

ASEAN-Japan Economic Co-Creation Vision

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

- The economic relationship between ASEAN and Japan has changed dramatically over the last 50 years and will keep changing over the next 50 years. In the midst of these changes, the vision for the future relationship between ASEAN and Japan is to “Realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation, based on the trust established over the past 50 years.”
- Taking full advantage of the diversity of ASEAN Member States, growth and innovation models that reflect the strengths of each country will be linked in an interactive manner to realize a fair and mutually beneficial economic co-creation. To this end, ASEAN and Japan need to strengthen cooperation in both the public and private sector to promote co-creation projects. In pursuing projects, not only is it necessary to combine the strengths of both parties, but it is also essential to address issues concerning both ASEAN and Japan and to meet the needs of all stakeholders.
- Looking back over the past 50 years of our relationship, in the latter half of the 20th century, Japan supported ASEAN's industrialization and economic development in line with the flying geese model, e.g., foreign direct investment mainly in manufacturing, infrastructure development through public finance, and industrial human resource development through public-private partnerships. In the 21st century, Japan's relationship with ASEAN evolved into one that is more aligned with ASEAN's endeavor to realize an economic community. Japan has continued to contribute to ASEAN's development and promote horizontal relationship through the promotion of ASEAN-Japan cooperation in various perspectives, such as the reduction of regional inequality within the ASEAN region through the Japan-ASEAN Integration Fund (JAIF), the launch of the Chiang Mai Initiative after the Asian Financial Crisis and the establishment of ASEAN+3 Macroeconomic Research Office (AMRO) as a monitoring organization for macroeconomics, as well as the promotion of economic integration through the RCEP negotiations and the establishment of the Economic Research Institute for ASEAN and East Asia (ERIA). However, the relationship between ASEAN and Japan has changed drastically over the years.
- "Epicentrum of Growth" is the theme set by Indonesia's ASEAN Chairmanship in 2023. ASEAN which had established in tandem with Japan its position as the world's production base, especially in the manufacturing industry, is now transforming into a global growth market. Fueled by the growing market, a large middle class with purchasing power is emerging in ASEAN and is contributing to further market growth. ASEAN is not only attracting attention from other Asian countries such as China and South Korea, but they are also attracting interest from the rest of the world including the U.S. and Europe. ASEAN is becoming the center of global growth both in name and reality.
- In response to these changes in ASEAN, Japan needs to remodel its economic relationship with ASEAN. Rather than and one-sidedly contributing to ASEAN's economic growth, Japan needs to engage with ASEAN as equal partners. Up to now, Japanese companies and ASEAN local communities have worked together and developed a strong sense of trust. ASEAN also has high expectations for Japan, as Japan is a pioneer in solving various socio-economic issues that ASEAN is currently facing as it continues to develop. Japan must be aware of what is expected from ASEAN, whereas understanding its own strengths, and strive to meet these expectations. This is the foundation for building a new relationship between

ASEAN and Japan as partners for mutual growth.

- The strategic goal of ASEAN-Japan cooperation is to demonstrate what kind of society we could build together, rather than putting emphasis on the traditional goal of balance in an era of great power competition. This means acknowledging each other's differences, building a safe, prosperous and free society where fundamental human rights are upheld in each country, and shaping the international environment to this end.
- Looking ahead to the next 50 years, this vision will share the major directions and strategic goals that both ASEAN and Japan should aim for and decide upon the actions to achieve the goals to pass on the bond of trust between ASEAN and Japan to the next generation, to rebuild a new generation of ASEAN-Japan economic partnership and co-create innovations.

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

2.1 Changes in ASEAN-Japan relations

- ASEAN is increasing its presence as “Epicentrum of Growth.” By establishing ASEAN Economic Community and accelerating various forms of economic integration, ASEAN has been enhancing its presence as a community while upholding ASEAN Centrality and Unity. ASEAN also represents a dynamic growth center that will drive global economic development in the future with the prediction of exceeding Japan's GDP by 2030. ASEAN is continuing to promote innovation by accelerating startup companies with leapfrogging growth patterns that solve socio-economic challenges in a wide range of fields, such as logistics, payment and financial services using digital technology. Additionally, with a young population with a rapidly rising income level, a middle-income class that enjoys urban city life is emerging. Seeing the economic vibrancy of this region, China and South Korea, as well as Europe and the U.S., have actively been investing in ASEAN. ASEAN is truly becoming the global center of growth.
- On the other hand, ASEAN is facing various socio-economic challenges caused by the rapid economic development. Specifically, economic growth has forced rapid social changes to the society of ASEAN Member States, such as dramatic urbanization causing unbalanced development between urban and rural areas, as well as widening inequality between high-income and low-income groups. In addition, many ASEAN Member States are entering a period of generational change, and there is an increasing need to consider the changes that the young generation will face in the next 20 years (e.g. changes in the relative positioning of the economic power of ASEAN Member States, declining birth rates and ageing populations). As ASEAN Member States grow, their diversity is expected to increase, and the characteristics and features of each country will become clearer.
- In order to achieve robust economic growth despite these socio-economic challenges, there are high expectations for Japan who is a pioneer in tackling socio-economic challenges and has already experienced solving many of the challenges that ASEAN is currently facing. There is also strong expectation as Japanese companies have always respected the diversity within the ASEAN Member States and have worked together with companies in Southeast Asia and societies to build trust.
- Japan is the third largest economy in the world and has a mature economy and society with high technological capabilities in various fields including manufacturing, well-developed social infrastructure, and a social system represented by universal health insurance. Furthermore, Japan's strength such as the “Japan brand” represented by high technological

capabilities centered on the manufacturing industry and subcultures, and the experience in solving socio-economic challenges related to the global environment and the urban environment ahead of other countries is increasing its importance.

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

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

- The situation surrounding ASEAN and Japan is characterized by economic stagnation in various countries caused by the COVID-19 pandemic in addition to tensions amongst major powers, as well as an increasingly apparent need to address global socio-economic challenges, such as climate change and inequality. Specifically, the economic stagnation in each country due to the prolonged COVID-19 pandemic, coupled with the tensions between major powers, is jeopardizing energy security, economic security, and food security and is impeding global economic growth. Furthermore, there is an increasingly apparent need to address global socio-economic challenges, such as climate change, and country-specific socio-economic challenges, such as the widening inequality associated with rapid economic growth and urbanization. In addition, while certain countries are achieving further growth through the development and dissemination of digital technologies, other countries have missed the boat on these changes, which is also a factor in creating disparities within emerging countries. The achievement of global agendas such as the Sustainable Development Goals (SDGs) has become an urgent issue as a response to global challenges facing humanity and our planet. Specifically, the importance of addressing global common values such as sustainability and human rights has increased, and emerging countries have also been requested to take measures to balance both economic and social values. Under these circumstances, the collaboration between ASEAN and Japan to create a peaceful and prosperous region will contribute significantly to the stability of the Indo-Pacific.
- Against this backdrop, it is becoming increasingly important to address uncertainties, inequalities in economic growth and common values such as human rights on a global scale. Furthermore, widening disparities within the Southeast Asian region are making it difficult to reach consensus for cooperation and deepen economic integration within ASEAN. This is a critical point for Japan in building a new relationship with ASEAN. In this rapidly changing environment, it is becoming increasingly important to establish an even stronger partnership in bilateral and multilateral cooperation among ASEAN Member States and Japan as a foundation for stability and prosperity.
- The ideal relationship of ASEAN and Japan will be realized by bringing together the experiences, skills and vitality of the

youth to deal with the various challenges ASEAN and Japan face, to co-create the future together.

- The ASEAN region, as a key region in the global supply chain, has experience in fostering new industries and employing the leapfrog growth model, utilizing digital technology with active investment from countries around the world. In response to these changes, a shift must be made from the flying geese development model to global value chain (GVC)-model development. In other words, instead of large companies taking the lead in overseas expansion and small or medium-sized enterprises (hereinafter, SMEs) and start-ups following afterward, a multilayered partnership is needed. For example, SMEs and start-ups could co-create new value utilizing their technologies and new business models through dialogue and collaboration with ASEAN local companies, and also, large companies could collaborate with ASEAN local start-ups to develop new technologies and implement them.

3 Vision for a New ASEAN-Japan Economic Relationship

3.1 To realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation with trust

- In response to the changes in the economic and social situation in the world including ASEAN and Japan, the vision for the future relationship between ASEAN and Japan is to “Realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation, based on the trust established over the past 50 years.”
- This "trust" is an indispensable foundation for ASEAN and Japan to recognize each other's "value" and co-create economic and social value. It is important to not only provide value in one direction, such as conventional aid from Japan and promotion of economic activities by Japanese companies in ASEAN, but also to promote economic co-creation while realizing inclusive growth in a two-way and mutually beneficial manner, taking into account fairness, respecting the diversity of ASEAN Member States and enjoying the benefits of various growth models and innovations that reflect the strengths of each country.

3.2 Three fundamental concepts to support the vision - sharing of experience in solving socio-economic challenges, facing the reality of the region and respecting diversity, and exchange of human resources

- The economic and social landscape of ASEAN is undergoing major changes due to generational change in many ASEAN Member States, and the circulation of human resources. Against this backdrop, the following are the three fundamental concepts to support the vision.
- The first concept is to share the experience in solving socio-economic challenges. Japan has accumulated experience and knowledge as an advanced country in terms of solving socio-economic challenges that ASEAN will face in the near future, such as problems accompanied by urbanization and industrialization, air and water pollution and low birthrates and ageing societies. Intangible values such as environmental friendliness and safety, which have been cultivated through the resolution of these socio-economic challenges, are effective experiences for resolving the challenges faced by ASEAN Member States.
- The second concept is to respect diversity and the realities faced by each region. Japan has faced the individual circumstances of each ASEAN Member State, respected their diversity, and worked to respond in a realistic manner. Japan

is expected to share with ASEAN the need for understanding such realistic and diverse responses, and also to play a role in directing discussions with the Western countries through channels, such as the G7. Some examples are the Asia Zero Emissions Community (AZEC), a regional platform of Asian countries that share a common philosophy and values to promote decarbonization, and the Asia Energy Transition Initiative (AETI), which supports realistic and diverse approaches to realizing carbon neutrality. In the past, Japan has faced the political and social realities of its partners to build long-term relationships of trust and achieve economic growth together. In times of crisis, the countries have supported each other with their own unique approaches. The existence of such long-term and strong business relationships is becoming increasingly important in a fast-changing global order. The economic co-creation model established by ASEAN and Japan is expected to become a model that balances economic growth and solution of socio-economic challenges arising from rapid economic development.

- The third concept is to exchange human resources. Human resources are an indispensable foundation to support the significant changes that the ASEAN-Japan economic society is undergoing. Furthering the exchange of young human resources who will support the future of ASEAN and Japan will be the foundation for new ASEAN-Japan economic co-creation. ASEAN has a diverse and rich pool of young next-generation and human capital. In particular, the youth known as Generation Z have been exposed to global issues through the Internet from an early age and are motivated to tackle these issues. Japan, by capturing the high value of the abundant next-generation human resources, including digital and STEAM human resources, is expected to secure highly-skilled professionals and create new industries that will contribute to the growth of the Japanese economy, and for ASEAN to expand opportunities for the global activities of its young generation. As an example, it is desirable to actively invite highly motivated ASEAN young people to Japan and promote entrepreneurship in Japan, and to reform the Japanese corporate culture and structure, such as by reviewing the wage system of Japanese companies and introducing performance-based systems, in order to promote co-creation. In addition, ASEAN has an environment and opportunities that provide a foundation for innovation, and many start-ups have been created by taking advantage of these opportunities without hesitation, while large companies represented by conglomerates are expanding their businesses globally. It is also important to send Japanese entrepreneurs, students and others to the ASEAN region, to build up the foundation for ASEAN-Japan economic co-creation.
- In this drastically changing economic society, ASEAN and Japan are expected to promote collaboration as co-creation partners by sharing their experiences in solving socio-economic challenges and their diverse human resources, funds, technology and information. In other words, it is hoped that ASEAN-Japan will solve the socio-economic challenges they face and create a sustainable economic society through horizontal, mutually beneficial, fair and equitable economic co-creation in which value is provided and shared not in one direction but in both directions. The goal is to demonstrate the economic society built by ASEAN-Japan as one of the models to be pursued globally that contributes to the establishment of a free, fair, and open regional economic order.

4 Four pillars of action to realize the vision

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

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

4.2 Achieving sustainability which balances diversity and inclusiveness that improves the global environment and solves its challenges, while ensuring well-being so that no one is left behind

- In order to achieve sustainability which balances diversity and inclusiveness, ASEAN and Japan should pursue sustainability on both global and local scale.
- With regard to the realization of global sustainability, it is important that ASEAN countries recognize and utilize diverse energy sources and technologies to design and implement various and realistic pathways, where energy demand is expected to increase in line with economic growth in the future, in such a manner that promotes decarbonization ensuring economic growth and energy security while taking into consideration the unique circumstances of each country such as geographical conditions and the stage and pace of development. The gradual adoption of technologies to reduce greenhouse gasses would be significant since ASEAN Member States have depended heavily on fossil fuels and natural gas for much of their energy needs. However, to increase the proportion of renewable energy in the energy mix of each ASEAN Member State, it is important to introduce optimal renewable energy-based power generation technologies, taking into account the industrial and social structures and geographical conditions of each country.
- Therefore, in addition to the introduction of renewable energy, energy conservation, and energy management technologies, ASEAN and Japan will promote the introduction of decarbonization technologies such as hydrogen, ammonia, and Carbon Capture, Utilization and Storage (CCUS) technology. As well as adopting such technologies, ASEAN and Japan should not only develop an ASEAN power grid to share clean energy on a regional scale, but they should also aim to develop a carbon credit market to establish a mechanism of trading greenhouse gas emission credits. To accelerate a clean, sustainable, just, affordable and inclusive energy transition towards carbon neutrality/net-zero emissions in the Asian region, such actions as various support and related policy coordination will be taken through the Asia Zero Emission Community (AZEC) platform. Furthermore, ASEAN and Japan should promote new businesses related to biodiversity such as the Blue Economy, an area where ASEAN has much potential for growth.
- With regards to the pursuit of sustainability in daily life, various issues concerning waste management such as marine debris and E-waste need to be solved to realize a circular economy across the ASEAN region. In addition, ASEAN and

Japan would be expected to take initiatives to strengthen their resilience to natural disasters associated with climate change to realize the safety and security of the people. As for the expansion of middle class due to economic and income growth, ASEAN and Japan should also pursue the quality of life and better living conditions to promote people's well-being. Furthermore, ASEAN and Japan should promote models of urban development that realize inclusive cities and solve issues such as urban-rural disparity, population outflow from rural areas to cities and traffic congestion in cities.

- Therefore, ASEAN and Japan should take the following measures: the development of infrastructure for the effective and efficient treatment of E-waste and other wastes to promote circular economy across ASEAN; the formation of rules which contribute to the reduction of marine debris; raising awareness to promote action with environmental consciousness; incentivizing environmental action. In addition, ASEAN and Japan will build infrastructure and mechanisms to strengthen resilience to climate change for disaster prevention and disaster mitigation on the premise that natural disasters may occur frequently. Moreover, ASEAN and Japan should pursue the high quality of life (well-being) through the development of product that promote better health quality and mechanisms (insurance, etc.) to realize safety and security of people throughout their lives. Furthermore, ASEAN and Japan should consider a new model for autonomous and decentralized rural urban development using digital technology, where balanced urban and rural development is promoted, and diverse people live together in mutual prosperity.

4.3 Promoting cross-border open innovation in technology and business models to solve socio-economic challenges

- Cross-border open innovation is fundamental to solving socio-economic challenges and creating a sustainable economic society. Efforts to promote cross-border open innovation need to be made both in terms of technological innovation and business model innovation.
- In terms of promoting technological innovation, an ecosystem is expected to be established to promote global joint research and open innovation by ASEAN-Japan institutions (universities, companies, etc.) based on an assessment of growth areas. In doing so, it is vital to promote technology adoption in areas where Japan can leverage its strengths.
- Therefore, opportunities will be expanded to identify socio-economic challenges and technological needs in ASEAN and develop new products and solutions through ASEAN-Japan joint research in areas where Japan has expertise and can leverage its technology, experience and knowledge. In addition, initiatives to develop the environment for promoting joint research are expected to be implemented, such as initiatives on expanding the number and functions of R&D bases for joint research between ASEAN-Japan institutions, developing R&D infrastructure in ASEAN and training R&D personnel.
- As for the promotion of business model innovation, there are currently limited cases of ASEAN-Japan companies creating innovation through value co-creation. This is due to the fact that challenges persist in acquiring resources for business development and support for value co-creation projects within companies.
- In order to promote business model innovation, there need to be efforts to encourage collaboration (value co-creation) between ASEAN-Japan companies. It is also necessary to work towards the development of an environment where ASEAN-Japan companies can receive appropriate support (e.g. 'test field', 'information' and 'finance' for co-creation) in order to expand fair value co-creation opportunities where ASEAN-Japan companies can understand each other's needs and strengths and accelerate collaboration.

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

- Connectivity consists of two elements: 'physical connectivity' as connectivity through hard infrastructure, and 'institutional connectivity' as connectivity through soft infrastructure such as legal systems. To strengthen ASEAN-Japan connectivity, it is important to develop the economic infrastructure in terms of both physical and institutional connectivity.
- In terms of strengthening physical connectivity, while the needs for new infrastructure are increasing in ASEAN as the economy develops, there are also needs related to the maintenance and management of existing infrastructure. In ASEAN, the issues differ by country, with some ASEAN Member States having insufficient infrastructure, while others having infrastructure but facing new issues such as environmental considerations, maintenance and management, and extending the service life of infrastructure. Furthermore, different natural disasters are increasingly occurring both in ASEAN and Japan, and all countries need to respond to local needs. Moreover, with the recent development of digital technology, in addition to connectivity in physical space, it is also necessary to consider connectivity in cyberspace, and furthermore, in considering these issues, connectivity in managing the combined cyber space and physical space also should be taken into account.
- Therefore, based on the trust that has been built between ASEAN and Japan, ASEAN and Japan will respond by learning together and by utilizing the technology, knowledge, experience and know-how in infrastructure development and maintenance and management that Japan has developed over the years. Specifically, in order to develop the economic infrastructure of ASEAN-Japan by strengthening physical connectivity, ASEAN and Japan will develop strong, safe and secure quality infrastructure while meeting the needs of each country, improve infrastructure maintenance and management technology by utilizing Japan's knowledge, experience and know-how in infrastructure maintenance and management, and implement new institutional arrangements and create rules for the effective and efficient operation of infrastructure.
- As for strengthening institutional connectivity, in addition to the promotion of free trade based on the principles of the multilateral trade regime that has been pursued in the East Asian region, including ASEAN and Japan, and the steady implementation of economic partnership agreements such as RCEP and CPTPP, further cooperation is expected in the international rulemaking through the materialization of IPEF, the elimination of non-tariff barriers (investment regulations and trade procedures) towards the establishment of a seamless logistics network, the realization of digital innovation and DFFT (Data Free Flow with Trust) and the establishment of advanced supply chains. Furthermore, it is also necessary to consider the institutional connectivity of areas where cyber and physical spaces merge to ensure trust in such areas.
- Therefore, in terms of strengthening institutional connectivity for the development of the ASEAN-Japan economic infrastructure, ASEAN and Japan will take advantage of blockchain technology to promote the digitalization of trade procedures for the entire logistics, commercial, and financial flows to build resilient and highly efficient supply chains. Furthermore, the following measures should be implemented in cooperation with ASEAN and Japan: the resolution of tariff and non-tariff barrier issues to achieve smooth transactions between ASEAN and Japan; the realization of wide-ranging data and information integration with trust between ASEAN and Japan; and the formation of international trading

rules originating from ASEAN, taking into account ASEAN Member State's circumstances.

4.5 'Building an ecosystem for co-creating innovative human capital' to create 'Globalized Asians' who can work globally on the ASEAN-Japan stage

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

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

- The future vision for ASEAN-Japan proposed in this paper is to “Realize a secure, prosperous and free economy and society through fair and mutually beneficial economic co-creation, based on the trust established over the past 50 years.” (This vision is based not only on conventional value provision in one direction, such as Japanese technical assistance and the promotion of economic activities by Japanese companies in ASEAN, but also on the provision of value in the other direction, such as respecting the diversity of ASEAN Member States and enjoying the benefits of various growth models and innovations reflecting the strengths of each country.) It is expected that both the public and private sectors of ASEAN and Japan will establish a cooperative framework and promote related projects in the future. In order to realize ASEAN-Japan economic co-creation, it is essential to respond to the needs of ASEAN stakeholders, which include the establishment of trust based rules and mechanisms that facilitate the distribution of high-quality products, the dissemination of technologies, knowledge and experience on various socio-economic challenges that Japan has accumulated in the past, establishment of long-term human resource development schemes; and expansion of opportunities for ASEAN companies to enter the Japanese market.
- This vision aims for creating economic/social value through mutually beneficial economic co-creation by the initiative of ASEAN and Japanese companies with the support from the government agencies and economy-related organizations of ASEAN and Japan. Therefore, specific measures already mentioned here include the upgrade of supply chains utilizing digital technology (creating 100 use cases in five years) as a way of strengthening cyber-physical connectivity, fostering entrepreneurs and building a network of young entrepreneurs (building a network of 100 entrepreneurs) as a way of establishing an ecosystem for co-creating vigorous human capital, promoting co-creation of businesses that solve the socio-economic challenges of ASEAN and Japan (promoting the creation of 100 businesses every year which solve socio-economic challenges) as a way for promoting open-innovation across borders, and initiatives to realize the “Asia Zero Emission Community” concept for achieving sustainability which balances diversity and inclusiveness.
- In addition, as a measure to integrate and promote these individual initiatives, the further activities of international organizations such as ERIA that link ASEAN and Japan should be encouraged. In this context, we welcome the statement by ERIA at the East Asia Summit Economic Ministers' Meeting in September 2022 of its policy to establish a “Digital Innovation and Sustainable Economy Centre,” which was also clearly stated in the Chairman's Statement of the East Asia Summit in November of the same year. ERIA, which has been making policy recommendations for the economic development of ASEAN and East Asia since its establishment by the consensus of the leaders of East Asian countries in 2008, will be a new center for co-creation where the people who will lead ASEAN-Japan can come together across various boundaries, including public and private sectors and researchers, to work towards a sustainable economic society for ASEAN and Japan, and to promote the next stage of economic integration in ASEAN. As a center for co-creation, ERIA will reinforce the following functions, implement projects, follow up the implementation status of projects, and expand trust. First, ERIA will expand its functions as a center for co-creation that seeks solutions to diverse issues. Specifically, ERIA will contribute to realization of the well-being in ASEAN and of AZEC. Second, ERIA will strengthen its function as a center for co-creation that brings together experience, know-how, and vitality of youth and that implements initiatives to create an environment for promoting co-creation and maximize opportunities for human resource development. Third,

ERIA will strengthen the function as a center for co-creating social infrastructure and standards and implement initiatives to develop and innovate social infrastructure.

- In response to the various issues that ASEAN and Japan face, ASEAN and Japan will combine their experiences, know-how and the vitality of the youth to co-create and solve common challenges. Co-creating the future will lead to the continued ideal relationship between ASEAN and Japan.
- The initiatives set out in this ASEAN-Japan Economic Co-Creation Vision need to be spread and expanded through implementation of specific projects jointly by the ASEAN-Japan public and private sectors and by building up successful examples one by one. It is also important to reflect these initiatives to the Future Design and Action Plan of an Innovative Sustainable ASEAN-Japan Economic Partnership as much as possible and to follow up on the Future Design and Action Plan for effective implementation.

References: Possible Measures for Realizing the Vision (Draft)

'Achieving Sustainability which strikes a balance between Diversity and Inclusiveness'

Global Sustainability

- **Efforts to gradually remove greenhouse gases and achieve zero emissions in the ASEAN region**
 - Promotion of co-creation projects and technology transfer between ASEAN and Japan in renewable energy (solar, wind, hydro, geothermal, etc.), taking into account unique circumstances of each country such as geographical conditions and the industrial and social structures, life cycle costs and benefits of greenhouse gas reduction.
 - Production and procurement of new energy sources (e.g. hydrogen, ammonia) for stable energy supply.
 - Deployment of energy-saving related technologies that Japan has been developing and proved to be effective for the reduction of greenhouse gas emission
 - Promotion of greenhouse gas reduction business through Carbon Capture, Utilization and Storage (CCUS) technology
 - Joint development and implementation of energy storage technologies essential for a gradual transition to renewable energy.
 - Deployment of renewable energy technologies in ASEAN Member States with a view to addressing energy shortages in the event of disasters
- **Deregulation of electric utilities transfer and development of a mechanism to exchange electricity and greenhouse gas credit across the ASEAN region**
 - Gradual development of energy grid
 - Joint ASEAN-Japan development of small grid technologies such as solar and wind power generation
 - Visualization of greenhouse gas emissions based on the Task Force on Climate-related Financial (TCFD)
 - Designing incentives to introduce decarbonization technologies, renewable energy technologies and energy-saving technologies by using existing mechanisms such as bilateral credit schemes (i.e. Joint Crediting Mechanism (JCM)).
 - Development of an international power grid across the ASEAN region.
- **Creation of new businesses utilizing biodiversity in ASEAN**
 - ASEAN-Japan joint research and implementation of the Blue Economy that contributes to a circular economy

Sustainability in Daily Life

- **Developing the technological infrastructure, rule and awareness for the realization of the circular economy across ASEAN**
 - Promotion of the formation of rules such as the unification of standards for recyclable products (containers, etc.).
 - Implementation of awareness-raising activities and design of financial incentives in the field of public health to enable people to thoroughly acquire habits such as 3Rs (i.e. awareness of 'mottainai').
 - Development and dissemination of technologies related to the utilization of eco-friendly materials, recycling and proper disposal of waste to solve the problem of marine debris.
 - Dissemination of technologies related to the management of food residues and other waste to improve waste re-use technology.
 - ASEAN-Japan joint development of technical infrastructure for E-waste management.
 - Development of a Public-Private-Academic Partnership in Circular Economy to accelerate the integration of arterial and venous industries

■ Improving resilience and well-being in ASEAN Member States

- ASEAN-Japan joint research on climate change adaptation technologies in the event of large-scale disasters
- Establishment of standardized medical care as a package of products and services, including medical devices, and development of human resources through the Mexx concept that enhances collaboration between key persons in ASEAN and Japan.
- Equal urban and rural development in ASEAN countries
- Conceptualization of a new development model for local cities, different from megacities, using digital technology.

Promoting Open-Innovation across borders'

Promotion of Technological Innovation

■ Expansion of joint research opportunities in ASEAN-Japan.

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

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

- Development of social infrastructure to expand and strengthen the functions of existing local R&D centers needed for joint research.
- Formation of a mechanism and community where Japanese companies and universities can connect with local companies and universities in ASEAN and where researchers can find co-creation partners and form a partnership with ASEAN companies.

Promoting Business Model Innovation

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

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

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

- Development of a co-creation environment where ASEAN-Japan companies (such as large companies, MSMEs and startups) can form partnerships and obtain access to 'test fields', 'finance', 'information' and 'network' that are necessary to conduct pilot projects.
- Promotion of "Leading industries", "Rule development" and "Financial assistance" towards creation of new

industries by ASEAN-Japan companies

- Development of mechanism to ensure fair and free competition (e.g., competition policies such as Intellectual Property (IP) protection and competition laws).

'Strengthening cyber and physical connectivity'

Strengthening physical connectivity

- **Developing strong, safe and secure quality infrastructure to be developed together in ASEAN and Japan.**
 - Promotion of high-quality economic infrastructure based on trust between ASEAN and Japan (development of infrastructures such as roads, bridges, ports, airports, power generation facilities, etc. in the East-West Economic Corridor, the Southern Economic Corridor and the Maritime ASEAN Economic Corridor and development of digital infrastructure such as 5G technology and communications networks such as submarine cables)
 - Infrastructure development by using technology of extending the service life of infrastructure.
- **Infrastructure maintenance and management technology to be learnt together in ASEAN-Japan**
 - Improvement of infrastructure maintenance and management technology by utilizing Japan's knowledge, experience and know-how in cost-effective infrastructure maintenance and management.
- **Institutional design and rule formation for new infrastructure development and operation**
 - Establishment of interoperable standards by ASEAN and Japan for the introduction of science, technology and design, which is necessary to implement new urban developments (e.g. smart mobility, robotics, space infrastructure, disaster sensing, etc.)
 - Collaborative formulation of rules and systems for efficient and fair operation and trade in smart cities

Strengthening Institutional Connectivity

- **Smooth ASEAN-Japan trade through the integration of logistics, commercial and financial flows**
 - Resolving the complexity of information linkages and omissions in the application of Economic Partnership Agreements by digitalization.
 - Building financial blockchains where Japan has strengths, such as digital currencies.
 - Building an ASEAN-wide platform for more efficient data sharing
 - Streamlining trade procedures such as certificates of origin through the promotion of digitalization such as blockchain technology.
 - Harmonization of customs and tariff procedures in ASEAN and Japan.
- **Realization of ASEAN-Japan wide data integration**
 - Realization of advanced data integration such as carbon footprint and human rights in the supply chain.
 - Establishment of mechanisms/platforms for data integration in areas where confidentiality and trust are required for data management and fairness in sharing without monopoly (e.g. digitalization of the Maternal and Child Health Handbook).
- **Formation of international trading rules from ASEAN**
 - Promotion of a more advanced, resilient and green supply chain sophistication by using digital technology
 - Building a supply chain that can monitor indicators and data on the status of decarbonization and human rights initiatives.
 - Enhancement of the benefits of data collaboration as well as the development of rules in data sharing and data

sovereignty (DEFA: Digital Economy Framework Agreement)

- Accumulating case studies on data integration and data sharing in ASEAN.
- Database construction for data sharing and utilization across company boundaries.
- Ensuring cybersecurity and forming the rules of privacy protection.

'Building an Ecosystem for Co-Creating Vibrant Human Capital'

'Maximize opportunities for personnel exchange'

■ Realizing brain circulation that takes place in ASEAN and Japan

- Expanding opportunities for mutual study, training and internship between ASEAN and Japan.
- Creating opportunities for interactions between the next generation of managers, entrepreneurs, researchers and policy makers who will be leading the future of ASEAN and Japan.
- Improving an environment to promote the verbalization of human resource requirements, acceptance system, living environment, etc. that will encourage companies to accept highly skilled personnel.

■ Improving the environment through the removal of barriers to the return of human resources to the ASEAN-Japan region

- Conducting research on the impact of digital technology on employment and labor.

'Maximize human resource development opportunities'

■ Maximize opportunities to learn in ASEAN and in Japan

- Promotion of young Japanese personnel to work or intern in ASEAN companies and young Japanese entrepreneurs into the region.
- Support for the employment of ASEAN personnel in Japanese companies in ASEAN and at their head offices in Japan, as well as for the promotion of personnel exchange between ASEAN and Japan.
- Offering opportunities for ASEAN human resources to undertake Japanese style engineering education provided by KOSEN (technical schools) in collaboration with local universities.
- Promote the development of human resources (social entrepreneurs) who can innovate to solve socio-economic problems.
- Training of incubators, accelerators, investors and other human resources to support entrepreneurs
- Develop an environment to enhance people's understanding in science and technology and their own purpose in society, which can be applied to their respective companies.

■ Formation of an ASEAN-Japan human resources development network

- Promoting networking between next generation young and executive candidates from ASEAN and Japan companies.
- Implementation of new network management using existing networks, both bilateral and multilateral partner, such as public and researcher networks, to develop human resources in multi-institutions (industry, government, academia and money).

Cross-Industry and Cross-Sectoral Initiatives outside the Four Pillars

■ Improve agricultural productivity to achieve food security

■ Solving challenges through finance

- Developing impact indicators and methodologies for impact investment to enhance impact investment and create new flows of private financing for impact driven business.

- **Solving problems through SME promotion**

- Setting up a 'forum' for the exchange of information between small and medium-sized enterprises from ASEAN and Japan.

END