

40th Joint Meeting of the Japan New Zealand Business Council Chairmen's Summary

November 8th, 2013

The 40th Joint Meeting of the Japan New Zealand Business Council was held over three days from November 6th to 8th, 2013, in Matsuyama City, Ehime Prefecture. The meeting was attended by 110 participants, 60 from Japan (including 4 from Ehime Prefecture and Matsuyama City) and 50 from New Zealand.

The Opening Ceremony consisted of addresses by the chairmen of both committees (Mr Ryu Yano and Mr Ian Kennedy), followed by congratulatory messages from the Ambassadors Yasuaki Nogawa and Mark Sinclair, as well as from Mr Koji Morita, Chairman of the Matsuyama Chamber of Commerce and Industry.

In the Keynote Address, JTB President & CEO Hiromi Tagawa gave a speech entitled "Global Tourism Trends and the Roles of Tourism Industry."

Mr Tagawa underlined the importance of tourism, pointing out that the industry has a very wide base and that the direct economic effect of global tourism is twice that of the auto industry (US \$2 trillion), accounting for 9.1% of the entire world's GDP. He also mentioned Japan's efforts to establish itself as a "tourism nation," and proposed that it would be essential, in the tourism industry, to create a unified regional brand. This could be done by expanding global population exchange through the "power of travel," and by converting tourism to a "sixth industry" in order to produce flows of people in addition to flows of goods and services.

Mr Norm Thompson of Air New Zealand followed this by stating that tourism is a key industry supporting New Zealand's economy, and that Japan is an extremely important and valuable market, not only in terms of tourism but also logistics, with a particular emphasis on agricultural and fishery product exports. He also stressed the attractiveness of New Zealand from a business perspective, such as for international conferences, and from an educational viewpoint, such as in terms of overseas study and language learning, R&D, and the like.

During the First Plenary Session, Mr Satoshi Miyamoto of JETRO and Mr Tony Alexander of the Bank of New Zealand gave speeches on "Economic Overviews and Prospects."

Mr Miyamoto explained the current situation of and prospects for the Japanese economy, now on the road to recovery thanks to the "Abenomics" effect. He also mentioned the creation of a system of special zones for national strategy based on the "Japan Revitalization Strategy," and the target of doubling the balance of inward investment by 2020. He stressed the attractiveness of the Japanese market as an investment destination, in that Japan represents an innovation hub and gateway to Asia for New Zealand.

Mr Alexander stated that although business investment is weakening, New Zealand's economy will extend upward by reconstruction-related demand following the Christchurch Earthquake and growth in housing and consumption. While the value of exports to Japan has fallen by 20% in five years, and China is now New Zealand's second largest export destination after Australia, he stressed that other markets such as Japan are also important to New Zealand's economy, and also pointed out that New Zealand should not depend too much on China.

During the Second Plenary Session, Dr Shinichiro Mori of Ehime University and Mr David McConnell of Auckland Tourism, Events and Economic Development gave speeches on the theme of “Investment & Infrastructure Opportunities -Vision for Tohoku/Auckland & Christchurch.”

Dr Mori pointed out that what hindered disaster countermeasures in New Zealand - which is an “originator” of risk management, and Japan, a country that engages in risk management - was human psychology, which presents a barrier to disaster countermeasures. He presented cases in which cognitive bias hampered proper responses in the earthquake experiences of Japan and New Zealand.

Mr McConnell spoke about the investment and infrastructure opportunities in Auckland and Christchurch, as well as the required investment in dairy farming, irrigation, and oil and gas. He highlighted a likely capital funding gap in Auckland of NZ\$40-50 billion over 30 years, and future investments projects such as a city rail link. Christchurch is going to experience the single largest investment in a city in New Zealand history – estimated at NZ\$40 billion with multiple foreign investment opportunities available. Wider New Zealand opportunities include food and beverage, ICT, life science, tourism, screen, digital content, and international education.

During the Third Plenary Session, Mr Takashi Sasaki of Toshiba Corporation and Mr Doug Ducker of Pan Pac Forest Products on behalf of Mr Bernard Hill of Geothermal New Zealand gave speeches on the theme of “Resources and Energy - Post-Fukushima Energy Outlook: Business Opportunities & Challenges.”

Mr Sasaki presented Toshiba’s current efforts in the field of renewable energy solutions. Specifically, he mentioned Toshiba’s performance in the hydropower and geothermal fields all over the world, rehabilitative projects anticipated for the future, and turbine technologies that require no maintenance for approximately 10 years.

Mr Ducker outlined Geothermal New Zealand’s belief that growth in geothermal business would provide many investment opportunities for both Japan and New Zealand. He pointed out that the two countries need to utilize each other’s advantages such as financing, engineering, investigative research, and need to develop projects based on a strong partnership that would include the involvement of both governments.

During the Fourth Plenary Session, a discussion was held on the theme of “Agriculture, Forestry and Fisheries - Marketing to Japan.” Speeches were given by Mr Akira Ichikawa of Sumitomo Forestry and Mr Craig Smith of H.Dawson.

Mr Ichikawa outlined the ongoing commercial efforts for wood biomass power generation, using Japan’s FIT system launched last year for urging the diffusion of renewable energies. He also stressed the importance of wood biomass power generation through cooperation between the two countries in contributing to the global environment and making effective use of untapped biomass resources existing in Japan.

Mr Smith highlighted the mutually cooperative relationship between the Konaka suit company and New Zealand wool company H.Dawson, which started last year, as a case study involving the apparel markets between the two countries. He stated that direct two-way communication between top management, the creation of a win-win relationship, and respect for each others’ business cultures would be necessary in order to create innovative markets.

During the Fifth Plenary Session, Mr Seiji Kondo of Shikoku Towel Industrial Association and Mr Makoto Kinjo of ANZCO Foods Japan gave speeches on the theme of “Food & Manufacturing - Improving the Efficiency of Manufacturing in High Labour Cost Countries.”

Mr Kondo discussed the progress made with the “Imabari Towel” and initiatives aimed at branding. He stated the need to clarify and define the “attraction and excitement” generated by a product as its essential value when branding, and the importance of creating a mechanism to convey such value to the world.

Mr Kinjo mentioned that the Wakanui brand has become very successful based on bilateral cooperation between Japan and New Zealand. He stressed that the key thing with marketing is that we must consolidate our own position in the market by improving product value and quality.

During the Sixth Plenary Session, Dr Toshiaki Takahashi of Diatranz Otsuka Limited and Mr Richard Leggat of Education New Zealand gave speeches on the theme of “Services – Healthcare/Education - Responding to the Needs of Modern Society.”

Dr. Takahashi presented possibilities for technical development in the medical care field to be based on cooperation by companies in both countries. He touched on R&D for a Type 1 diabetes treatment using insulin producing cells from Auckland Island pigs being conducted by New Zealand’s LCT and Japan’s Otsuka Pharmaceutical.

Mr Leggat spoke about Education New Zealand’s new brand “Think New” to market education in NZ to overseas markets including Japan. He mentioned that New Zealand ranks among the best internationally, and provides a first class education system and great living experience – a “home away from home”. He stressed that there is a natural interface between the Japanese Government’s desire to internationalize and the high quality services on offer in NZ.

During the Seventh Plenary Session, Mr Takao Kusakari of NYK Line, Mr Kazuhisa Shinoda of Oji Holdings Corporation, Mr Paul Gestro of the Bank of New Zealand, and Ms Ryann Thomas of PWC Tokyo took to the podium to hold a “General Discussion among Delegates.” They pointed out about the necessity of agricultural reform in Japan and the importance of business creativity, also the necessity of cooperation with Japan and New Zealand for the third country. For more detail, see attached annex.

<Annex>

In the Seventh Plenary Session, Mr Takao Kusakari of NYK Line, Mr Kazuhisa Shinoda of Oji Holdings, Mr Paul Gestro of the Bank of New Zealand, and Ms Ryann Thomas of PricewaterhouseCoopers Tokyo took to the podium to hold a “General Discussion from Delegates”. With contributions from the floor, the discussion included future challenges, opportunities and prospects between the two countries, as gleaned from the Meeting over the previous two days.

Mr Kusakari spoke about the struggles within the Japanese agriculture industry, particularly around farming being available only to the land owners. Production has dropped significantly, with some land being abandoned by the land owners who are largely now retired. Drastic reform is required, and the new Abe government will provide some strategy for growth including the removal of subsidies. If and when TPP is concluded, it will help to remove barriers for New Zealand, which will assist the dairy industry in particular via the removal of tariffs. He suggested that the next JNZBC conference might cover the merits and demerits of this likely change.

Mr Shinoda spoke about how Oji Holdings is investing heavily overseas, with increases from 4% to 22% in recent times. Pan Pac Forests in Napier is a good example, and they are looking at further investment in renewable forestry in New Zealand. Further discussion at government and private sector level is required to create win-wins.

Ms Thomas spoke about her role at PWC to help Japanese companies with their overseas investment. She spoke about the issues in relation to transfer pricing, and how some Japanese companies are using innovation and new strategies to combat this. She stressed the importance of Japan and NZ to work together to provide solutions to third countries, and that such a collaborative approach provides great leverage in overseas markets. She stressed the need for an ‘action plan’ post conference in order to make the conference relevant for businesses.

Ms Gestro said that ‘collaboration’ and ‘focus’ are the two keywords to consider going forward in the relationship. Bilateral tourism has great opportunity. Investment in infrastructure in both countries also provides opportunity. Alternative energy sources are important for both countries. The importance of branding, and market development were evidenced in various success stories throughout the conference. Education opportunities exist for Japanese youth to receive relevant training in NZ for their personal internalisation within their own career.
