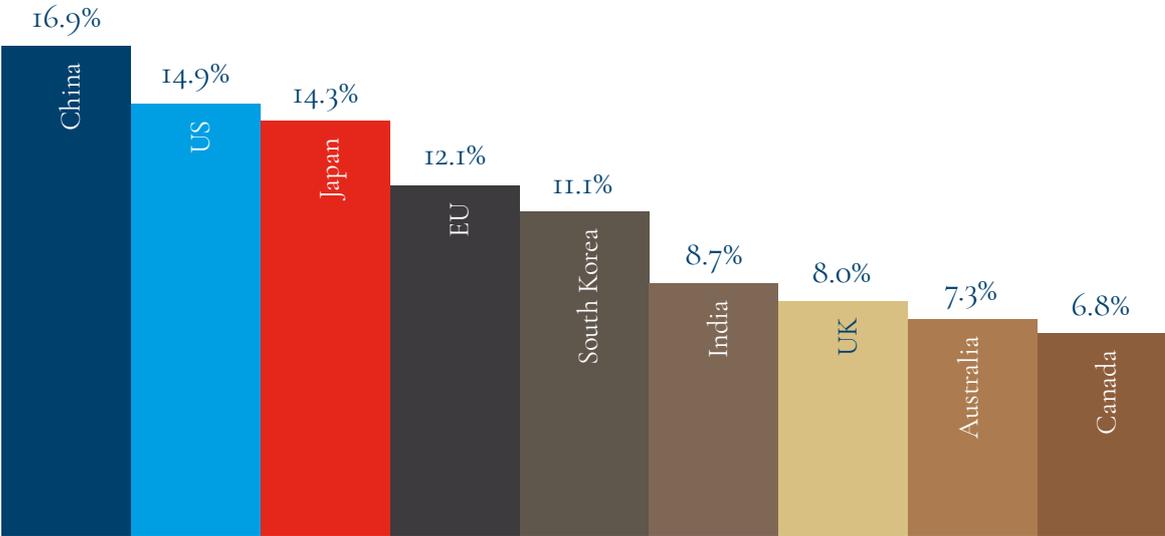
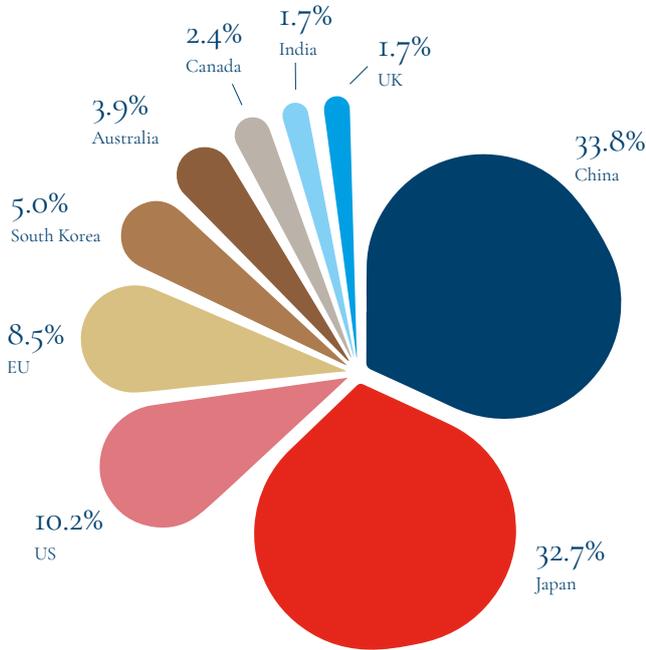


Figure 17: Governments perceived to be most supportive to their private sector
Question 11



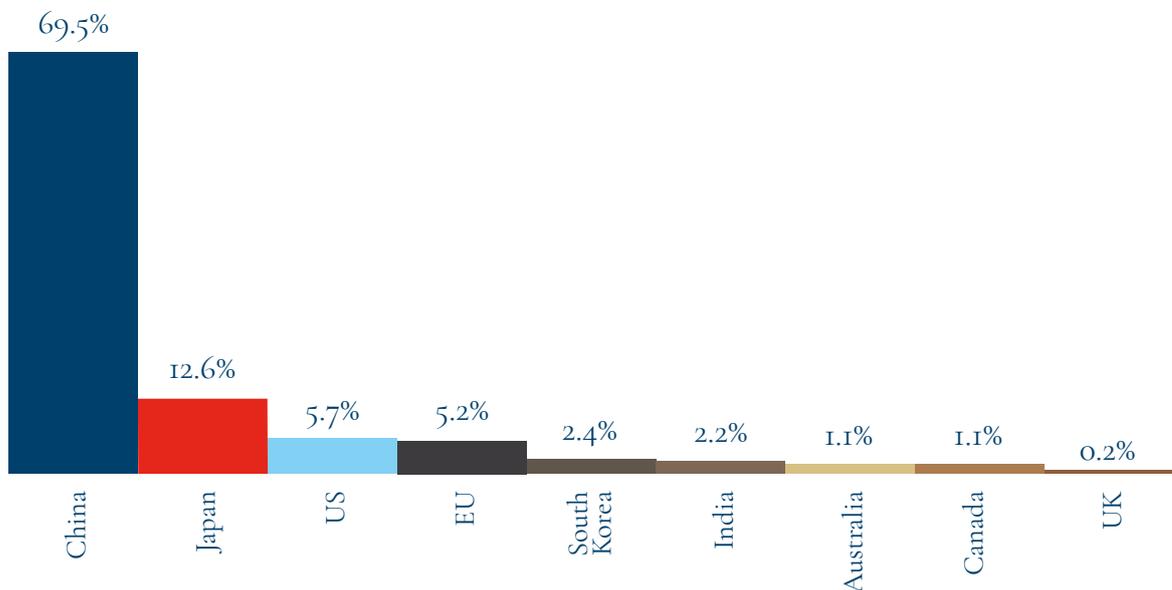
2.2.6 Chinese and Japanese governments' support for their private sectors are perceived to be the strongest

Both countries' governments are perceived to provide strong support to their private sector with China (33.8%) having a slight lead over Japan (32.7%). The US (10.2%) and EU (8.5%) governments are viewed by only about a third of respondents as being relatively supportive compared to China and Japan. The remaining countries were South Korea (5.0%), Australia (3.9%), Canada (2.4%), India (1.7%), and the UK (1.7%).

2.2.7 China is perceived to most certainly dominate ASEAN trade and investment in the coming decade.

A large majority of respondents expect China (69.5%) to dominate ASEAN's trade and investment in the next decade, far ahead of other major economies. Nevertheless, Japan (12.6%) still came in second place ahead of the US (5.7%), EU (5.2%), South Korea (2.4%), India (2.2%), Australia (1.1%), Canada (1.1%), and the UK (0.2%).

Figure 18: Countries likely to dominate ASEAN's trade and investment in the next decade
Question 12

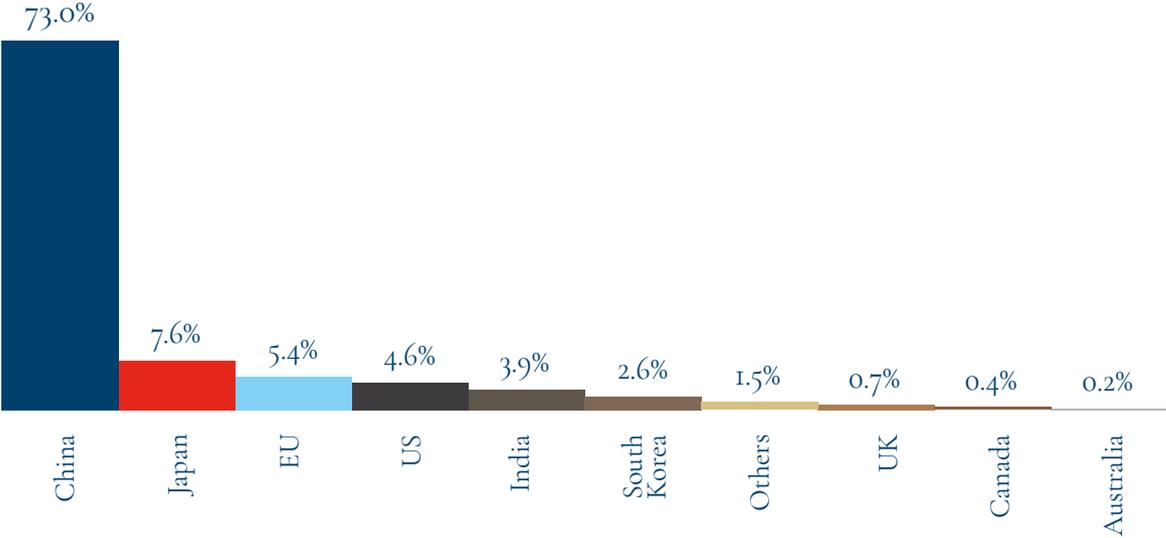


2.2.8 China is perceived to gain economic dominance in ASEAN In the next ten years

Besides dominance in trade and investment as found in Q12 (Figure 18), there is a clear consensus (73.0%) within

the ASEAN business community on China's dominant economic power in the next decade, with China expected to achieve economic dominance in ASEAN in the next decade. All other countries fell far behind: Japan (7.6%), EU (5.4%), US (4.6%), India (3.9%), South Korea (2.6%), UK (0.7%), Canada (0.4%), and Australia (0.2%).

Figure 19: Countries perceived to achieve economic dominance in ASEAN in the next decade
Question 13

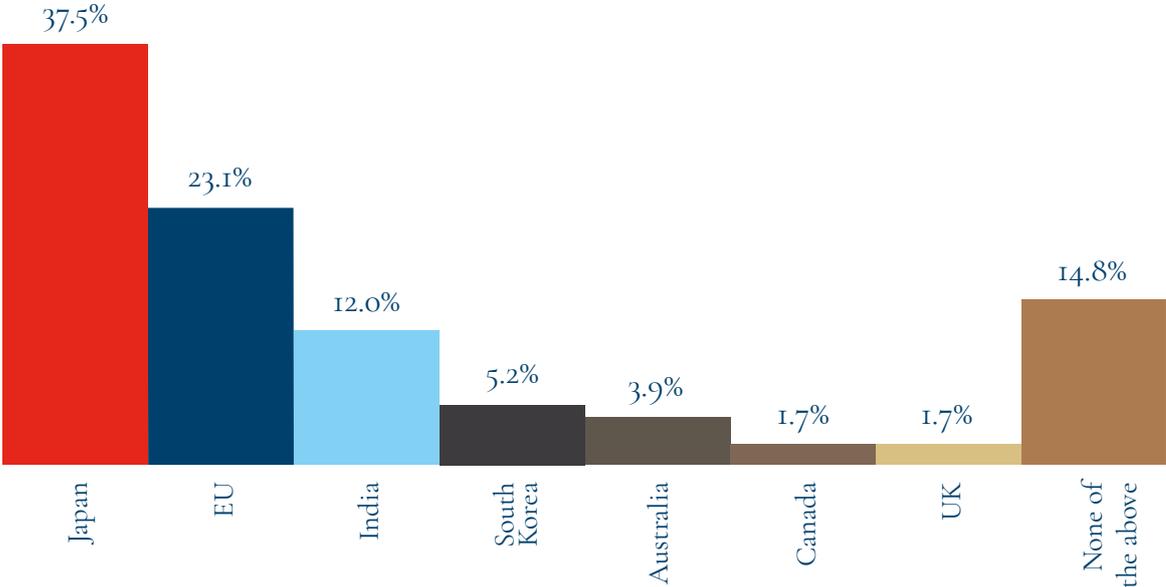


2.2.9 Japan is seen as the best alternative trade partner for ASEAN in view of US-China trade tensions

Japan has a clear advantage over the EU when it comes to being a balancing alternative to trade

conflicts between ASEAN's two other important trade partners, China and the US. Japan tops the list at 37.5%, followed by the EU (23.1%), India (12.0%), South Korea (5.2%), Australia (3.9%), Canada (1.7%) and the UK (1.7%). 14.8% of respondents felt that none of the countries listed was a good alternative to the US and China.

Figure 20: Country perceived to be the best balancing alternative as trade partners of ASEAN amidst of US-China trade tension
Question 14



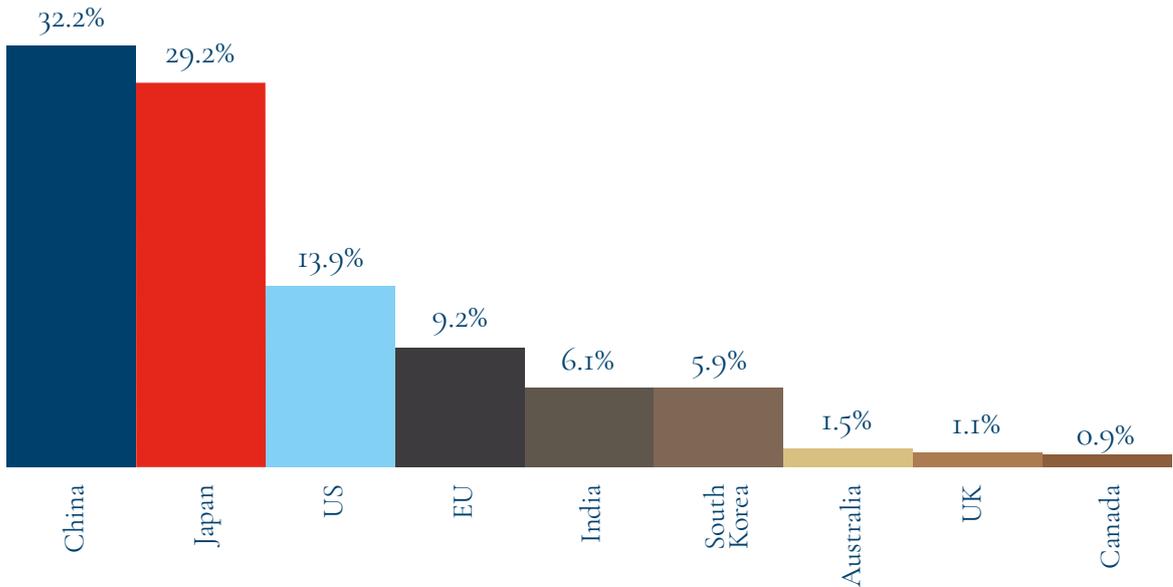
2.2.10 China and Japan are both perceived to take the lead in helping with ASEAN's Industry 4.0 transformation

Both China (32.2%) and Japan (29.2%) are seen as the likely leaders when it comes to transforming ASEAN

to be industry 4.0 ready, with China also having a small lead. While the US (13.9%) made it to the top three, it still lagged far behind Japan and China.

The remaining countries are the EU (9.2%), India (6.1%), South Korea (5.9%), Australia (1.5%), UK (1.1%), and Canada (0.9%).

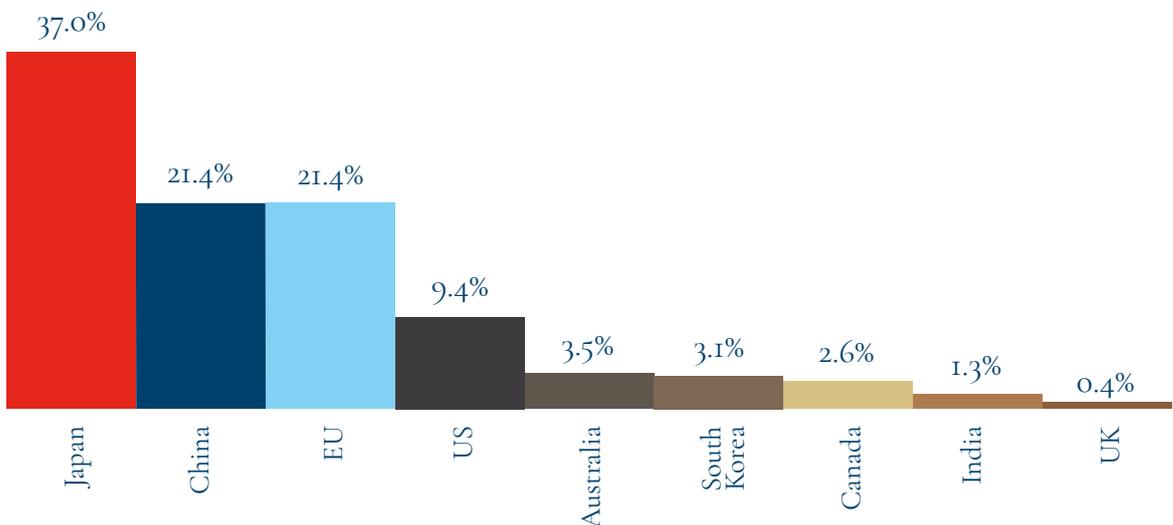
Figure 21: Countries perceived to be the most likely leader in helping ASEAN's industry 4.0 transformation
Question 15



2.2.11 Japan is perceived to be playing a key leading role in assisting ASEAN to transform to become a sustainable ASEAN

Japan (37.0%) has a significant lead over China (21.4%) and the EU (21.4%) in helping ASEAN transition and become more sustainable. Followed by the US (9.4%), Australia (3.5%), South Korea (3.1%), Canada (2.6%), India (1.3%), and the UK (0.4%).

Figure 22: Countries perceived to be the most likely leader in helping ASEAN transform to be a Sustainable ASEAN
Question 16



Spotlight 1: General sentiments towards economic, trade and investment trends in ASEAN

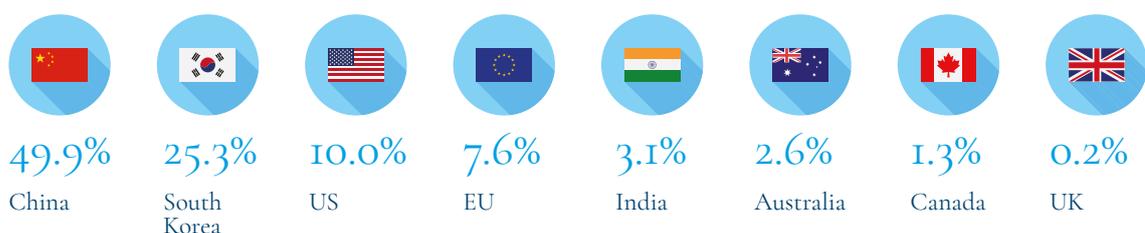
- Top 3 concerns:** Post COVID-19 pandemic uncertainty continues to overwhelm business sentiments with a landslide representation at 82.4%, followed by supply chain constraints, and demand-supply mismatch (59.5%), weakening purchasing power impacting the market demand (43.8%).
- Top 3 concerns about ASEAN:** The chief concern of respondents is that ASEAN economic integration is not delivering its promise as an integrated market (76.9%), followed by trade facilitation measures such as customs clearance that are inefficient to cope with the booming e-commerce (65.6%), and ASEAN's non-tariff barriers that remain unresolved at 61.7%.
- Helping ASEAN recover :** China (78.4%), followed closely by Japan (73.2%), the US (64.7%), and the EU (46.2%) are the top four countries perceived to be most able to help boost ASEAN's economic recovery.
- Main growth areas:** Digitalisation, supply chain connectivity, and sustainability are perceived to be the main growth areas in the next 10 years that would see an increase in investment.
- Industrial capability ranking:** China is perceived to have the strongest industrial capability among ASEAN's trade partners. Followed by the US, Japan, EU, South Korea, India, the UK, Australia, and finally Canada.
- Supportive government:** The Chinese (33.8%) and Japanese (32.7%) governments are perceived to be most supportive of their private sectors.
- Dominance in trade and investment:** China is perceived to be the most dominant player in ASEAN's trade and investment in the coming decade, with 69.5% of respondents' votes reflecting this.
- ASEAN's 4IR Transformation:** Both China (32.2%) and Japan (29.2%) are viewed to be important leaders in transforming ASEAN to be Industry 4.0 ready, with China also having a small lead.
- Sustainable ASEAN Transformation:** Japan (37.0%) is perceived to be playing a key leading role in assisting ASEAN to transform to be a sustainable ASEAN.

2.3 Business Sentiment And Perception Towards Japan On Industrial Dominance And Technologies

2.3.1 China is perceived to be comparable to Japan's industrial dominance in ASEAN

Respondents believe that Japan's industrial dominance faces growing competition from two of its closest Asian neighbours, with almost half of the respondents favouring China (49.9%) and South Korea (25.3%), while India lagged far behind at 3.1%. The industrial dominance of western superpowers such as the US (10.0%), EU (7.6%), Australia (2.6%), Canada (1.3%) and the UK (0.2%) were not viewed as comparable to Japan's.

Figure 23: Relative industrial dominance perceived to be most comparable to Japan by country
Question 17



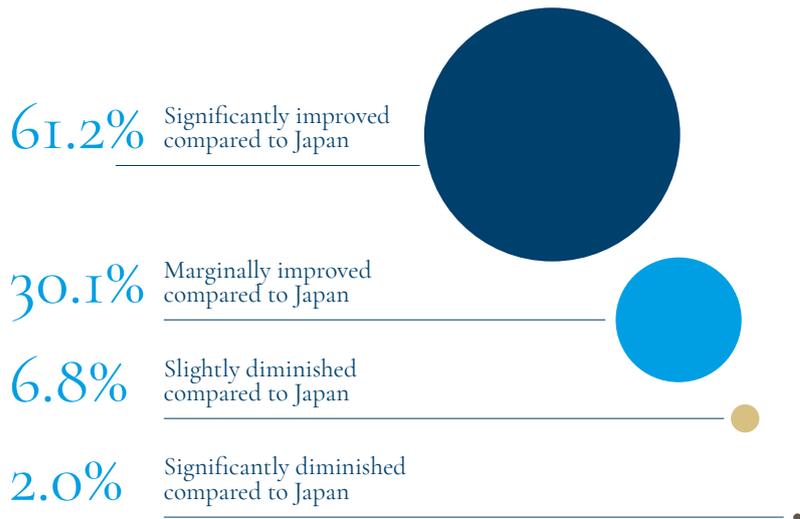
Perspectives of the past

2.3.2 Over 61% of respondents believe that the industrial strength of their selected country to have significantly improved relative to Japan's in the past decade

Following the respondents' selection in Q17 (Figure 23), a combined 91.3% of respondents consider their selected country's industrial strength to be comparable to that of Japan's industrial dominance.

61.2% of respondents viewed that their selection had improved significantly compared to Japan and 30.1% saw marginal improvement. On the other hand, 8.8% of respondents felt that their selected country's industrial dominance had diminished in varying degrees in the past decade, 6.8% felt that it had diminished slightly, while only 2% felt that their selected country's industrial dominance had diminished significantly when compared to Japan.

Figure 24: Perceived Industrial strength of selected country (in Q17) compared to Japan in the past 10 years
Question 18

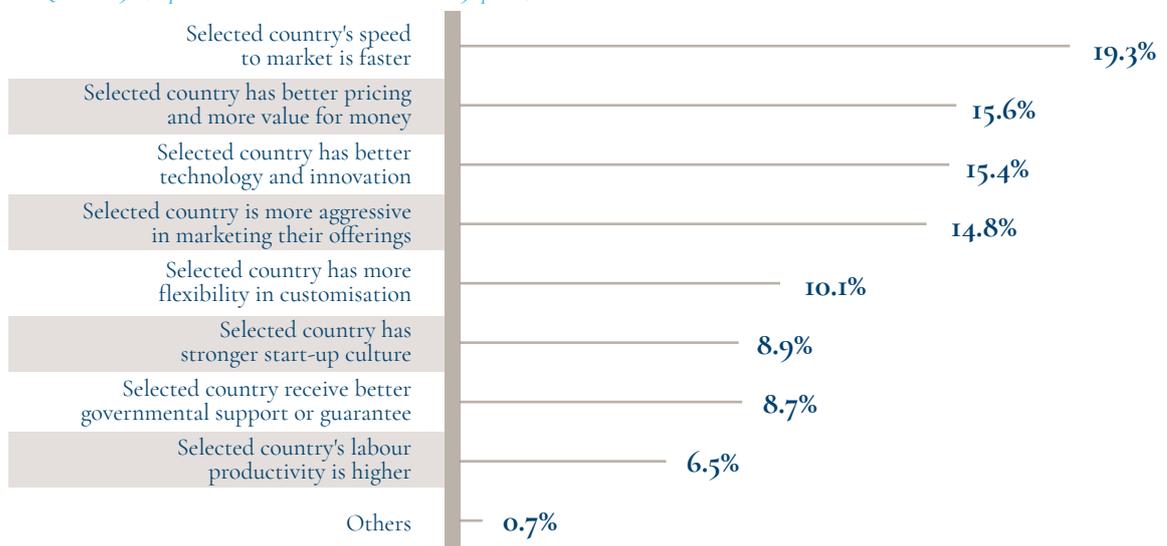


2.3.3 Faster speed to market is perceived to be the main reason the selected country improved more than Japan in the past decade

Of the combined 91.3% of respondents who felt that their selected country's industrial strength saw more

improvement compared to Japan's in the last 10 years mainly because of their speed to market (19.3%), better pricing (15.6%), better technology and innovation (15.4%), as well as a more aggressive marketing strategy (14.8%), more flexibility in customisation (10.1%), stronger start-up culture (8.9%), better government support or guarantee (8.7%), and higher labour productivity at (6.5%).

Figure 25: Perceived reasons that the selected country (in Q17) has significantly or marginally improved compared to Japan in the past 10 years
Question 19a (respondents were asked to choose at least 3 options)

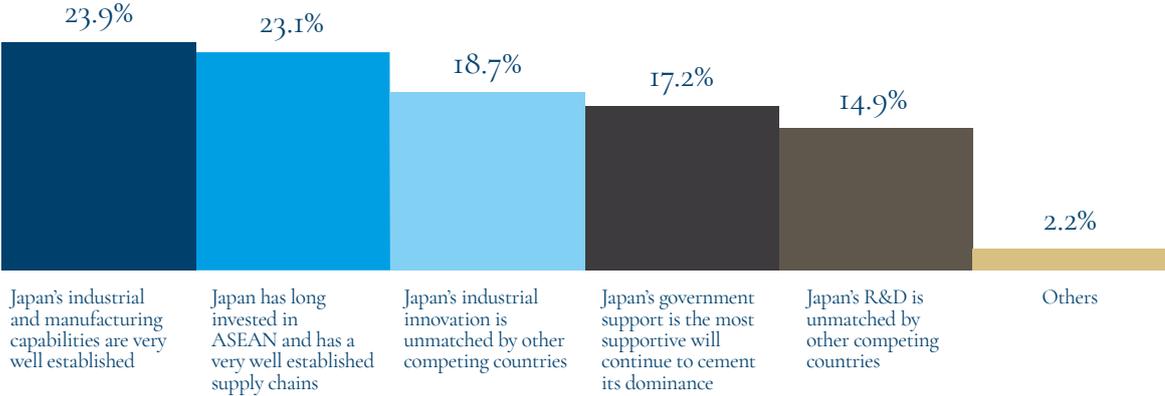


2.3.4 Japan's well-established industrial and manufacturing capabilities in ASEAN were seen as the main reason that the selected comparable country's industrial strength had improved less than Japan's in the last decade

Conversely, for the 8.8% of minority respondents who viewed their chosen country's industrial strength as having "slightly or significantly diminished compared to Japan" in the last decade believe that this was because of Japan's manufacturing capabilities (23.9%), Japan's long history of investment in ASEAN and its very well-established supply chain (23.1%), Japan's unmatched industrial innovation (18.7%), support from the Japanese government that will continue to cement its dominance (17.2%), and Japan's unmatched research and development (14.9%).

Figure 26: Perceived reasons that the selected country (in Q17) has slightly or significantly diminished compared to Japan in the past 10 years

Question 19b (respondents were asked to choose at least 3 options)



Perspectives of the future

2.3.5 More than 56% of respondents believe that the industrial strength of their selected comparable country will significantly improve and may overtake Japan's in the next decade

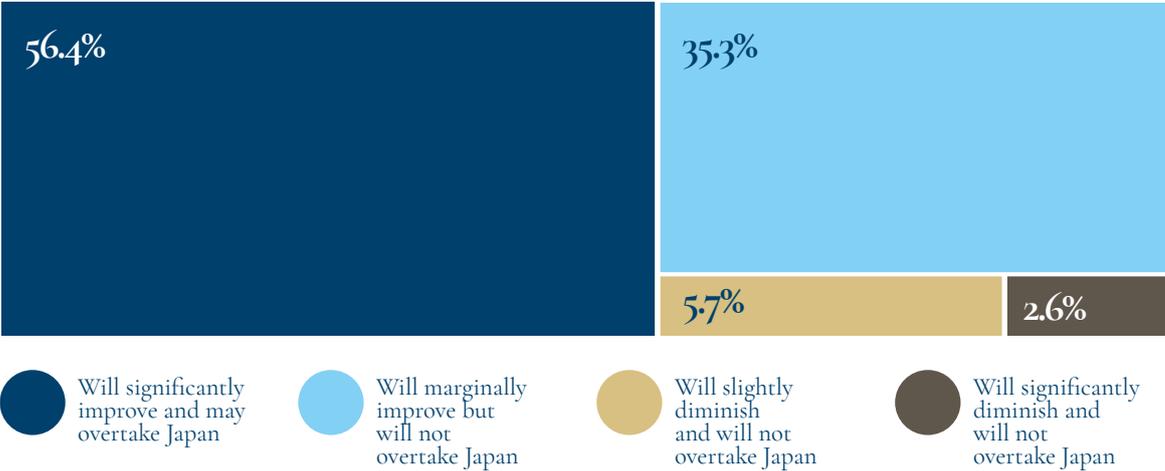
More than half of respondents (56.4%) recognise that the industrial strength of their selected country will

significantly improve and could even overtake Japan in the next decade, while 35.3% believe the chosen country will marginally improve but not overtake Japan.

The remaining 5.7% and 2.6% of respondents believe that their chosen country's industrial strength will diminish slightly or diminish significantly in the next decade and not overtake Japan.

Figure 27: Perceived industrial strength of the selected country (in Q17) compared to Japan in the next 10 years

Question 20



2.3.6 Faster speed to market is perceived to be the main reason other major economies will improve more than Japan in the next decade

For the combined 91.7% of respondents who believe their selected country will have varying degrees of improvement compared to Japan in the next decade in Q20 (Figure 27), the top three reasons the selected country “will significantly improve and may overtake Japan” or “will marginally approve but will not overtake Japan” in the next 10 years are (i) faster speed to market (18.5%), (ii) better pricing and more value for money (16.1%), and (iii) more aggressiveness in marketing their offering (14.6%).

It is worth noting that speed to market and pricing are also the top two reasons for the improvement of the competing countries compared to Japan in the past 10 years. This suggests that these factors continue to be critical areas for improvement for Japanese businesses as they are perceived to have a heavy influence on the country’s industrial strength.

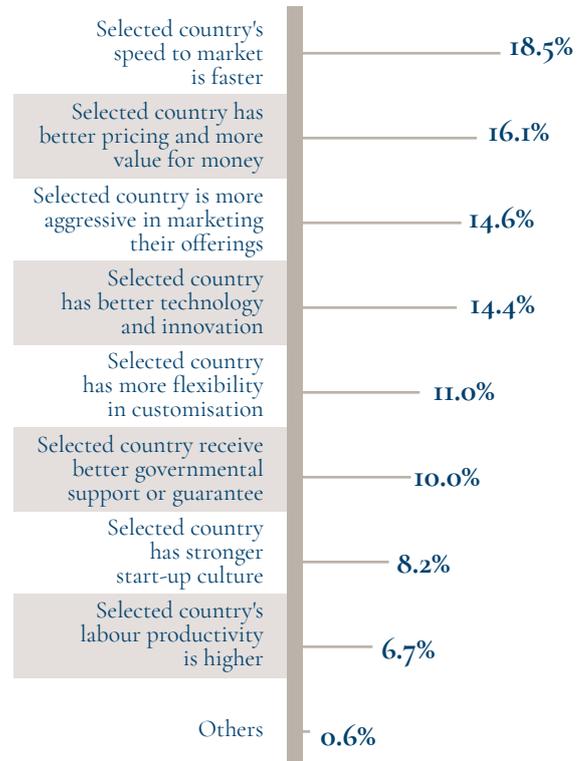
Other reasons are better technology and innovation (14.4%), more flexibility in customisation (11.0%), better government support or guarantee (10.0%), a stronger start-up culture (8.2%), and higher domestic labour productivity (6.7%).

2.3.7 Over 24% of respondents believe that their selected country’s industrial strength will lag behind Japan’s in the next decade mainly due to its well established industrial and manufacturing capabilities

Separately, out of the combined 8.3% of minority respondents who perceived that the selected country’s industrial compatibility will diminish compared to Japan’s in the next decade in Q20 (Figure 27), the ranking of chosen reasons are almost identical to those

Figure 28: Perceived reasons the selected country (in Q17) will significantly or marginally improve compared to Japan in the next 10 years

Question 21a (respondents were asked to choose at least 3 options)

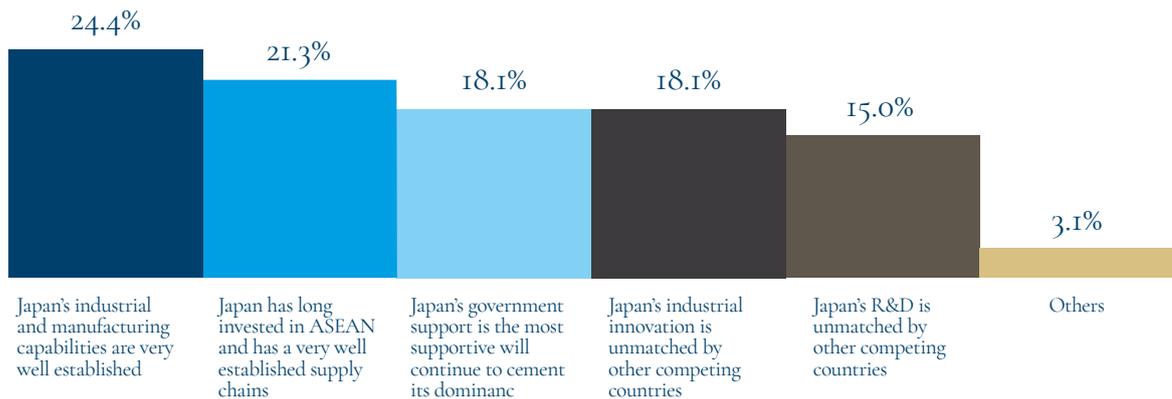


of the reasons in the past decade as in Q19b (Figure 26).

The top reasons that their selected country will diminish significantly or slightly and not overtake Japan in the next 10 years are (i) Japan’s industrial and manufacturing capabilities are very well established (24.4%), (ii) Japan has long invested in ASEAN with established supply chains (21.3%), (iii) Japan’s government is the most supportive (18.1%), (iv) Japan’s industrial innovation is unmatched by other competing countries (18.1%), and (v) Japan’s R&D is unmatched by other competing countries (15.0%)

Figure 29: Perceived reasons that the selected country (in Q17) will significantly or slightly diminish compared to Japan in the next 10 years

Question 21b (respondents were asked to choose at least 3 options)



Spotlight 2: Analysis of the perceived industrial comparability of Japan's competitors: Past and future decade

Comparing the insights based on past and future decades, a few observations can be concluded:

- Respondents overwhelmingly (over 91% of combined respondents for both past and future) viewed that there are countries, in this case especially China and South Korea, that have made or will make improvements of varying degrees in their industrial comparability relative to Japan.
- Of which, 61.2% of respondents consider the comparability of these chosen countries to have **improved significantly** in the past decade, while 56.4% of respondents believe that the comparability of these chosen countries **will improve significantly** in the next decade.
- This is an important indicator for Japanese businesses as although the perceived competition from Japan's competitors in the past decade was more aggressive (61.2%) compared to the future (56.4%), the perceived competition remains significantly high and may overtake Japan.
- Narrowing down the reasons behind these perceptions, two key factors mainly (i) speed to market and (ii) less competitive pricing are factors that Japanese businesses need to consider in recalibrating their strategies.
- For the minority respondents (less than 9% for both past and future decades) who believed that their chosen countries showed or will show diminished industrial comparability relative to Japan, the perceived top four reasons are almost identical.
- Japan's industrial and manufacturing capabilities and its well-established supply chains in the region are the main reasons for other countries' diminished comparability in both the past and future decade according to respondents.

2.3.8 Most respondents perceive Japan's technological advancement to be most compatible with Industry 4.0

There is a strong consensus among respondents that Japan's technological advancement is compatible with Industry 4.0 (95.6%).

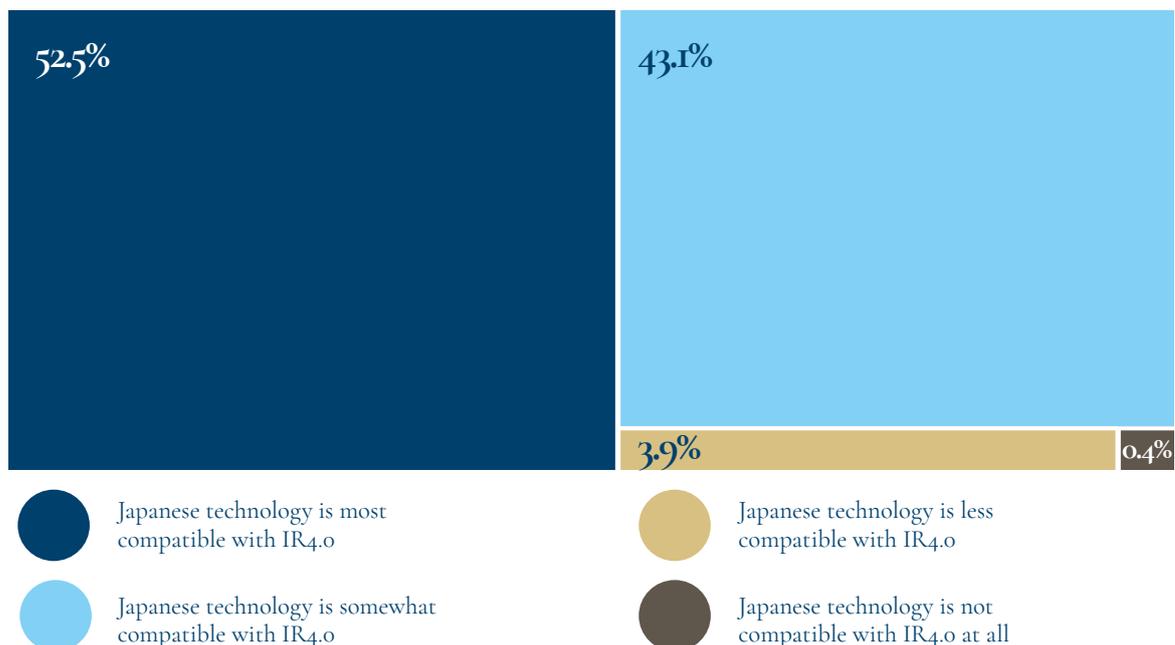
52.5% of respondents see Japanese technology as most

compatible with IR4.0, 43.1% believe it is somewhat compatible.

Only 3.9% believe it is less compatible, while 0.4% say that Japanese technology is not compatible with IR4.0 at all.

Figure 30: Perceived compatibility of Japan's technological advancement with Industry 4.0 compared to other countries

Question 22



2.3.9 Japan is seen as the country that is most able to help ASEAN's digital and technological advancement in Industry 4.0 due to its existing dominance in the region and experience in other markets

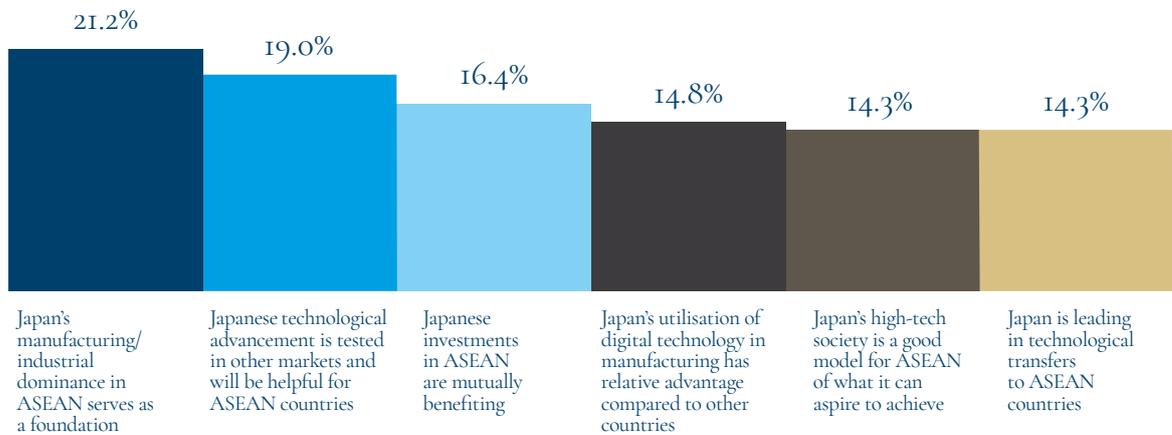
For the combined 95.6% of respondents who viewed Japanese technology as compatible with IR4.0 in Q22 (Figure 30), all six suggested reasons in our survey were important, with the top two reasons being Japan's existing manufacturing or industrial dominance in ASEAN (21.2%) and that Japan's technological advancement has been tested in other markets and will

be helpful for ASEAN countries (19.0%).

The remaining reasons were: Japanese investments in ASEAN are mutually benefiting (16.4%), Japan's utilisation of digital technology in manufacturing has a relative advantage compared to other countries (14.8%), Japan's high-tech society is a good model for ASEAN of what it can aspire to achieve (14.3%), and Japan is leading in technological transfers to ASEAN countries (14.3%).

It is noted that all the six advantages played to the strengths of Japan's competitive advantage and are viewed as factors propelling Japan as a leading country in helping ASEAN's digital and technological transformation in Industry 4.0.

Figure 31: Perceived top advantages of Japan to lead and help ASEAN's Industry 4.0 transformation
Question 31 (respondents were asked to choose at least 3 options)

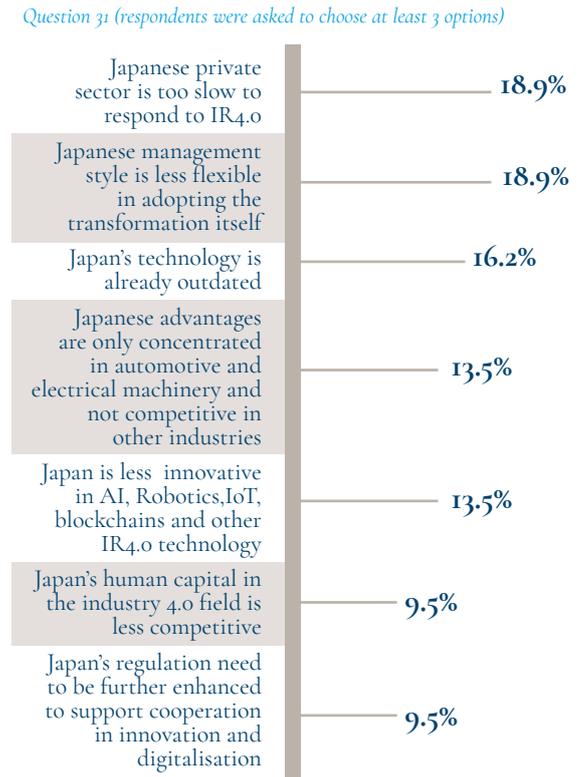


2.3.10 Slow response to IR4.0 and a less flexible management style are the top barriers to Japan becoming the leading country to help ASEAN's digital and technological transformation in Industry 4.0

Conversely, the combined 4.3% of respondents who believe Japanese technology is less or not compatible with IR4.0 view that the two main reasons are that (i) the Japanese private sector is too slow to respond to IR4.0 (18.9%) and (ii) the Japanese management style is less flexible in adopting the transformation itself (18.9%).

The other reasons are (iii) Japan's technology is already outdated (16.2%), (iv) Japan is less innovative in AI, Robotics, IoT, blockchains and other IR4.0 technology (13.5%), (v) Japanese advantages are only concentrated in automotive and electrical machinery and not competitive in other industries (13.5%), (vi) Japan's regulation needs to be further enhanced to support cooperation in innovation and digitalisation (9.5%), and (vii) Japan's human capital in the IR4.0 field is less competitive (9.5%).

Figure 32: Perceived top weaknesses of Japan to lead and help ASEAN's Industry 4.0 transformation
Question 31 (respondents were asked to choose at least 3 options)

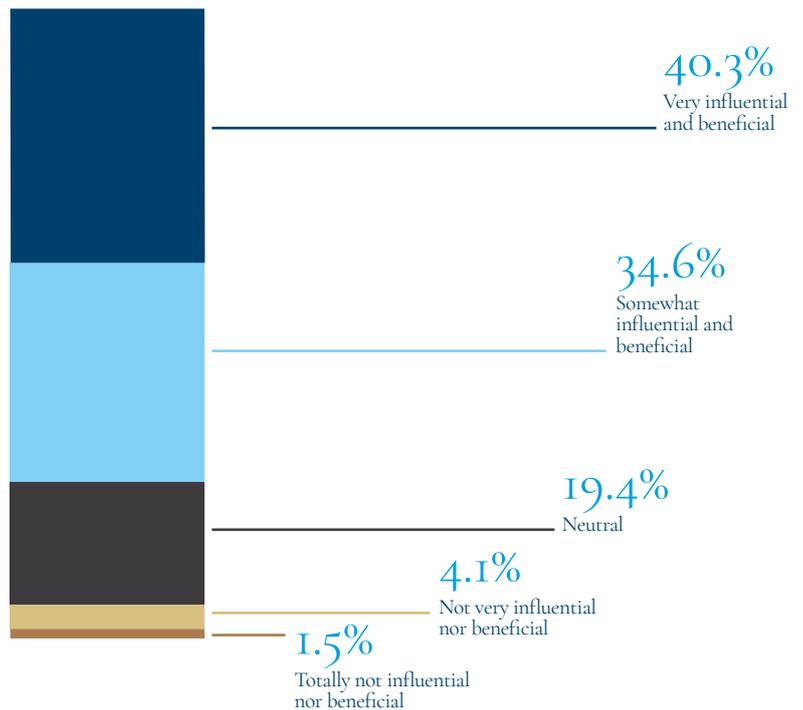


2.3.11 More than 40% of respondents perceive the role of Japanese government support as very influential and beneficial in determining the attractiveness of their company working with Japanese businesses

A combined 74.9% of respondents viewed Japanese government support as influential and beneficial in determining the attractiveness of their company working with Japanese businesses. Of which, 40.3% see the Japanese government's role as very influential and beneficial while 34.6% see it as somewhat influential and beneficial, while 19.4% were neutral.

Figure 33: Perceived influence of Japanese government's role in determining the attractiveness of ASEAN companies working with Japanese business

Question 24

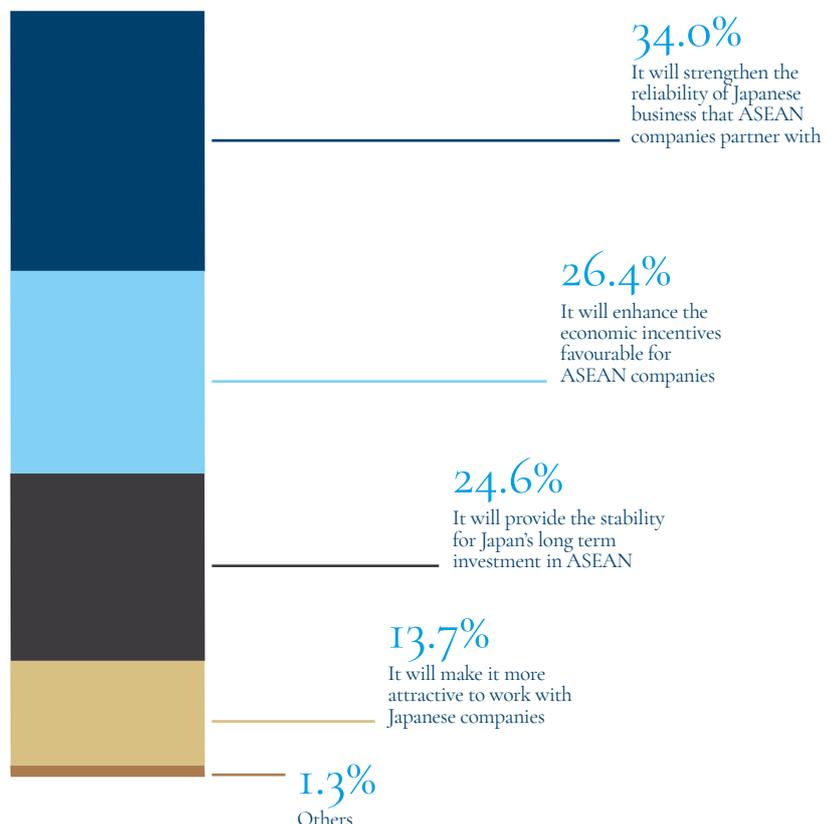


2.3.12 Japanese government's support is perceived to strengthen the reliability of Japanese businesses that ASEAN companies partner with

Respondents view that the Japanese government's support will: (i) strengthen the reliability of Japanese businesses that ASEAN companies partner with (34.0%), (ii) enhance the economic incentives favourable for ASEAN companies (26.4%), (iii) provide the stability for Japan's long term investment in ASEAN (24.6%), and (iv) make it more attractive to work with Japanese companies (13.7%).

Figure 34: Views on Japanese government's support for Japanese private sector

Question 25





Spotlight 3: How the ASEAN business community views Japan's compatibility with IR4.0 - Opportunities for Japan

Unmatched compatibility with IR4.0

- 95.6% of the ASEAN business community surveyed felt that Japan's technology was compatible with IR4.0 on the whole, out of which 52.5% of respondents viewed Japan as "most compatible" while the other 43.1% viewed it as "somewhat compatible".
- It is noted that all six suggested advantages in Question 23a (Figure 31) played to the strengths of Japan's competitive advantage and are viewed as factors propelling Japan as a leading country in helping ASEAN's digital and technological transformation in Industry 4.0. Chief among the reasons is Japan's manufacturing dominance in the ASEAN region.
- The findings could be viewed as indicators that Japan stands in a favourable position to partner with ASEAN as the region is doubling down on digital transformation both at the ASEAN level and in individual ASEAN member states' national policies.

Role of Japanese government

- A combined 74.9% of respondents acknowledged that the Japanese government is influential and beneficial in determining the attractiveness of partnering with Japanese businesses. 40.3% of respondents see the government's role as "very influential and beneficial" because ASEAN businesses believe that this will strengthen the reliability of Japanese businesses that they partner with.
- This suggests that the Japanese government could continue to enhance its role by setting friendly policies to promote greater cooperation among Japanese and ASEAN businesses, especially in accelerating ASEAN's digital transformation journey.

2.4 Competitiveness Of Japan's Services, Automotive And Other Industries

2.4.1 Half of the respondents believe that the Japanese automotive industry will remain competitive because it will be able to transition to electric and driverless cars in the next decade

The automotive industry is a key industry for Japan with reputable international brands such as Toyota, Honda, Nissan, Mazda, and Suzuki. In 2020, the world's largest automobile manufacturer Toyota topped global car sales with 8.5% market share, surpassing the Volkswagen Group while Honda and Nissan took the fifth and sixth spots at 4.8% and 4.2% respectively.⁷

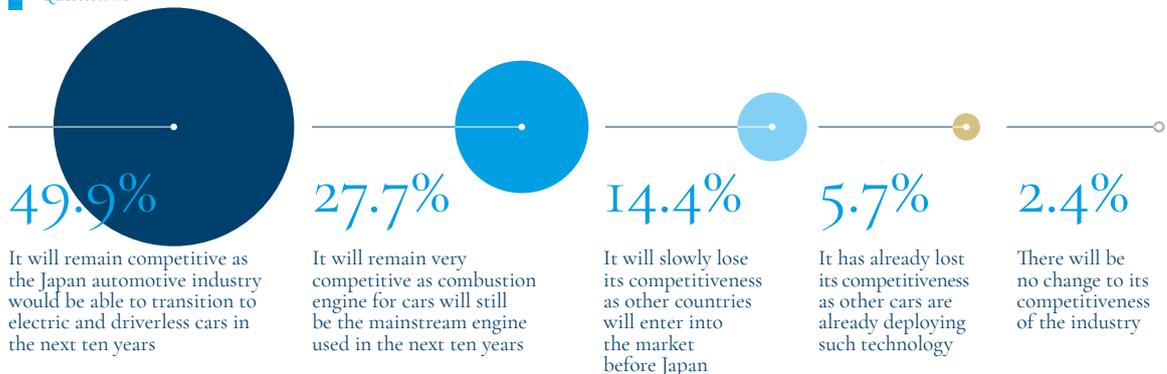
A combined 80% of respondents believe that the Japanese automotive industry will remain competitive despite the growing popularity of electric cars and driverless cars. 49.9% of respondents believe that

Japan's automotive industry will remain competitive in the next 10 years as it will be able to transition to electric and driverless cars. 27.7% of respondents believe that Japan's automotive industry will remain very competitive as combustion engines will still be the mainstream engine used in the next 10 years. A minority group of respondents (2.4%) believe that there will be no change to its competitiveness.

However, a combined 20% of respondents viewed the competitiveness of Japan's automotive industry unfavourably in the next 10 years. 14.4% of respondents expect them to slowly lose their competitiveness as other countries enter the market before Japan, while 5.7% of respondents felt that Japan has already lost its competitiveness since other carmakers are already deploying such technology.

⁷ Statista (2022). Global automotive market share in 2021, by brand.

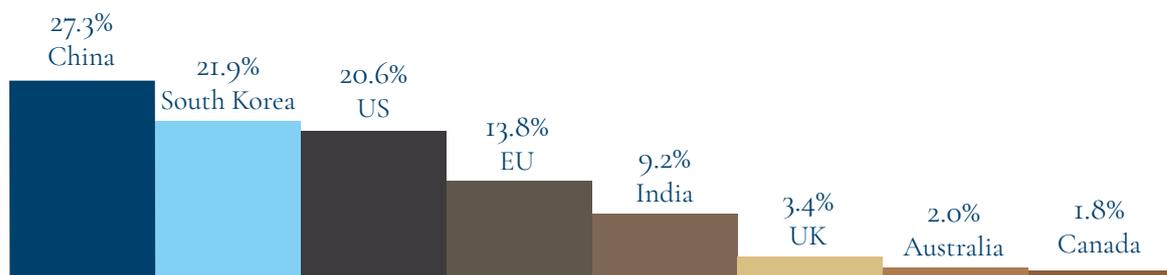
Figure 35: Perceived competitiveness of Japanese automotive industry in the next 10 years
Question 26



2.4.2 China, South Korea and the US are most likely to challenge Japan's competitive advantage in the automotive industry

Respondents believe that China (27.3%), South Korea (21.9%), the US (20.6%), and the EU (13.8%) are the biggest challenge to Japan's automotive industry because they too have popular international automotive brands. Other countries listed were considered less threatening: India (9.2%), UK (3.4%), Australia (2.0%), and Canada (1.8%).

Figure 36: Countries perceived most likely to challenge Japan's competitive advantages in the automotive industry
Question 27 (respondents were asked to choose at least 3 options)





Spotlight 4: Perceived competitiveness of Japan's automotive industry

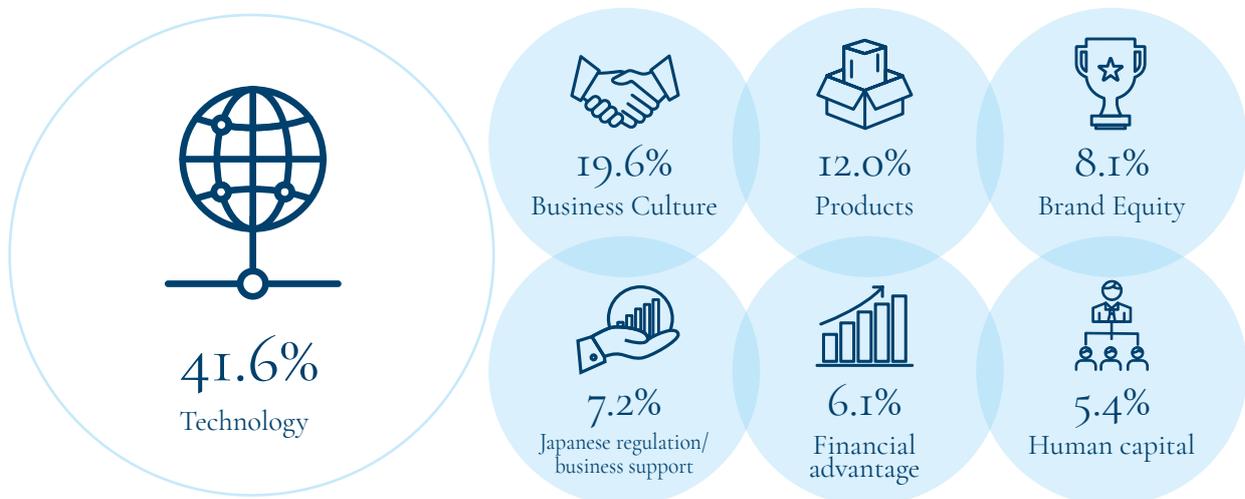
- There is a consensus (80%) among the ASEAN business community that Japan's automotive industry will remain competitive in the next 10 years as the industry transitions in tandem with electric and autonomous car developments.
- However, China, South Korea and the US are perceived to be posing a challenge to the competitive advantage held by Japan's automotive industry.
- Although not really facing significant perceived challenges, the resource-based view posits that Japan's automotive industry needs to further strengthen its strategic position by evaluating its resources according to their value, rarity, inimitability and ability to exploit these resources. The key lies in how Japan retains its sustained competitive advantage such that it will not be duplicated by its competitors in the next decade.⁸

⁸ Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 17(1), pp.99–120.

2.4.3 Technology is perceived to be the most compelling reason to partner with a Japanese company

The three most compelling reasons to partner with a Japanese company are Japanese technology (41.6%), business culture (19.6%), and products (12.0%). This is followed by brand equity (8.1%), Japanese regulation/business support (7.2%), financial advantage (6.1%), and lastly human capital (5.4%).

Figure 37: Most compelling reason to partner with a Japanese company
Question 28

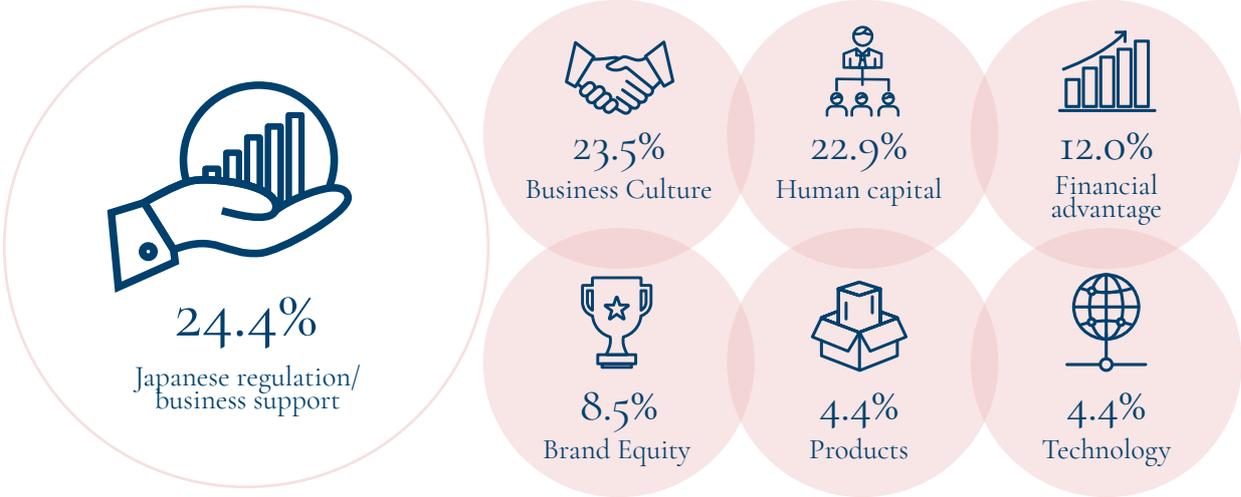


2.4.4 Regulation, business support and business culture are perceived to be the least compelling reasons to partner with a Japanese company

The top three least compelling reasons to partner with Japanese companies are Japanese regulation/business support (24.4%), business culture (23.5%), and human capital (22.9%).

Financial advantages (12.0%), brand equity (8.5%), and products and technology (4.4%) are also compelling reasons to partner with a Japanese company but to a lesser degree.

Figure 38: Least compelling reason to partner with a Japanese company
Question 29

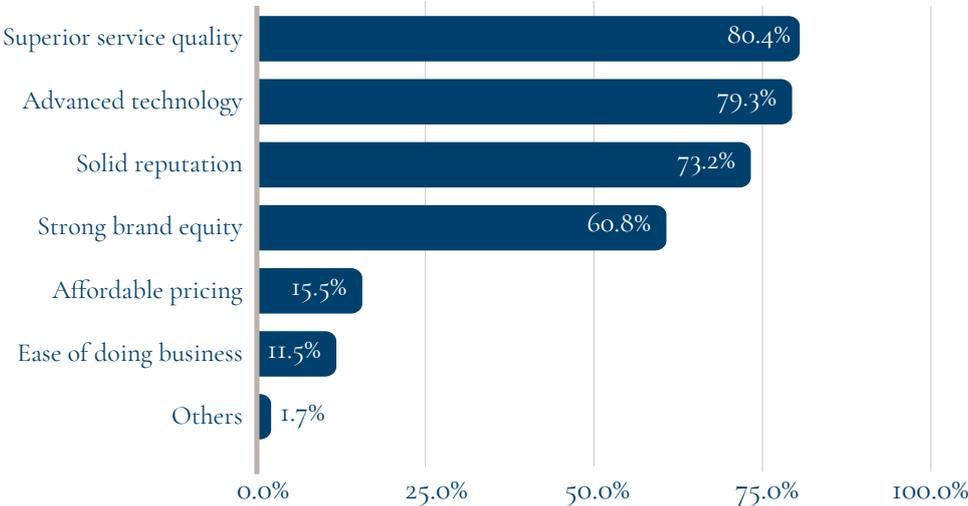


2.4.5 Japanese companies' service quality is top-notch

A strong consensus is observed by respondents that superior service quality (80.4%) and advanced technology (79.3%) are the top two advantages that set

the Japanese apart from their competitors. The other two areas where Japanese companies have distinctive competitive advantages are their solid reputation (73.2%) and strong brand equity (60.8%). Most respondents did not consider their pricing (15.5%) and ease of doing business (11.5%) to be competitive.

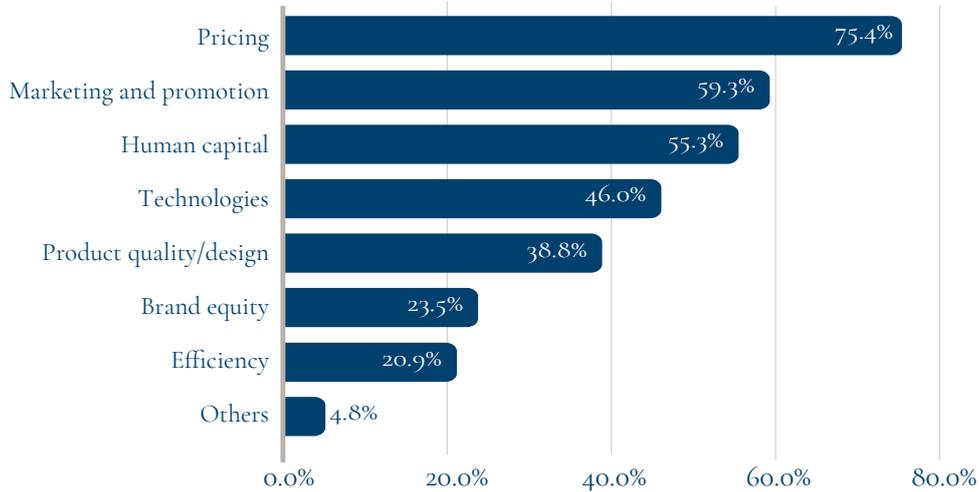
Figure 39: Perceived competitive advantage of Japanese companies compared to companies from other countries
Question 31 (respondents were asked to choose at least 3 options)



2.4.6 Pricing, marketing and promotion, and human capital are areas where Japan faces the most competition

Respondents believe that Japanese companies will face the most competition when it comes to pricing (75.4%), marketing and promotion (59.3%), human capital (55.3%), technologies (46.0%), and product quality/design (38.8%). On the other hand, they face the least competition when it comes to brand equity (23.5%) and efficiency (20.9%).

Figure 40: Perceived areas that Japan faces the most competition in comparison to its top competitors
Question 31 (respondents were asked to choose at least 3 options)



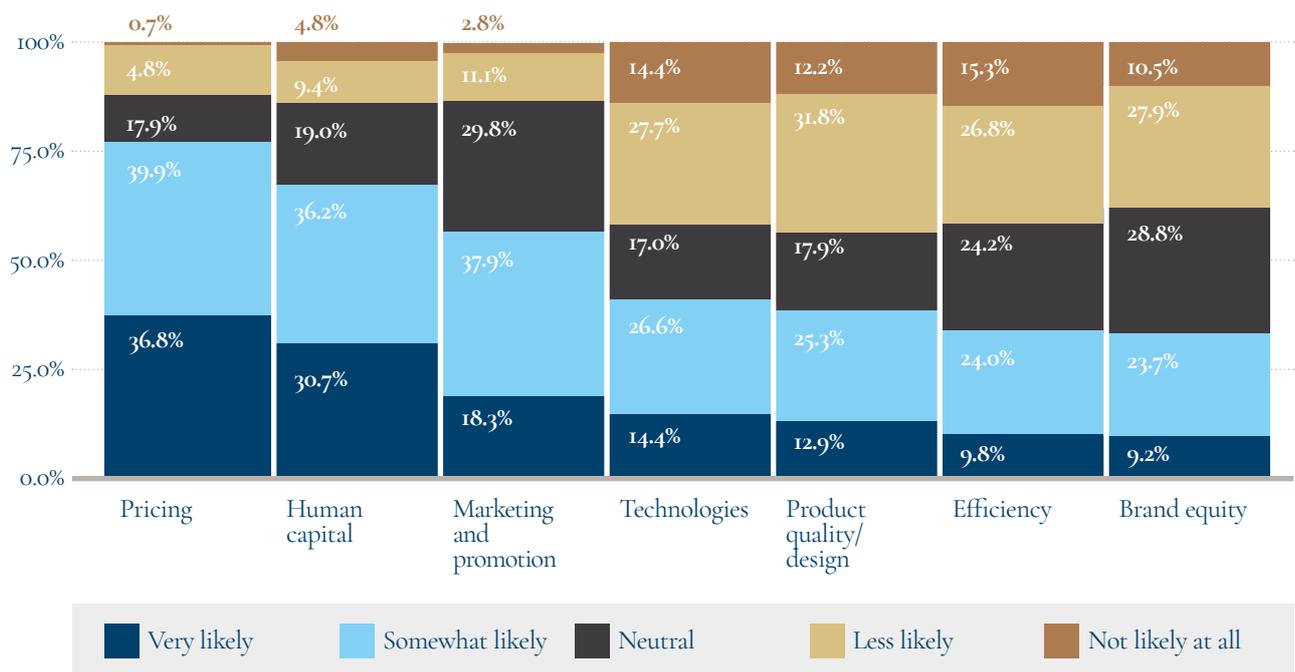
2.4.7 Over 76% of respondents perceive that Japan is likely to lose its competitiveness in pricing in the next decade

Respondents viewed that the top three areas where Japan is likely (including both “very likely” and

“somewhat likely”) to lose its competitiveness in the next decade are pricing (76.7%), human capital (66.9%), and marketing and promotion (56.2%).

Conversely, Japan’s product quality/design is less or unlikely to lose its competitiveness in the next decade (44.0%), as are its technologies (42.1%), efficiency (42.1%), and brand equity (38.4%).

Figure 41: Areas Japan will likely lose its competitiveness in the next decade
Question 32



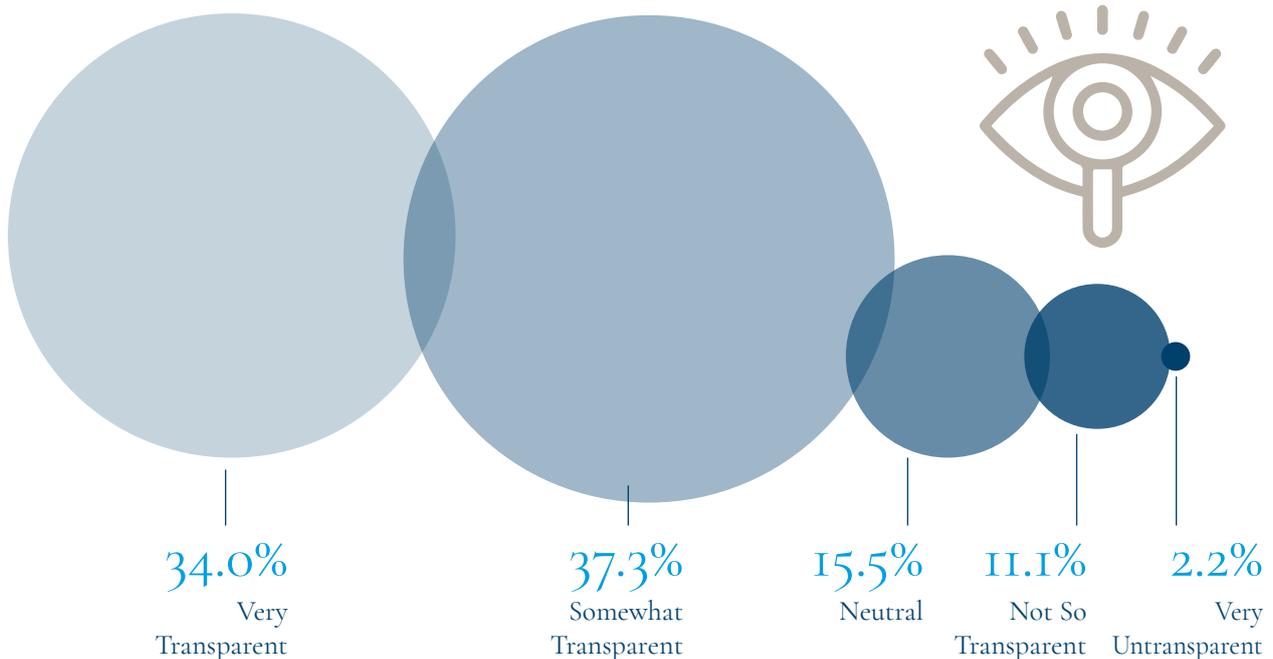
Spotlight 5: Japan's competitive advantages and gaps	
Strengths	Gaps
1. Top 3 most compelling reasons to partner with a Japanese company: a. technology b. business culture c. products	1. Top 3 least compelling reasons to partner with Japanese companies: a. Japanese regulation/ business support b. business culture c. human capital
2. Top 3 competitive advantages: a. superior service quality b. advanced technology c. solid reputation	2. Top 3 areas that will face competition: a. pricing b. marketing and promotion c. human capital
	3. Consistent with the observations above, the top 3 areas where Japan is perceived to be very likely and somewhat likely to lose its competitiveness in the next decade are: a. pricing (76.7%) b. human capital (66.9%) c. marketing promotion (56.2%)

2.5 Attractiveness As A Business Partner

2.5.1 The majority of respondents believe that Japanese businesses are transparent in their dealings

Most respondents perceive Japanese businesses to be either somewhat transparent (37.3%) or very transparent (34.0%). 15.5% were neutral on the topic, 11.1% felt the Japanese were not so transparent, while 2.2% felt they were very untransparent.

Figure 42: Perceived transparency of Japanese businesses as a partner
Question 33



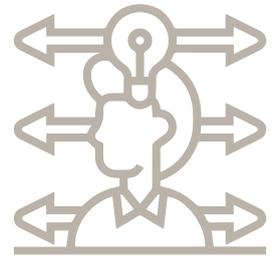
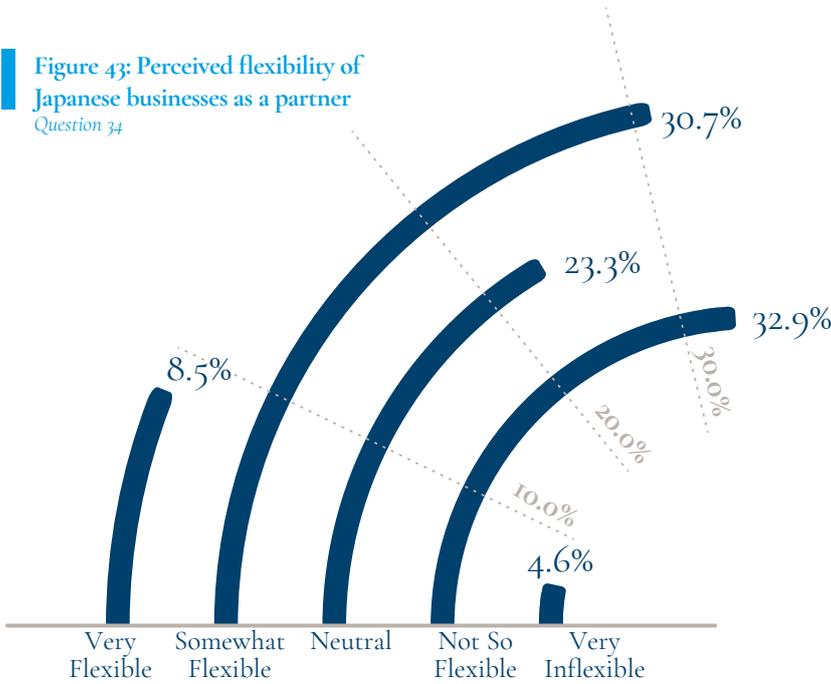
2.5.2 Japanese businesses received mixed reviews when it came to their perceived flexibility as a business partner

The leading sentiment is that Japanese businesses are not so flexible (32.9%) as business partners, although the opposite “somewhat flexible” was a close second at 30.7%.

This is followed by neutral (23.3%), very flexible (8.5%), and very inflexible (4.6%).

However, a combined 39.2% of respondents feel that Japanese business partners have varying degrees of **flexibility**. Conversely, 37.5% of respondents believe that Japanese business partners would have varying degrees of **inflexibility**.

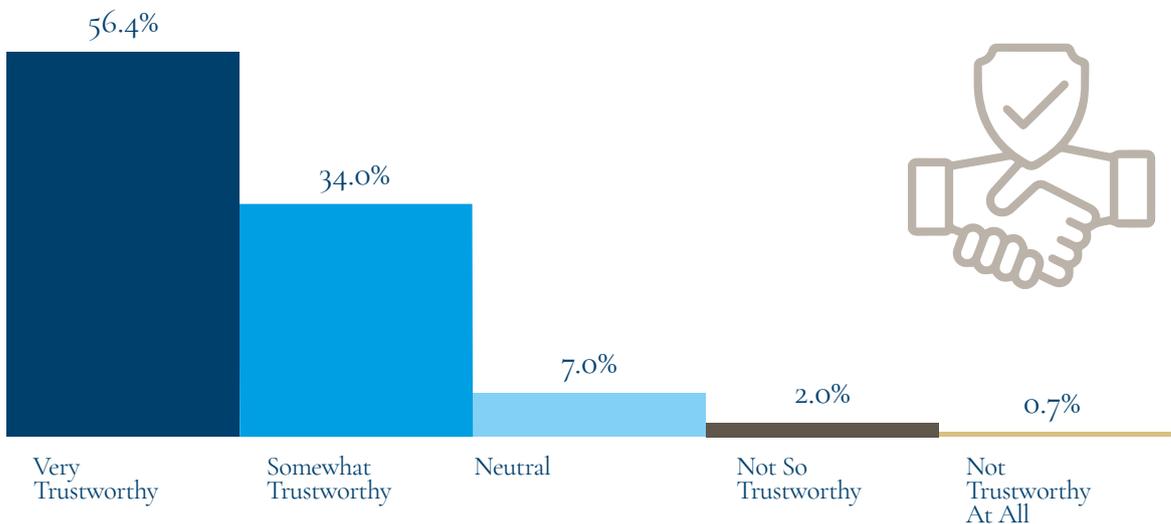
Figure 43: Perceived flexibility of Japanese businesses as a partner
 Question 34



2.5.3 90% of respondents see Japanese businesses as trustworthy partners

56.4% of respondents believe that Japanese businesses would be very trustworthy partners. This is followed by somewhat trustworthy (34.0%), neutral (7.0%), not so trustworthy (2.0%) and not trustworthy at all (0.7%).

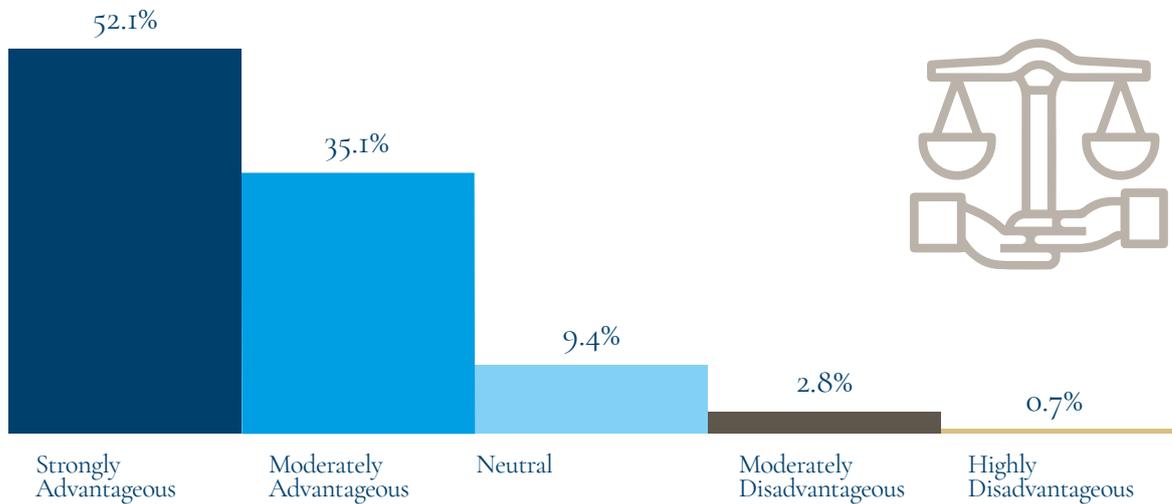
Figure 44: Perceived trustworthiness of Japanese businesses as a partner
 Question 35



2.5.4 Most respondents perceive the business ethics of Japanese companies to be advantageous

52.1% of respondents believe that the business ethics of Japanese business as a partner was strongly advantageous, followed by moderately advantageous (35.1%), neutral (9.4%), moderately disadvantageous (2.8%), and lastly highly disadvantageous (0.7%).

Figure 45: Perceived business ethics of Japanese businesses as a partner
Question 36



Spotlight 6: Perceived attractiveness as a business partner

Japanese businesses scored highly on transparency, trustworthiness, and business ethics as business partners though there were mixed views on their flexibility.

1. Over 71% of respondents perceive Japan as a transparent business partner compared to other countries.
2. 90.4% of respondents perceive Japanese businesses as either very trustworthy or somewhat trustworthy partners as compared to other countries.
3. 87.2% of respondents perceive the business ethics of Japanese businesses to be advantageous as compared to other countries.
4. The perception towards the flexibility of Japanese as business partners is mixed.
 - a. 32.9% of respondents perceive Japanese businesses as *not so flexible* as a partner compared to other countries.
 - b. However when combined, 39.2% of respondents view Japanese business partners with varying degrees of *flexibility* but 37.5% of respondents view Japanese business partners with varying degrees of *inflexibility*.

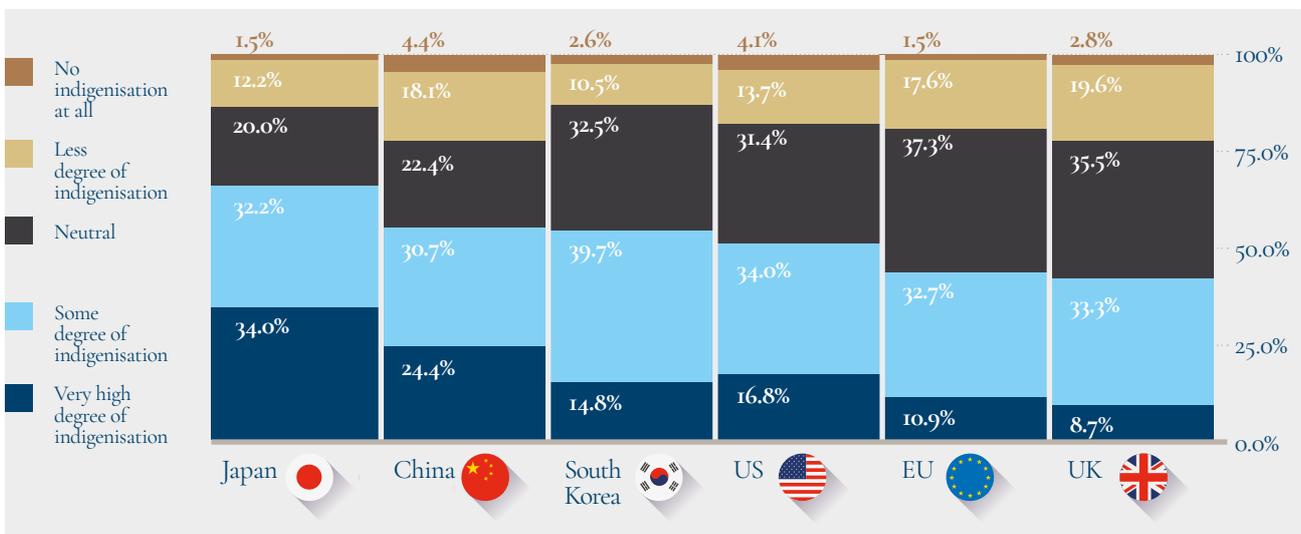


2.6 Strategy In Project Management In Comparison With Other Major Economies

2.6.1 Japanese businesses are perceived to have the highest degree of indigenisation (localisation) when compared to other major economies

A combined 66.2% of respondents think that Japan has either a very high degree of indigenisation or some level of indigenisation, followed by China (55.1%), South Korea (54.5%), the US (50.8%), the EU (43.6%), and the UK (42.0%).

Figure 46: Perceived indigenisation (localisation) policy of Japanese businesses compared to other countries
Question 37

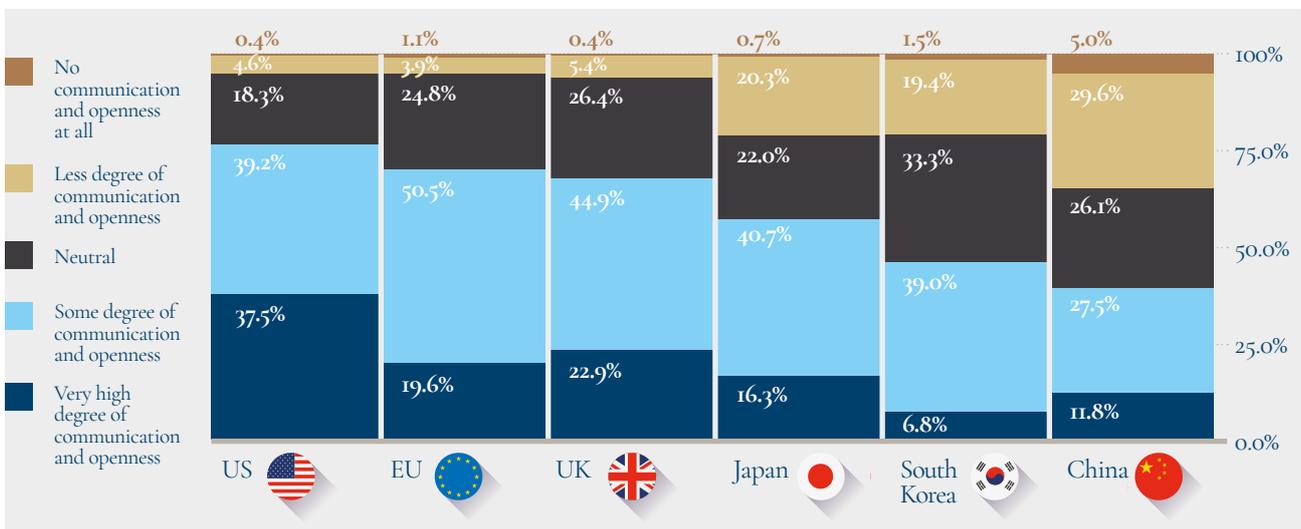


2.6.2 Japan ranked fourth in communication and openness

US businesses are perceived to have the highest degree of communication and openness. Japan ranked fourth among other major economies in this survey when it

came to communication and openness, with 57% of respondents perceiving Japan to have either some degree or a very high degree of communication. The US ranked first at 76.7%, followed by the EU (70.1%), the UK (67.8%), and South Korea (45.8%).

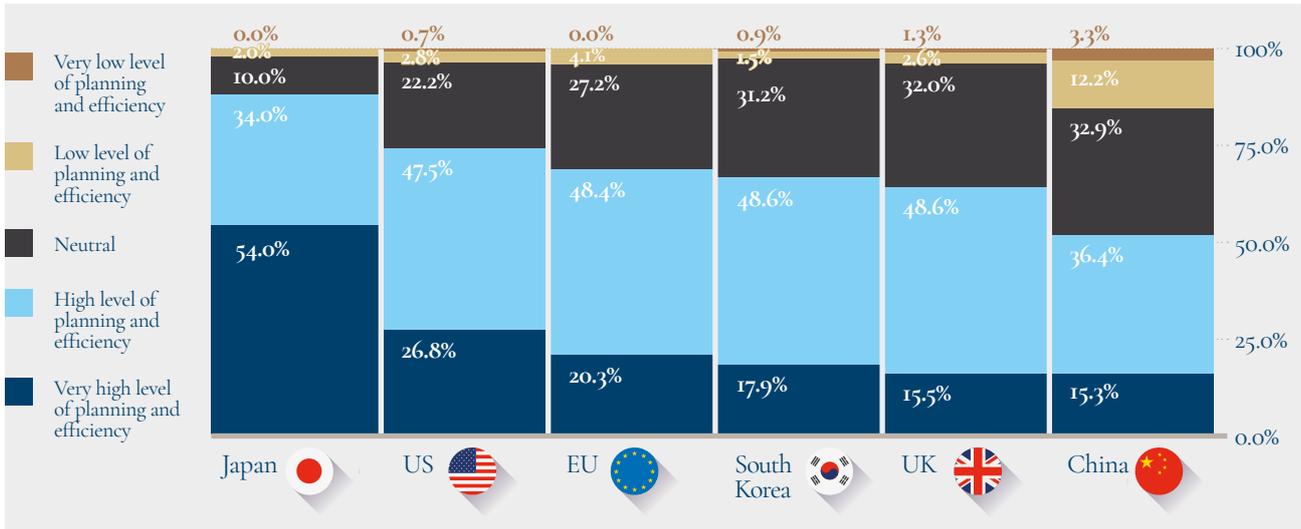
Figure 47: Perceived communication and openness of Japanese businesses compared to other countries
Question 38



2.6.3 Japanese businesses ranked highest in planning and efficiency of project execution when compared to other major economies

A combined 88% of respondents believe that Japanese businesses have either a high or very high level of planning and efficiency, followed by the US (74.3%), the EU (68.7%), and South Korea (66.5%).

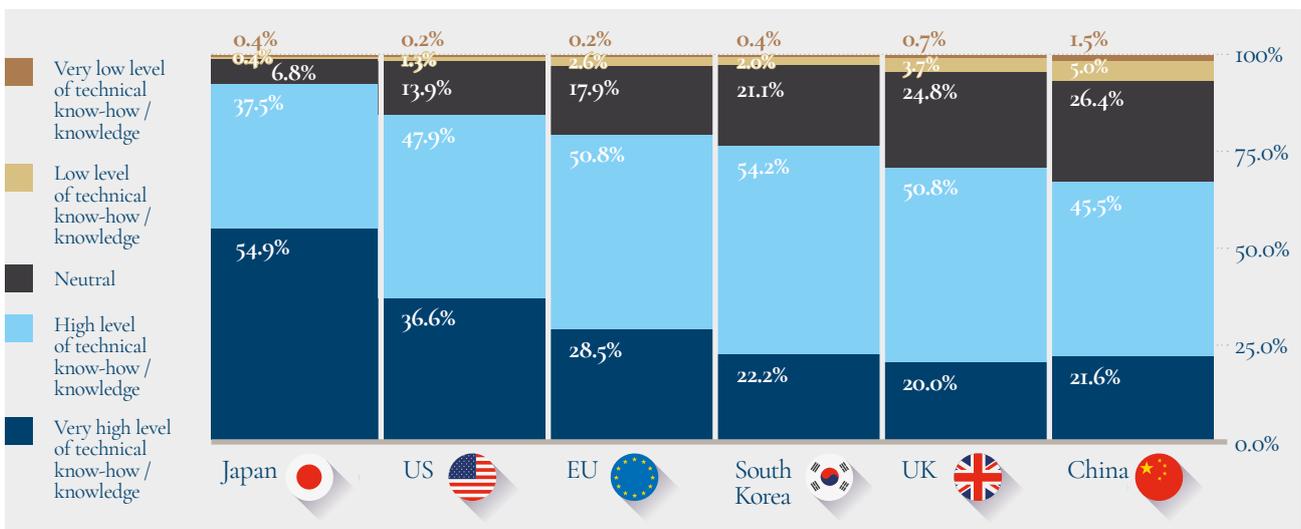
Figure 48: Perceived planning and efficiency of project execution of Japanese businesses compared to other countries
Question 39



2.6.4 Japanese businesses are perceived to have the highest level of technical know-how and knowledge when compared to other countries

A combined 92% of respondents see Japanese businesses as the leader when it comes to technical know-how and knowledge, followed by the US (84.5%), the EU (79.3%), South Korea (76.4%), and the UK (70.8%).

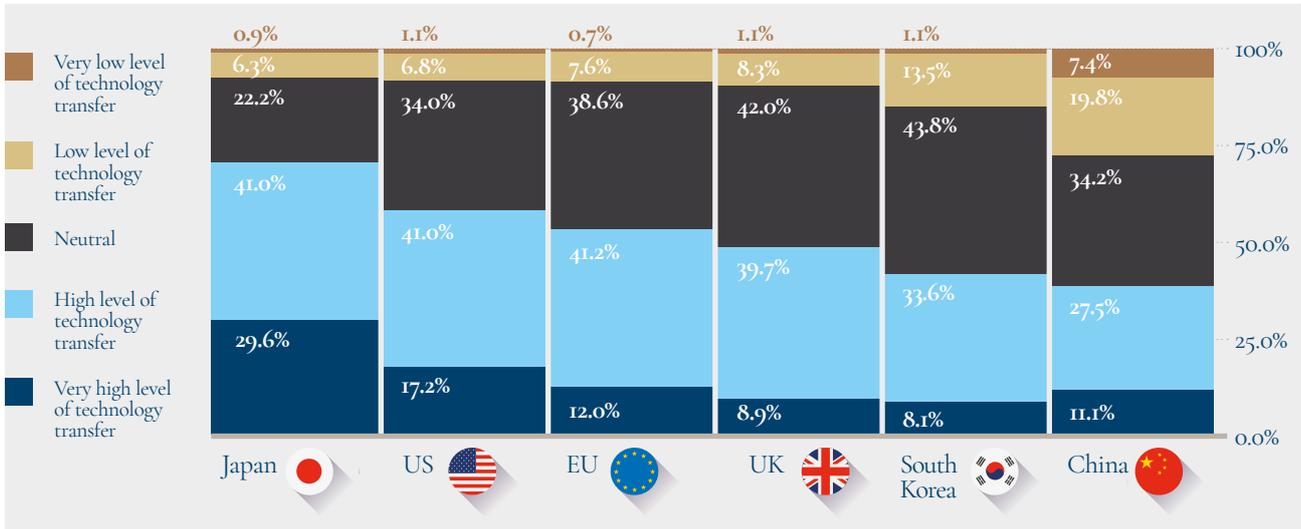
Figure 49: Perceived technical know-how of Japanese businesses compared to other countries
Question 40



2.6.5 Japanese businesses are perceived to have the highest levels of technology transfer when compared to other countries

A combined 70.6% of respondents believe that Japanese businesses have either a high or very high level of technology transfer, followed by the US (58.2%), EU (53.2%), UK (48.6%), and South Korea (41.7%).

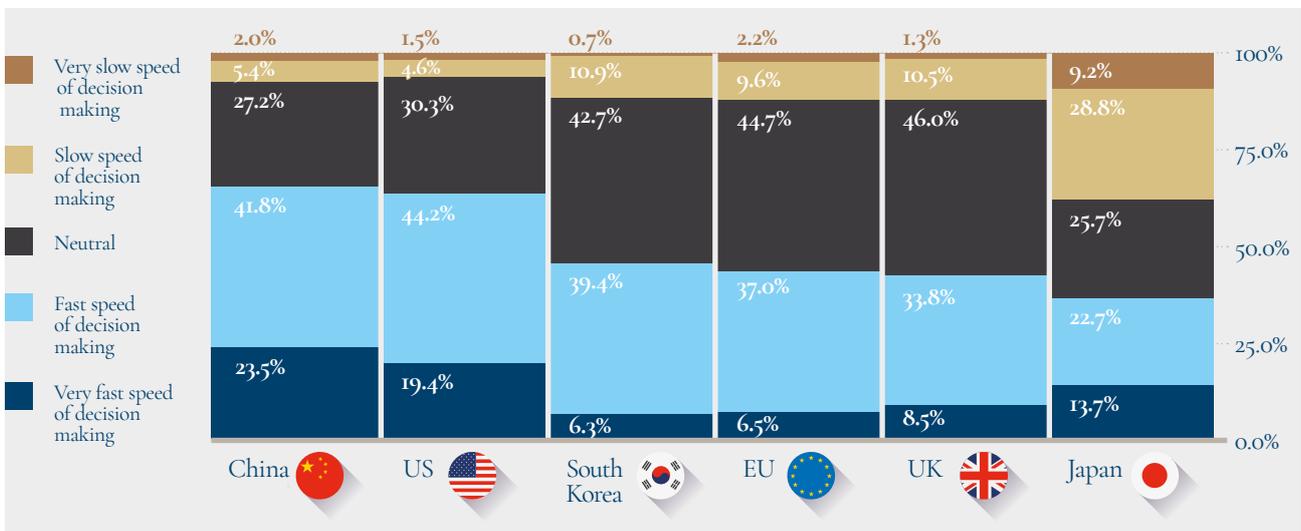
Figure 50: Perceived level of technology transfer of Japanese businesses compared to other countries
Question 41



2.6.6 Japanese businesses are far behind other countries in the speed of decision making

Only a combined 36.4% of respondents perceive Japanese businesses to be either fast or very fast when it comes to decision making. Respondents believed that Chinese (65.3%) and US businesses (63.6%) were the fastest when it came to decision making, while the UK (42.3%), EU (43.5%), and South Korea (45.7%) still lagged behind Japan.

Figure 51: Perceived speed of decision making of Japanese businesses compared to other countries
Question 42

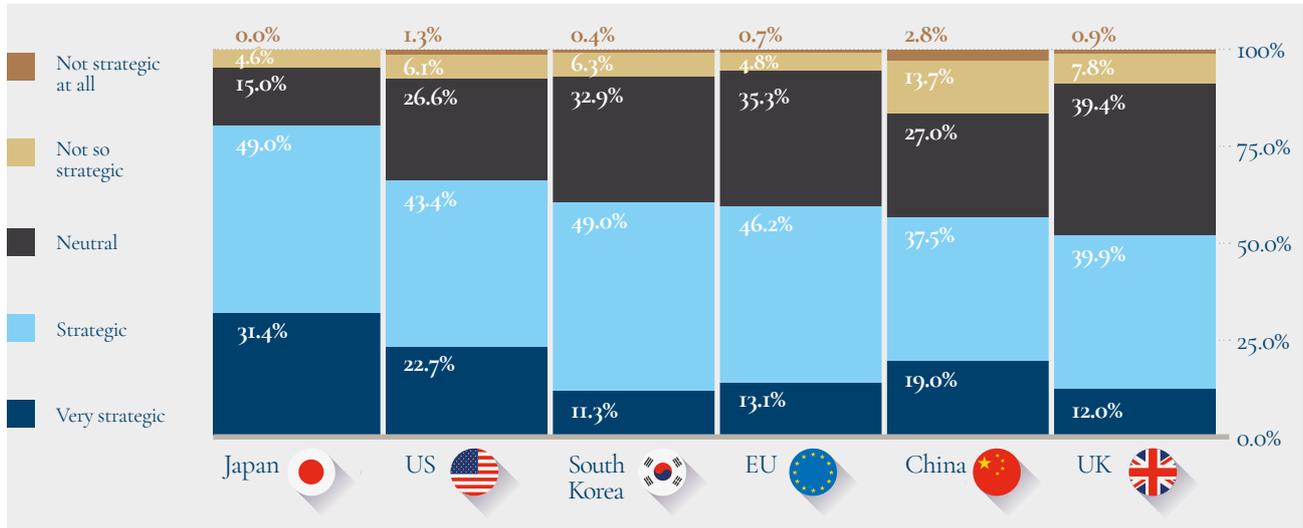


2.6.7 Japanese SMEs top the list as strategic business partners

A combined 80.4% of respondents think that Japanese SMEs would either be strategic or very strategic

business partners, followed by SMEs from the US (66.1%) and South Korea (60.3%). SMEs from the EU (59.3%), China (56.5%), and the UK (51.9%) came in last when being considered as strategic business partners.

Figure 52: Perceived expectations for Japanese SMEs as a businesses partner compared to other countries
Question 43



Spotlight 7: Ranking the work culture and project management capabilities of Japanese businesses when compared to other countries

- Technical know-how and knowledge:** Over 92% of respondents perceive Japan to have a high level of technical know-how and knowledge, ahead of other countries such as the US (84.5%), EU (79.3%), and South Korea (76.4%).
- Planning and efficiency:** A combined 88% of respondents think that Japan has a very high level or high level of planning and efficiency, followed by the US (74.3%), the EU (68.7%), and South Korea (66.5%).

- Japan SMEs as partners:** A combined 80.4% of respondents think that Japanese SMEs would make either very strategic or strategic business partners, followed by the US (66.1%) and South Korea (60.3%). The EU, China and the UK are in the bottom three when it comes to choosing SMEs as strategic business partners.
- Technology transfer:** A combined 70.6% of respondents think that Japan has either a very high or high level of technology transfer, followed by the US (58.2%), the EU (53.2%), and the UK (48.6%).
- Indigenisation:** Japan is perceived to have the highest degree of indigenisation (localisation) with a combined 66.2% of respondents perceiving Japan as having either a very high or some level of indigenisation, followed by China (55.1%), South Korea (54.5%), the US (50.8%), the EU (43.6%), and the UK (42.0%).
- Communication and openness:** Japan came in fourth place with a combined 57% of respondents perceiving Japan to have either some or a very high degree of communication and openness. Followed by the US (76.7%), the EU (70.1%) and the UK (67.8%).
- Speed of decision making:** Japan is far behind other countries in their speed of decision making. Only a combined 36.4% of respondents think that Japan is either very fast or fast at its speed of decision making. China and the US are perceived to be the speediest when it comes to decision making.

2.7 Reflections On The Quantitative Survey Insights

The quantitative survey concluded that Japan's strengths as a partner outshine its competitors as their trustworthiness, business ethics, service quality and transparency are second to none compared to other countries. Japan also ranks first in technical know-how, planning and project management efficiency, and technology transfer.

Respondents look to Japan to continue investing in this region and provide their technology, efficiency of operation, and products to ASEAN, especially in the automotive industry.

Enhancement in the areas of flexibility, pricing strategy, human capital development as well as marketing and promotion activities are critical to Japanese businesses going forward as competitors are catching up.

Overall, Japan is a very important partner for ASEAN businesses. Japanese SMEs are the most strategic partners and play an important role in the "ASEAN-Japan Economic Cooperation in the Post-Pandemic Era".

3.0 QUALITATIVE SURVEY ANALYSIS



3.1 Qualitative Analysis Insights

This section complements the quantitative survey in Part 2.0 with findings from 42 interviews with respondents from the 10 ASEAN Member States.

3.1.1 Product quality and technical competence are key partnership criteria

For partnership criteria, three themes emerged: (i) the importance of product quality and technical competency when selecting business partners, (ii) how partnership priorities vary across industry and nature of business; and (iii) the importance of values and business culture.

3.1.2 Partnerships experience with Japanese businesses can be enhanced

Five key themes emerged from our interviews with ASEAN businesses who have experience working with Japanese businesses: the Japanese have (i) easily adaptable business processes, (ii) strong work ethics, are trustworthy, and value lifelong partnerships, and (iii) superb quality and advanced technologies. However, their (iv) competition is catching up, and (v) enhancement is needed in areas such as empowering local employees, risk appetite, language and communication.

3.1.3 Competitors catching up fast

When it comes to Japan's technological advancements, respondents say that: (i) while the Japanese are still considered leaders in many aspects, other countries are catching up fast, (ii) it does not help that Japanese products lack global content, and that (iii) Japanese businesses are generally too slow to change and of a more conservative nature.

3.1.4 A mixture of strengths and gaps

Japanese businesses were perceived by the respondents to have a mix of strengths and gaps. The key strengths are the Japanese business culture and ethics, commitment to long-term partnerships, a willingness to share their knowledge and train employees, vendors, and partners, as well as a sense of community well-being. The gaps lie in their reservedness, inflexibility, and lack of openness.

3.1.5 The younger generation of Japanese businesses should preserve the culture's emphasis on long term partnerships

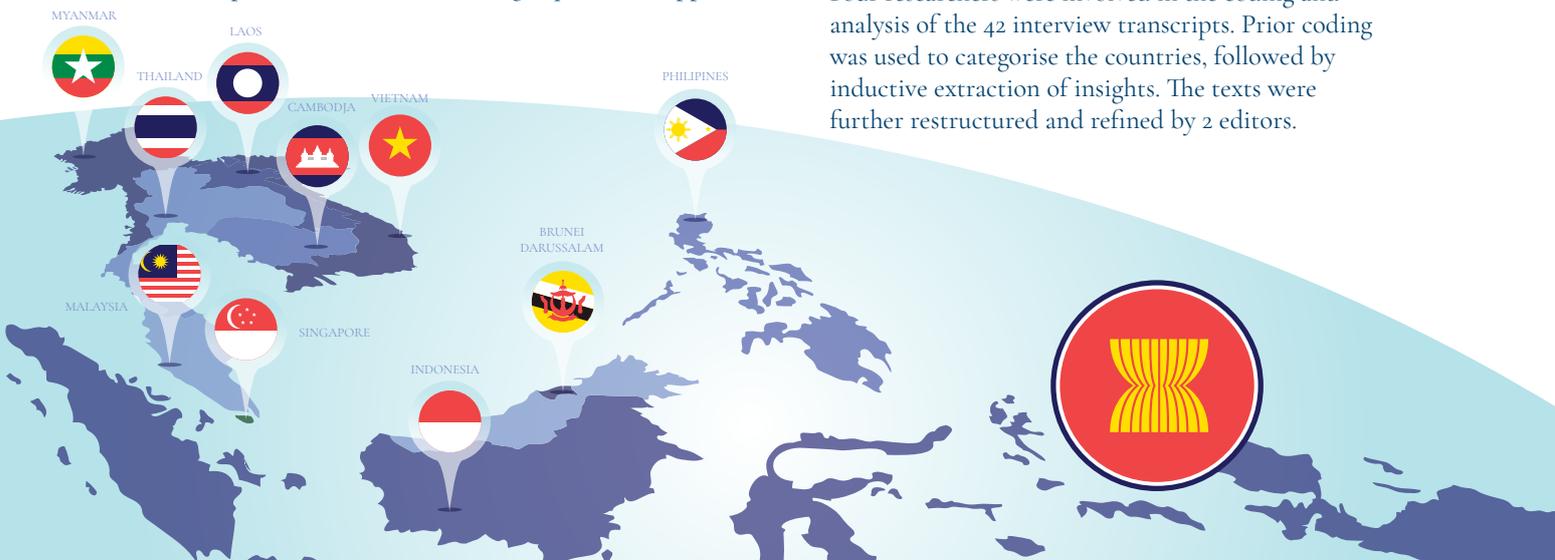
Overall, respondents have a positive view of Japanese businesses. These gaps can be addressed by being cognizant of the increasing competition from countries such as China and Korea. A key message that one can glean from the analysis is that one size does not fit all. The respondents' perceptions are informed by their industry, nature of business, size, and how long Japan's footprint has been felt in the respective country. More importantly, the younger generation of Japanese needs to be cognizant of the importance of long-term relationships since this is considered a key strength of Japanese business culture.

3.2 Background

3.2.1 About the qualitative analysis

This section describes the findings from a qualitative analysis of 42 interviews with members of the ASEAN business community. The interviews form part of data collection using a qualitative approach.

The interview transcripts ("data sets") covered all ASEAN Member States, namely, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. The qualitative data analysis was conducted using NVivo 12 software. Four researchers were involved in the coding and analysis of the 42 interview transcripts. Prior coding was used to categorise the countries, followed by inductive extraction of insights. The texts were further restructured and refined by 2 editors.



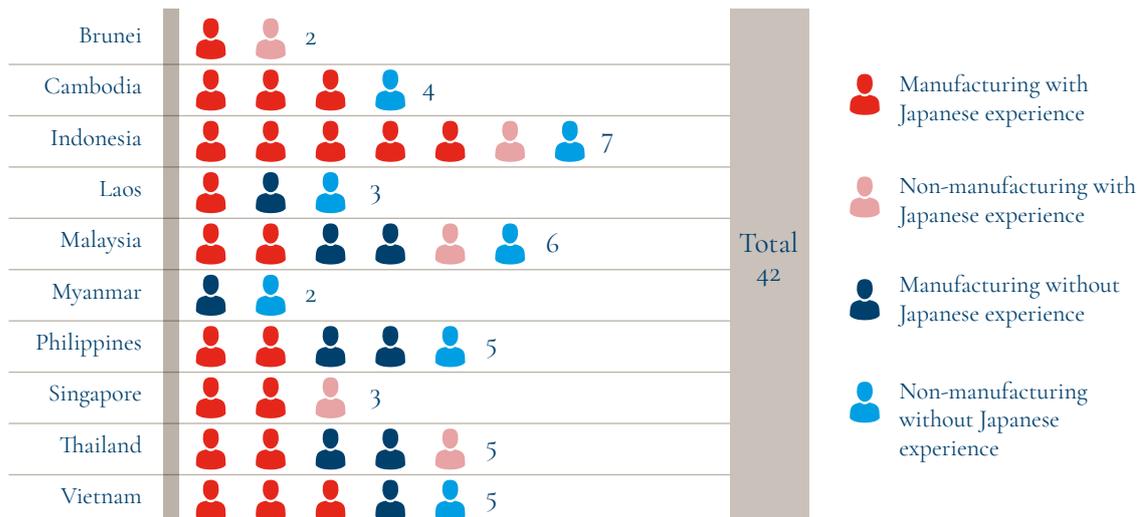
3.2.2 About the data set

Figure 53 shows how the 42 interviews have been distributed across the ASEAN countries. The distribution of respondents was advised by JETRO to ensure that all ASEAN countries, especially the manufacturing sector, were represented.

There is a higher representation of samples (21 data

sets) coming from the segment “manufacturing with Japanese experience”. This is noteworthy as the volume of information about dealings with Japanese companies comes from this group who have direct experience working with them. Furthermore, a large portion of the information shared from the “manufacturing with Japanese experience” group came from our respondents in Indonesia, Cambodia and Vietnam.

Figure 53: Analysis of background of the interviewees (42 in total)

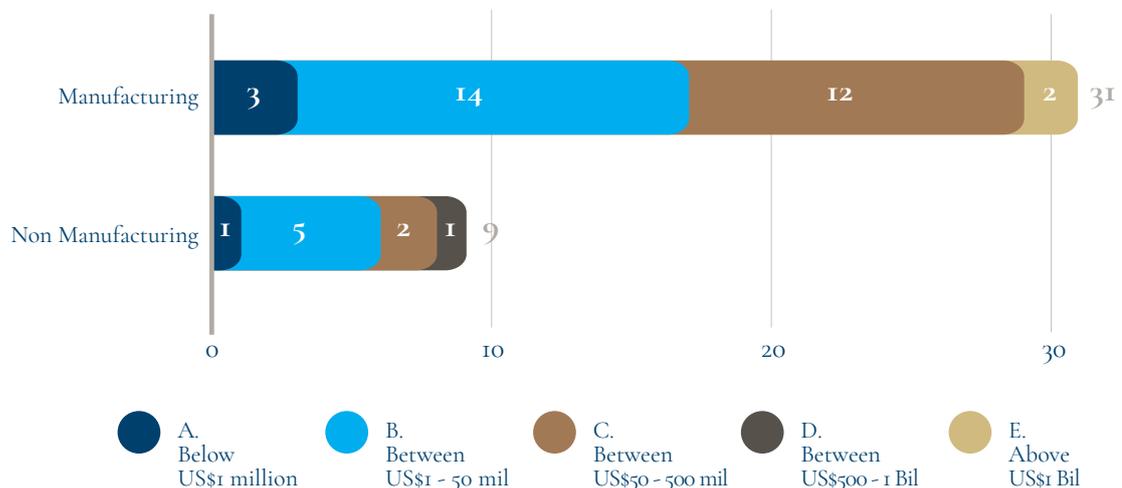


The participation rate was uneven and participation from certain ASEAN countries such as Brunei and Myanmar was lower than others, in large part due to the size of the different economies. This factor may need to be taken into account when discussing the implications of the report’s findings at the ASEAN level. Since equal representation of input could not be achieved, we should note that the purpose of this qualitative analysis is to

draw insights and emerging themes but not to provide generalised conclusions.

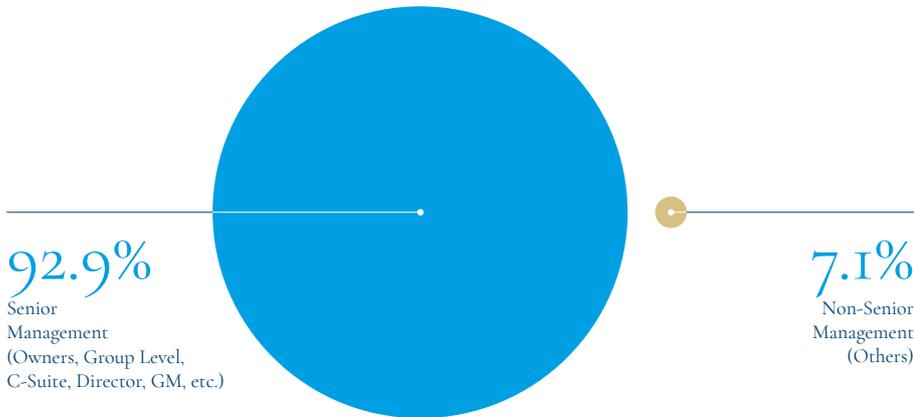
Furthermore, the respondents were mostly from companies with an annual turnover of either between US\$1-50 million or US\$50-500 million (Figure 54). Generally, the 42 data sets also showed a greater concentration on the manufacturing respondents than non-manufacturing parties.

Figure 54: Annual Turnover by Industry Type



Close to 93% of respondents are senior management executives helping group level positions, C-Suite, director and general manager level positions.

Figure 55: Seniority of the 42 respondents

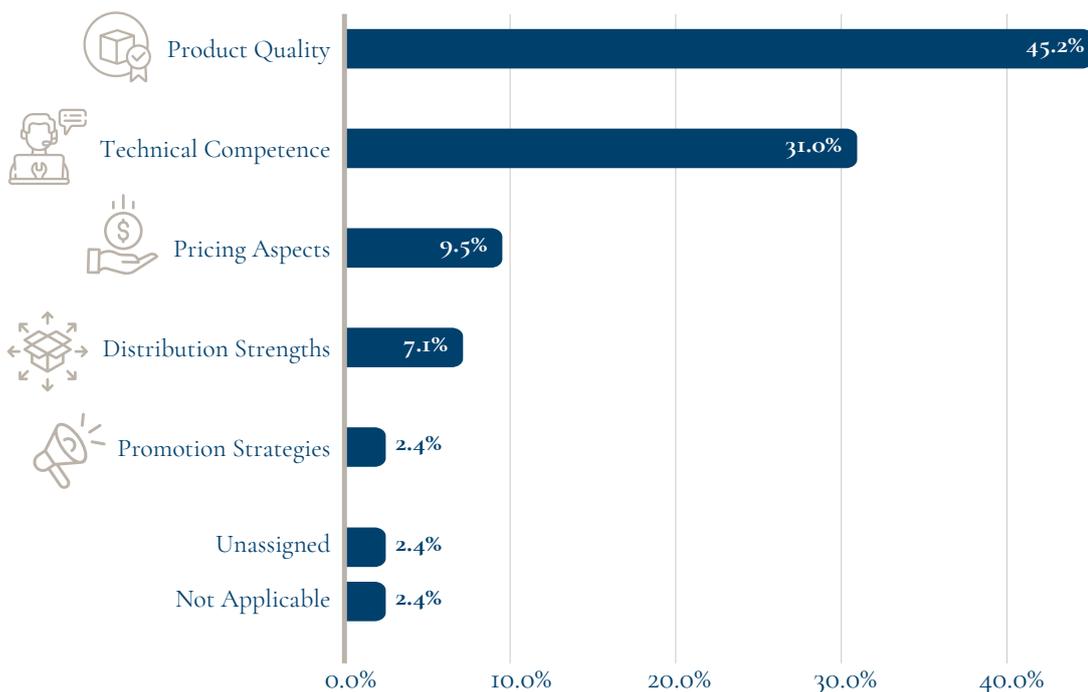


3.2.3 Ranking criteria in a foreign business partner

When respondents were asked to rank factors as to why they would enter into a business with a foreign business partner (from the most important to least important), Figure 56 below was developed. Product quality (45.2%) and technical competence (31.0%) were by far the most important criteria when it came to entering into a business with a foreign business partner. This was followed by pricing (9.5%), distribution strength (7.1%), and promotion strategies (2.4%). Respondents who did not complete the ranking exercise are listed as unassigned or not applicable. It is noted that:

- a) Not all participants completed the task of ranking completely resulting in data being marked as Unassigned (incomplete ranking) or Not Applicable (when no ranking was given at all).
- b) Product Quality and Technical Competency ranked highest among the respondents.

Figure 56: Business partnership criteria



3.2.4 Keyword Analysis

We analysed the keywords used by respondents from each ASEAN country when asked about the perceived strengths and gaps of Japanese business culture. The following keywords and phrases emanated from the data set (Figure 57).

Figure 57: The strengths and gaps of Japanese business culture based on respondents' shared expressions

Countries	Expressions shared on preserving the Japanese business culture	Expressions shared on areas of improvement in Japanese business culture
Brunei	Trustworthiness, training, loyalty	Limited communication, business language barrier
Cambodia	Trust, commitment and dedication, transparency, honesty, product quality	Risk averse (willing to pay more), marketing, relatively weaker adaptability to local culture and local mentality, women in their workforce are less seen in senior positions
Indonesia	Discipline, honour and integrity, constant improvement in process, preserve long term relationships, business ethics, trustworthy	Need to trust local people more, bureaucratic, slow decision making, communication, do not adapt to the local people, out of sync with the younger generation
Laos	Culture of mutual respect, detailed, courteous	Less flexible, seniority system defeats the merit system
Malaysia	Word is bond, meticulous, honest and trustworthy, hardworking, effective and efficient	Slow decision making, bureaucratic, do not embrace the local culture, lack of gender equality, lack of work life balance
Myanmar	Good accountability, business ethics, consensus building	Not very cost effective, barriers in communication, high level of distrust of foreigners within the organisation
Philippines	Good business ethics and technical competency, genuine friendship, gift giving, loyal business partners, innovation and their process, efficiency, honour their word	Lacks flexibility, uncompromising values, paternalism, more focused on life employment instead of promoting the next generation, very non-confrontational, not in favour of change or openness
Singapore	Trust, quality, culture of sharing	Lack of agility, very rigid
Thailand	Long term partnership, security of work life, technology, transparency, sincerity, trustworthy, business ethics, reliability	Lack of flexibility, higher product prices due to high technology costs, long decision process, less flexibility, need to modernise their working style
Vietnam	Family oriented, loyalty, transparency and trustworthiness, hardworking	Uncompromising standards create pressure and stress for workers, slow to make decision and are not flexible, need to better understand the culture of their local business partners

Note: This table does not reflect weightage and frequency of expressions being made.

3.3 General Partnership Criteria

This section outlines the criteria that respondents aspire for in a foreign business partnership as well as their experience working with Japanese firms. The key criteria that emerge as priorities are product quality and technical competency.

3.3.1 Partnership Criteria

a. Product quality and technical competency as priorities

Most respondents regard product quality and technical competency as their top priorities when selecting a foreign business partner (Brunei, Laos, Indonesia, Malaysia, Myanmar, Singapore, Vietnam), followed by distribution strength (Cambodia, Laos, Malaysia, Myanmar, Thailand).

b. Different businesses prioritise different partnership criteria

While the need for high product quality was ranked the primary criterion among most respondents, the importance of other criteria listed – such as human capital, pricing, technologies, brand equity, marketing and promotion, and efficiency – varied among respondents depending on the industry that they operate in, the nature of their business, and their domestic realities. For example, pricing was a particularly important criterion for businesses in Cambodia, Myanmar, and Vietnam.

On the other hand, businesses in Indonesia consider the values and culture of their partners to be important factors, while trust, relationships and friendship are important for those in Laos.

3.3.2 Experience with Japanese businesses

Of the 10 countries, respondents from Brunei, Cambodia, Laos, Indonesia, Malaysia, Thailand and Vietnam shared their experiences with a Japanese partner. However, several respondents who had yet to work with the Japanese expressed their interest in exploring partnerships with them.

a. ASEAN businesses benefit from adopting Japanese business management processes and practices

Respondents observed that the Japanese style of the business management process and practices, particularly in manufacturing, was easily adaptable to local operations and it has proven to show better results and provide clear benefits and improvement values. Wastages are minimal since everything is carefully calculated as a result of robotics while manual operations tend to lead to wastage. The various systems like 5S, lean manufacturing and kaizen all help to reduce waste and are about continuous improvement. A number of respondents said that they are certified practitioners of these techniques and have deployed these methods in their companies to great success. One production plant in Indonesia also said that they are always on the lookout for job candidates who have worked in Japanese manufacturing companies since these candidates would have been trained in the Japanese way of working.

b. Japanese businesses need to shorten their decision-making process and apply their perfectionist tendencies selectively

Japanese businesses' slow decision-making process was a recurring theme throughout most of the interviews. Many say that decisions take far too long because everything has to go through many layers within Japanese organisations before receiving the approval of a senior executive based at headquarters in Japan. While ASEAN businesses appreciate their highly detailed approach, some suggest delegating decision making authority to the regional (e.g. Southeast Asia) or country heads to reduce the time taken to make a decision. Some also say that the lengthy decision-making process causes both them and their Japanese counterparts to miss opportunities. It was opined that the Japanese companies spend a lot of time perfecting processes to avoid possible wastages from occurring. However, as the speed to market is very essential today, there should be a differentiation of processes according to industries' relevance so as not to lose out where perfection carries a lesser value.

c. Japanese businesses have a lower risk appetite

Whilst the Japanese are superior when it comes to quality and in its ability to manufacture niche products that no one else can, they appear to have a lower appetite for risk, reflected in their unwillingness to expand to new markets or launch new products at a faster pace.

d. Japanese businesses should adapt to meet local market demands

While the Japanese method was seen as being very good, the issue raised by one respondent was whether those technologies could be exported to other countries successfully. Some ASEAN businesses lament the Japanese's lack of flexibility when it comes to adapting their products and practices to fit the local culture. For example, one respondent said that Japanese equipment suppliers lost out to their Chinese competitors because they were not open to making minor changes to their technologies to meet client needs. Another respondent urged the Japanese to consider the different market dynamics in each country since consumers in less-developed economies are generally far more price-conscious and less demanding in terms of product quality than the average Japanese consumer. As such, respondents say that the Japanese should either learn to embrace the local culture or partner with more local businesses that can help them understand and meet the local culture requirements.

e. Language remains a barrier between Japanese and ASEAN businesses

While all respondents expressed their admiration of Japanese culture, most also noted that the Japanese prefer to communicate through a translator even when they are able to communicate directly in English. This not only causes a lag in communication but also leaves room for misunderstanding and misinterpretation.

3.4 General Sentiments On Trade And Investment

This section discusses respondents' perceptions of ASEAN's trade and investment in the next 10 years and the global trends that are likely to affect the region. This includes respondents' views on (i) countries most likely to dominate ASEAN's trade and investment, (ii) countries which are likely to help boost ASEAN's economic recovery, (iii) ASEAN's main growth sectors, (iv) the top three challenges that ASEAN faces in the next three years, and (v) alternative trade partners given the US-China trade tensions.

3.4.1 Countries expected to dominate ASEAN's trade and investment in the next decade

a. China, US, and Japan to continue dominating ASEAN's trade and investment

China was perceived by most ASEAN businesses to be the top country that will dominate ASEAN's trade and investment in the next 10 years, followed by the United States and Japan. South Korea was also seen by many as an up-and-coming player in the region due to the growing influence of its entertainment, electronics, and cosmetics industries. Interestingly, the EU did not seem to be top of mind for most ASEAN businesses interviewed despite having been among ASEAN's top three trading partners and sources of FDI in recent years. Respondents from Cambodia, Laos, and the Philippines also noted the outsized influence China has on their economies due to large infrastructure investments such as the China-Laos Railway.

b. Vietnam and Indonesia's trade and investment will likely grow in prominence

Respondents say that ASEAN countries will also be dominant forces and contribute to the region's growth in the next decade. Vietnam was perceived by the respondents as a probable dominant player from the perspective that investments were shifting from China and moving to Vietnam, thus making Vietnam a potential dominance due to its stable political climate and absence of ethnic conflicts. While Indonesia was also identified due to its manpower availability which was an issue for markets like Japan. Indonesia and Vietnam are expected to benefit most from the inflows of trade and investment as China looks to expand its economic influence in the region and as investors from other countries such as the US and EU move their supply chains to countries outside China. Furthermore, they are also perceived as the most attractive options in ASEAN for foreign investors due to their business-friendly climate, political stability, energetic young population, and low production costs. A summary of respondents' input to this question is captured in Figure 58.

Figure 58: Summary of responses on countries expected to dominate ASEAN's trade and investment in the next decade

Respondent's Country of origin	ASEAN Countries	Non-ASEAN Countries
Brunei	Singapore	China, Japan, Korea, US
Cambodia		China, Japan, Korea, US
Indonesia		China, Japan, Korea
Laos	Thailand	US, China, Japan
Malaysia	Vietnam, Indonesia	Korea, Taiwan, China, US, Europe, Japan
Myanmar		Japan, China, US
Philippines	Vietnam, Malaysia	China, India, Australia, Japan, South Korea
Singapore	Vietnam, Indonesia	Japan Europe, US, China
Thailand	Vietnam, Indonesia, Malaysia, Singapore	
Vietnam	Vietnam, Indonesia	US, Japan, Korea, China

3.4.2 Countries expected to help boost ASEAN's economic recovery



a. China is perceived to play the biggest role in helping to boost ASEAN's economic recovery

As for which country is likely to have a key role to boost the ASEAN economy, there is consensus that China is expected to contribute most to ASEAN's economic recovery due to its geographical proximity to Southeast Asia, existing investments in the region, and growing geo-economic ambitions. Respondents say that China has become an increasingly influential player in the region – especially in manufacturing – in the past decade and they expect this to keep growing as China's many investments in ASEAN infrastructure projects come to fruition in the next decade. Japan also has the potential to help boost ASEAN's economic recovery but more needs to be done. These countries have more potential due to their proximity to ASEAN countries, while the US is competitive mainly on FDI and investment in selected ASEAN countries, especially Singapore.

b. ASEAN does not benefit from promoting foreign brands owned by foreign companies

A Malaysian respondent said that Japanese products and services brought into ASEAN tend to carry the brands of the parent companies in Japan and China and are not localised. As such, they suggest creating ASEAN-Japanese or ASEAN-American brands to distinguish these brands in ASEAN, help boost products made in ASEAN, and in turn, help boost the ASEAN economy.

c. The US's increased investment is perceived to be in alignment with its geopolitical interest

Some respondents opined that the United States has been increasing their direct investment in ASEAN countries, whereas previously they would go through an intermediary like Singapore or Taiwan. Moreover, the US can further its geopolitical interests by investing in ASEAN.

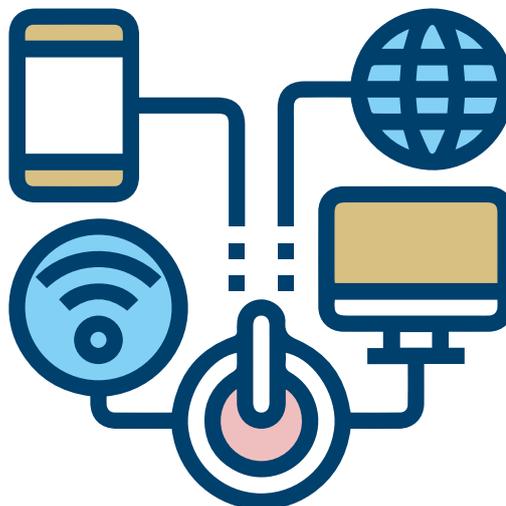
d. The RCEP will help boost ASEAN's economic recovery

Respondents were aware of ASEAN's membership in the Regional Comprehensive Economic Partnership (RCEP) – which Japan, China and South Korea are also members of – and said that they expected the RCEP to help to boost the region's economic recovery with lower tariffs and greater market access for ASEAN's many production and export-oriented economies.

3.4.3 Sectors that are likely to be the main growth sectors in the next 10 years

a. Automation and digitalisation of businesses projected to be growth areas in the next decade

The rise of digital platforms and services, as well as the digital transformation and automation of businesses was a common theme throughout our interviews. Many respondents noted the sharp increase in the use of digital services such as e-commerce platforms and e-wallets during the COVID-19 pandemic and most expect this trend to continue in the coming years due to the region's high mobile penetration rates and young population. FinTech, startups, robotics, artificial intelligence, electric vehicles, InsurTech and healthcare were among the growing trends noted by our respondents.



b. ASEAN's manufacturing sector will benefit from Japan's ageing population and the US-China trade war

Several respondents said that the Japanese should tap ASEAN's large, digital-savvy young population to complement its ageing population and that they expect to see more investments in human resource-related services as Japan looks to address their human capital problem. ASEAN's manufacturing sector is also expected to continue benefiting from the trade diversion triggered by the ongoing tiffs between the US, China, and their respective allies. For example, a manufacturer in Indonesia said that they have seen an increase in orders from US businesses as they are now able to compete with China's prices thanks in part to the US's import tariffs. Some respondents noted the increase in foreign companies shifting or setting up shop in countries like Vietnam as they seek alternatives outside China, while others expect global supply chains to evolve as countries look to become more self-sufficient which could also lead to more investments in steel, plastic, and component manufacturing facilities in ASEAN countries.

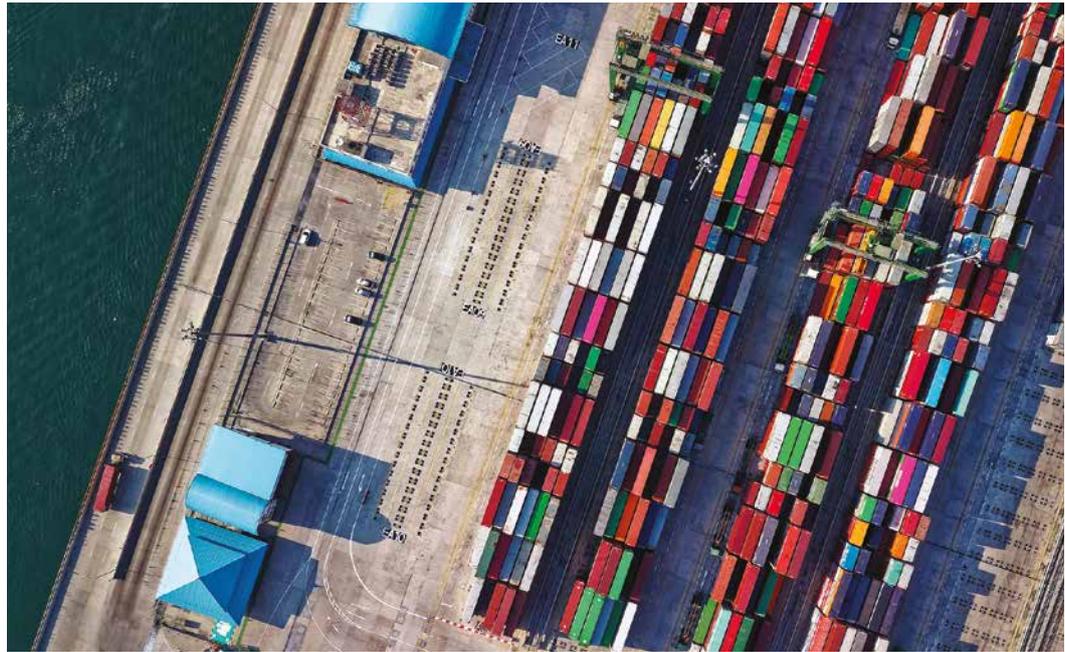
c. Key growth sectors vary across ASEAN countries

Aside from the rise of all things digital, respondents tended to highlight sectors that their country had an advantage in. For example, respondents from Laos were particularly bullish on value-added agriculture, Thailand on food production, Indonesia on commodities, Malaysia on healthcare, Vietnam on manufacturing, and Singapore on ESG (environmental, social, and governance) investments. Several respondents also said that they hope to see each ASEAN country focusing on their unique strengths and innovating in these areas as opposed to always competing with each other for the same piece of the pie.

3.4.4 Top three challenges in the next three years

a. Supply chain disruptions remain the top challenge for ASEAN businesses

Most ASEAN businesses interviewed said that supply chain issues resulting from the COVID-19 pandemic were and will be their biggest challenge in the coming few years. More specifically, the skyrocketing costs of shipping and packaging materials, container shortages and shipping delays due to movement restrictions and the sudden spike in consumer demand slowed production due to social distancing restrictions and lockdowns, as well as currency exchange rate fluctuations.



b. Labour shortages and the rising cost of everything

ASEAN businesses are also grappling with the rising cost of energy, raw materials and labour. Those in countries with upcoming general or state elections lament the proposed or the recently-enacted minimum wage increases since many businesses are already struggling to stay afloat. Labour shortages are also a common problem among ASEAN businesses. All this comes in addition to the additional costs and restrictions that were imposed during and due to the COVID-19 pandemic, adding yet more pressure to businesses, especially on those in the hospitality industry. Furthermore, it is still unclear what a “post-pandemic” world would look like or how the “new normal” will unfold. Much of economic recovery will also depend on government support and ASEAN businesses expect their governments to have to prioritise certain sectors given their finite resources.

c. Transitioning to Industry 4.0

Many ASEAN businesses say that they have had to move quickly to adapt to the change in consumer behaviour brought about by the pandemic. This has meant incurring extra costs during a time when business was slow. Then there is also the question of the region’s digital talent pool which was described by one respondent as “dismal”.

Figure 59: Top 3 Challenges By Country

Country	Challenge #1	Challenge #2	Challenge #3
Brunei	Potential impact of US-China trade and supply chains, pandemic-induced national trade protection measures	Slowed economy, sluggish economic recovery, access to financing	Supply chain credibility, foreign labour shortage, access to funding, having consistent and predictable shipping costs.
Cambodia	Labour issues in the local manufacturing sectors	Supply chain issues	Digitalisation
Indonesia	Uncertainty of COVID-19 and lockdown regulation	High logistical costs due to inadequate infrastructure	Political climate i.e. upcoming 2024 Presidential election
Laos	Supply chain reliant on China	Automating manufacturing process and increased labour costs	Pace of digitalization
Malaysia	COVID-19 economic recovery	Supply chain disruptions	Skilled labour shortage
Myanmar	Pandemic-induced mobility restrictions	Logistics supply chain	Shortage of raw material
Philippines	Continued disruptions in the global supply chain	Ongoing fuel price increase	Economic recovery of big economies (US and Europe) trickle-down effect on Southeast Asia
Singapore	Supply chain disruptions	Transition to green energy	Recovering from supply chain disruptions
Thailand	COVID-19	Pandemic restrictions and regulations	Supply chain issues
Vietnam	Recovery from the financial and related impact of COVID -19	Disruption in supply chain services that ensued	Increase in overall costs at all levels

3.4.5 Alternatives amidst the US-China trade tension

a. Japan and South Korea are the best balancing trade alternatives amidst trade tension between the US and China

Respondents felt that Japan and South Korea had an advantage in ASEAN due to the cultural similarities between the countries and regions. Japan is known as one of the earliest investors in the region such as in Indonesia where it was one of the country's earliest investors post-independence, and its culture and brands are well-loved in the region, while South Korean culture (K-pop) and electronic devices such as mobile phones are very popular in the region, especially among the younger generation. Europe, India, and other emerging markets in regions such as North Africa should not be discounted either.

b. ASEAN countries can benefit from the US-China trade tensions

Respondents say that ASEAN should maintain ASEAN centrality and try to remain impartial since the fact remains that the US and China are the region's largest investors and trade partners. Furthermore, ASEAN countries such as Vietnam and Singapore have also benefited from the trade tensions as countries reroute their investments away from the line of fire.

3.5 Japan's Industrial And Technological Dominance

This section highlights respondents' perceptions of Japanese technology, particularly in the automotive industry. The discussion focuses on the automotive industry's competitiveness, its dominance, Japanese government support, sub-sector support, and technology advancement.



3.5.1 Automotive Industry Competitiveness

a. Japan's automotive industry will be challenged by China and South Korea in the next decade

The general sentiment is that Japan will remain competitive in the automotive industry thanks to its reputable brands and well-established supply chains in ASEAN countries such as Indonesia, Thailand and Malaysia. However, China is seen as the leader when it comes to electric vehicles due to the widespread adoption and low prices of such vehicles in the country. South Korea is also seen as a prominent player in the electric vehicle space. Both of these countries are expected to become increasingly competitive in ASEAN's automotive industry in the next 10 years. Respondents also noted Vietnam's homegrown electric car.

b. Automation could disrupt the automotive industry

Some respondents raised the possibility of a shrinking automotive market due to the rise of remote work and the development of driverless cars which may lead to car manufacturers opting to lease out their cars instead, while others say that while there has been much ado about electric vehicles and green fuel with expectations for such vehicles to replace vehicles with combustion engines by 2050, the transition could take far longer than expected – if at all – since so much of it depends on the government in each country. Significant investment will also be needed along the entire automotive supply chain for such changes to take place.

c. Japan can still come out on top given its existing infrastructure and know-how

Respondents feel that while Japan will lag behind competitors such as China in terms of low-priced electric vehicles and Tesla in terms of high-end electric cars in the short term due to their conservative nature, they can still catch up in the medium term since they already have the resources, technological know-how, and distribution networks needed to push out a new product. Some respondents suggested that Japan try to differentiate itself by creating new types of environmentally-friendly vehicles, while others say that Japan should double down on their technological prowess to create a top-notch EV battery since the cost and effectiveness of the battery will play a big role in determining production cost and ultimately the success of the product. Furthermore, Japanese automotive brands such as Toyota, Honda and Suzuki are trusted household names in ASEAN, with Toyota having been regarded as the best car in the world. However, given Japan's natural conservativeness, they will not risk anything until they know it is 100% right before going to market. But once they push it out, given their dominance in cars, their huge conglomerates can deploy needed resources. In the medium term, Japan will be competitive but in the short term, respondents felt that given the Japanese conservativeness, they would see other companies try and make early moves.

3.5.2 Japanese Industrial Dominance

a. Japan's dominance has already been challenged by China and South Korea in the past decade

Respondents generally observed that Japan's dominance has been challenged by China and South Korea in the past decade. China and South Korea have been able to churn out cheaper products in the last decade to challenge Japanese goods. Japanese have very high standards in terms of product quality and they have very strict manufacturing specifications which are followed closely to ensure that the end product meets their high standards. As such, respondents say that while China is leading when it comes to cheaper goods, Japan is still number one when it comes to higher quality goods. Respondents also noted the rise of South Korean and Taiwanese innovations and products, especially in areas like mobile communications and entertainment. Whereas, some respondents view China as the best alternative in parallel with Japan, but in a different class. However, some respondents caution that it will be tough if Japanese companies do not change their rigid approach and strategy when investing

overseas since the marketing and pricing prowess of China and especially Korea poses quite a challenge to Japan's dominance.

b. Japanese funding and partnerships are the gold standard

Respondents who have worked or are working with Japanese partners say that they value these partnerships the most because such partnerships tend to last a long time. Those who have Japanese clients say that the Japanese do not merely think of them as vendors but as partners, and that they appreciate that Japanese are never late when it comes to payment. However, it is not easy to gain and keep the Japanese's trust. The Japanese are also known to be involved in the development of large infrastructure projects in ASEAN whether through the provision of cheap loans or technical know-how. Some respondents perceive there is no other partnership that is able to provide funding as great as Japanese partnerships are able to do but that is entirely provisional on the fact that the partners have a good track record with their Japanese partners.

3.5.3 Japanese Government Support

a. Japanese agencies in ASEAN have provided beneficial support though most businesses have not engaged them

JETRO and the Japanese Chamber of Commerce (JCC) are known to provide matchmaking services for ASEAN and Japanese companies, and they continue to be a good source of Japanese seed capital. Respondents feel that Japan's support will be on technology or the manufacturing sector. The Japanese government could support them by helping them understand and navigate Japanese import regulations, easing regulations and lowering tariffs where possible, and sharing their know-how on producing high-quality goods, product standards, and technology, especially in the manufacturing sector.

b. ASEAN businesses need capacity building to partner with Japanese businesses

Respondents from Vietnam opine that more capacity building is needed to help local businesses meet the demands and requirements of Japanese businesses. The Japanese government could help in this aspect by helping Vietnamese businesses better understand Japanese culture and business practices. Another key point raised was that it would also depend on the industry and type of support to assess whether it would be beneficial for Japanese companies if their government supports their expansion overseas but the respondents doubt whether the support will be extended to their local partners and to make their joint venture with local companies work. Some respondents say that Japanese companies typically prefer to use Japanese suppliers instead of locals.

3.5.4 Sub-sector Support

a. ASEAN hopes to see continued support from Japan's automotive industry

When asked which sub-sector in ASEAN that they would like to see Japan support, there was a consensus among respondents that Japan's expertise in the automotive industry was most relevant to ASEAN and that they should double down on investing in and helping to grow the automotive industry here. This would include the development of autonomous vehicles and electric cars which would have a ripple effect on many

other industries such as the car repair industry, the insurance industry, the healthcare industry, government revenue, and law enforcement. Other lucrative sub-sectors in ASEAN that Japan can support include infrastructure, automation, supply chain, clean energy, digitalisation, and medicine.

Investments from Japan are not seen as new but a continuation and expansion of what it has long done with ASEAN countries.

3.5.5 Technological Advancement

a. Other countries are catching up

Respondents say that Japanese technology remains competitive and advanced but other countries have been advancing rapidly to close the gap. Respondents perceive that while Japan's technology products are sustainable and of excellent quality, the advancement in technology may no longer be an advantage as other countries are fast catching up.

c. Too slow to change and more conservative

Japan has the technological know-how necessary to win in Industry 4.0 but there is doubt as to whether they are able to move fast and adapt their investments as quickly as China and the US. Respondents say that the Japanese are known to be more conservative due to their culture, but they will have to up their speed to market and price competitiveness to be able to compete with Chinese output. Furthermore, the perception is that the Japanese prioritise long term stability and not innovation, and so despite their technological prowess, they are seen as being behind other major economies such as the US and Europe when it comes to areas like artificial intelligence and robotics.

All in all, respondents feel that the Japanese are slow to adapt to changes due to their conservative culture, evidenced in their manufacturing tools, methods and instruction manuals which are still very Japan-centric. Respondents say that this is compounded by the fact that the country's population growth is in decline and as such, they urge the Japanese to adapt faster and get as much efficiency as they can out of the technology they have.

b. Japanese products need global content

A respondent said that while Japan's hardware is advanced and highly compatible with Industry 4.0, they do not have global content and still lag when it comes to producing content to complement their hardware. For example, Sharp and Sony are mainstream brands but Japanese television shows are not, unlike South Korea which has both heavyweight hardware brands like Samsung and a wide range of highly popular television shows and other forms of cultural content.



3.6 Competitiveness Of Services And Compelling Factors

3.6.1 Competitiveness of Japanese Companies

a. Japan's quality is unmatched but pricing is less competitive

The Japanese are known for their premium quality and design, as well as their precision and efficiency. However, respondents say that the prices of Japanese goods are generally higher than their competitors' which makes them less competitive despite their quality. For example, products from South Korea tend to be cheaper because their production cost is lower. As such, consumers who are more price-conscious tend to go for South Korean goods even if the quality is not as superior as compared to the Japanese. On the other hand, consumers who prioritise quality tend to go for Japanese products despite the higher price tag.

b. Potential impediments to Japanese electric vehicle growth

Respondents warn that the growth of electric vehicles will be significant in the next 10 years and it will be too late for Japan to catch up by then. Furthermore, the development of electric vehicles is not only about technology but also about having access to sustainable sources of materials such as nickel which is used to produce EV batteries.

Separately, respondents say that the Japanese may also miss out on certain economic opportunities due to the country's history and culture. For example, the Japanese are perceived to be reluctant to apply their technological capabilities to certain industries such as the arms industry.

3.6.2 Compelling Factors

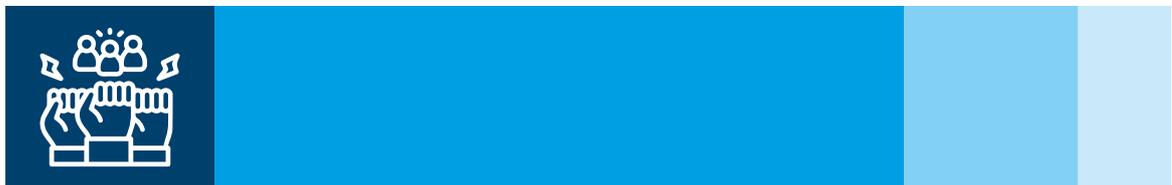
a. Japanese product design and quality are strengths but agility needs improvement

The respondents feel that the Japanese product design, product quality, and business culture are their strengths. However, respondents suggest that the Japanese should learn to be more opportunistic,

less rigid, and be able to make decisions faster. Some say that because the Japanese are very bureaucratic, they tend to take a long time to make a decision and others may have grabbed the opportunity by the time they decide.

3.7 Japanese As A Business Partner

This section highlights the respondents' perceptions of the strengths and gaps of Japanese businesses as business partners. On the whole, the Japanese culture, transparency, and ethics are their strengths, while they are weaker when it comes to communication, openness and flexibility.



3.7.1 Strengths



a. Commendable work culture but women's participation should be encouraged

The Japanese work culture is commended by most respondents. Some aspects of their culture are viewed as strengths, such as the culture of being hardworking, ethical and reserved. However there are concerns in areas such as the participation of women in senior positions and opportunities for younger employees to advance their careers.

b. Japanese partnerships are characterised by trust, dedication and long-term relationships

Respondents feel safe when partnering with the Japanese because of their trust, commitment and dedication. Once the Japanese are committed, they will make it work. They do not stop halfway and they will see things through even if they are a bit slow. It will be very safe and it will be successful with low risk. With the Japanese, it can be assured that the relationship will be built for the long term.

c. Japanese businesses tend to source from Japanese suppliers more than ASEAN

The Japanese culture of supporting other Japanese companies is perceived positively by respondents in most ASEAN countries. However, Indonesian respondents perceived that the Japanese may be too protective of their Japanese business counterparts. The respondents observed that Japanese companies will still purchase from Japanese suppliers even if prices are higher because the mindset is that even though the cost is higher, the money still stays among the Japanese community. The respondents explain that if the Japanese business passes the business to non-Japanese businesses, then the money will flow out from the Japanese community. Hence, a deep sense of community is observed.

d. Long-lasting partnerships with the Japanese are founded on loyalty but the incorporation of other cultures is also encouraged

It is felt that the Japanese should continue their strategy to establish long-term business partnerships and relationships with their suppliers. The positive values were attributed to the fact that Japanese firms tend to be family-oriented and their workers were very loyal. However, this also presents a corresponding challenge because the Japanese tend to prefer consistency and generally do not wish to make changes. Furthermore, respondents opine they should be more vocal and direct about what they want and be more open in sharing their ideas.

Respondents also suggested that Japanese businesses work to better understand the culture of their foreign business partners. Some respondents also observed that there is pressure and stress in Japanese companies as their workers are pushed to work very hard.

e. Japanese trustworthiness is top-notch

One key strength of the Japanese is their trustworthiness which is rated very highly by respondents. As such, there is a preference for partnering with Japanese companies because the Japanese tend to remain partners for the long term and they will aim to make it a win-win relationship and grow together.

As quoted by a Lao representative: “The ones who have stayed with the business tend to be very passionate about the product and are therefore very dedicated to the business. I can also say that the Japanese will also always follow the guidelines and the law and they take compliance seriously.”

f. Transparency is earned through trust but rigidity is a challenge

However, there is room for improvement when it comes to transparency. Some respondents found the Japanese to be more transparent than partners from other countries. They also have stricter policies compared to other partners but what is important is that once they have approved something or signed an agreement, they will follow through.

Transparency is a relative concept. Respondents explain that if one understands the culture, one would understand why the Japanese are being transparent.

According to a Malaysian respondent, transparency is a function of confidence and trust. “If you’re able to get their trust they’ll be transparent, but it’s not easy to get that. But generally, they are very transparent, trustworthy, have business ethics, they’re popular, they don’t cut corners, they don’t cut people and all that. But, I mean, that’s what has made Japan attractive, but it also has caused them some problems, because they’re so rigid with some partners.”

g. The younger generation of Japanese businesspeople should preserve their culture and values

ASEAN businesses interviewed had a very positive view of Japanese businesses, including those who are merely suppliers or service providers and not business partners. Respondents who serve as suppliers to Japanese companies say that their clients will always show their appreciation, pay on time, and help ensure that meetings go smoothly. Furthermore, Japanese clients are also known to go out of their way to work with local suppliers to solve problems instead of simply switching to other suppliers when issues arise. However, some respondents say that they no longer see traditional Japanese values and culture being practised among the younger generation of Japanese businesspeople.



3.7.2 Areas for enhancement

a. Communication barriers are observed and openness is required

In general, communication barriers are observed. There is also a call for more openness.

b. Less flexibility

Respondents note that the Japanese are less flexible and more rigid due to a law-abiding mindset, they will go through the process of due diligence before making a decision. It is observed that it is difficult to alter their plan once they have made the plan.

Flexibility is important if the product being sold was a service or solution. In such cases, they need to be tailored to the customer's needs. However, "flexibility" is also context-dependent. For example, flexibility might not be applicable when it comes to manufacturing processes or product specifications since variations in such areas could affect the quality of the end product.

c. Meticulous planning and slow decision-making

Generally, respondents observe that Japanese businesses take planning seriously and are perhaps too detailed. Whilst the efficiency of project execution is good, the speed of decision-making is slow because the Japanese are meticulous and they will examine every aspect. This results in decision-making taking a very long time because they will also have to go through many levels for approval.

Furthermore, the Japanese are very disciplined, especially in terms of planning, execution and decision making. They are masters in planning and project execution. Even if a project is delayed due to the slow speed of decision making, Japanese companies still expect deadlines to be met.

3.7.3 SMEs as business partners

a. Japanese SMEs leverage big corporations to venture out of Japan

On the issue of SMEs as business partners, most respondents are of the view that SMEs will opt to work with more established peers, and when they want to venture out, they will become, for example, subcontractors or vendors for larger local organisations. Not many SMEs have ventured out independently without depending on larger corporations. It is observed that Japanese SMEs are not so open to the world, they sometimes prefer their own regulation and they prefer to look for Japanese SMEs as business partners. They are not sufficiently flexible to open their minds to accept other ways of doing business.

b. Japanese SMEs focus on the domestic market and lack exposure although planning and execution are good

Japanese SMEs who mostly operate in the domestic market may not be as open or flexible due to limited exposure to international markets and practices. This lack of exposure could be problematic when it comes to execution even though they are detailed and their planning is good.

3.8. Strategy In Project Management



3.8.1 Localisation Policy

a. Limited localisation due to cultural preferences and language barriers

Most respondents noted that the Japanese are very proud of their culture and this is reflected in how they localise their business operations in foreign countries. For example, the Japanese will always try to introduce their culture wherever they go and to whoever they meet, especially in business environments. At the same time, respondents have also found the Japanese working in ASEAN countries to be quite open and they want to be part of the country. Nevertheless, Japanese companies still tend to have a lot more Japanese employees in senior positions rather than locals. Two reasons are cited. Firstly, they are very rigid and localisation requires flexibility since not everything will meet their exact requirements. Secondly, the language barrier also poses challenges.

b. Localisation can be perceived differently and influenced by policies

Respondents in Vietnam were not bothered by the Japanese's localisation rate, probably assuming or accepting that it was part of the overall need to deliver the quality expected in Japanese products. However, respondents in Indonesia felt a palpable sense of disparity when dealing with the Japanese. The Indonesian government has a direct influence on the participation of foreign companies in the local market, especially in the automotive industry, through policy interventions which determine how local companies work with their Japanese counterparts as the government also interacts and deals with foreign companies directly.



3.8.2 Technology Transfer

a. Committed to knowledge transfer

A key insight emanating is that Japanese companies are very committed to ensuring the transfer of knowledge. They are perceived to be willing to share knowledge and train local employees without much hesitation. Japanese companies are considered to be ahead of companies from Europe and the US in this aspect.

As one representative said: "with the Japanese, if you want to learn, they will teach you."

b. Limited scalability of knowledge transfer due to insufficient materials in English

The Japanese are willing to share or transfer knowledge. However, they lack training materials and guides in local languages or even in English. Mainstream and large scale transfer of knowledge require more materials to be in English. However, a lot of materials and guides from Japanese companies are still in Japanese. Although translated materials when training locals, there is still room for improvement.

3.9 Working With Japanese Companies

3.9.1 Perceptions of respondents with experience working with the Japanese

a. Japanese production and management philosophies are easily adaptable

The respondents observed that the Japanese style of business management, particularly the manufacturing processes, is easily adaptable to the local industry and has shown results. The adoption was easy even without much modification. Respondents were well aware of Japan's kaizen, lean manufacturing and 5S methods, as well as their emphasis on continuous improvement, efficiency and ensuring minimal wastage.

b. Japanese businesses need to empower the local workforce more

According to respondents, Japanese businesses would benefit greatly from having confidence in their local workforce and empowering the local workforce to make decisions and adapt where necessary, especially since speed to market is essential in this day and age. Furthermore, not every decision is mission-critical and not everything affects product quality, so the Japanese should consider empowering their local workforce to make decisions where possible instead of spending an excessive amount of time perfecting processes.



3.9.2 Perceptions of respondents without experience working with the Japanese

a. Superior quality and advanced technology but pricing is less competitive

Respondents without experience working with the Japanese perceive that Japan has more advanced technologies than other countries such as in robotics which is good for productivity and helps keep Japanese manufacturing costs low. However, in their opinion, the pricing of Japanese goods is still less competitive when compared to other countries.

Respondents also observed that locals may have a hard time keeping up with the Japanese's high standards and expectations, and their unique working style and culture. Locals – especially those in less developed ASEAN economies – also go through a steep learning curve to grasp the Japanese's advanced and expensive equipment and machinery.

3.10 Reflections On The Qualitative Survey Insights



The insights from the qualitative section obtained from 42 respondents from 10 ASEAN countries were aligned with the insights found in the quantitative analysis. However, slight nuances have been observed and with greater depth. A common thread throughout the interviews is how well regarded Japan, Japanese businesses and Japanese people are in ASEAN. Almost all respondents who have worked with Japanese businesses regard these partnerships to be their most valued partnership due to the unwavering commitment and ethics of their Japanese counterparts, while respondents who have not had the opportunity to work with the Japanese have expressed their eagerness to do so at the interview. While several suggestions for improvements were shared, these suggestions were given with the intent of seeing the continued blossoming of Japanese businesses, not only in ASEAN but also the rest of the world.

4.0 THE ROAD AHEAD



ASEAN and Japan will be celebrating the 50th Year of ASEAN-Japan Friendship and Cooperation in 2023, a remarkable milestone to commemorate the people-to-people relations between both sides. The economic partnership between Japan and ASEAN has also grown from strength to strength over the years despite the temporary onslaught of the COVID-19 pandemic.

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The findings of both the quantitative and qualitative survey and analysis provide invaluable insights on how ASEAN and Japan can strengthen bilateral cooperation

and (v) green growth. The perceived future growth areas in ASEAN such as digitalisation and supply chain connectivity are fully in line with the AJIF Initiative's focus areas, while other focus areas such as the transition to green energy are also slowly gaining attention and interest in the region. Japanese technology is especially highly regarded and is perceived to be most compatible with Industry 4.0. However, respondents caution that competition from China, the United States and South Korea are catching up fast and these countries are expected to challenge Japan's industrial dominance in the next decade.

Our surveys left no doubt that Japan remains a very important partner to ASEAN and Japanese businesses are viewed favourably by the ASEAN business community for their perceived trustworthiness, strong work ethic, and best-in-class products and services. However, improvements in terms of flexibility, pricing strategy, human capital development as well as marketing and promotion will be critical to Japanese businesses going forward, especially if they wish to remain competitive in a fast-moving world. It should be noted that many of the suggestions for improvement came with the acknowledgement of Japan's already strong position in ASEAN.

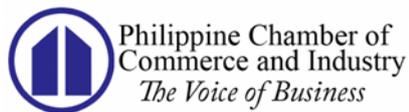
Notwithstanding these revelations, both respondents with and without Japanese experience are keen to partner with Japanese businesses, with some considering Japanese SMEs as the most strategic partners. To this end, Japan will be announcing the ASEAN-Japan Economic Co-creation Vision in 2023 in celebration of 50 years of ASEAN-Japan friendship and cooperation to strengthen future partnerships. As ASEAN and Japan embark on the new chapter of the economic relationship, it is of paramount importance that governments on both sides provide businesses with strong support to form long term partnerships and collectively work towards the new chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era.

by building on the strong foundation laid over the last 50 years to pave the way for the Next Chapter of ASEAN and Japan Economic Cooperation in the Post-Pandemic Era underpinned by the overarching Asia-Japan Investing for the Future (AJIF) Initiative.

Respondents' input showed a high level of congruence with the AJIF's five focus areas, namely (i) supply chain, (ii) connectivity, (iii) digital innovation, (iv) human resources,



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