

41st Joint Meeting of the Japan New Zealand Business Council
Christchurch: 24-26 November 2014
Chairmen's Summary

The 41st Joint Meeting of the Japan New Zealand Business Council was held over three days from 24 to 26 November 2014 at Rydges Hotel, Christchurch, New Zealand.

The Opening Ceremony consisted of addresses by the Chairmen of both Committees, Mr Kazuhisa Shinoda and Mr Ian Kennedy, followed by congratulatory messages from the Ambassadors H.E Mr Yasuaki Nogawa and H.E. Mr Mark Sinclair. Key themes were:

- The visit to New Zealand by Prime Minister Abe in July 2014;
- Significant opportunities to expand education partnerships through initiatives such as Education NZ's "Game On English";
- Trans-Pacific Partnership Agreement (TPP) negotiations - the focus of trade and economic dialogue between the two countries both at a political level and through high level Japanese business delegations to New Zealand;
- New directions in the relationship, especially the "Partnership in Food and Agriculture"; and
- The scope for collaboration through major events, especially the RWC Japan 2019 and the 2020 Tokyo Olympics.

Keynote Address: Mr Mike Sang, CEO, Ngai Tahu Holdings

The presentation canvassed the history of Ngai Tahu as an Iwi (tribe) and the growth of Ngai Tahu Holdings as a major commercial enterprise with investments in fisheries, tourism (e.g. the Shotover Jet and Kaikoura Whale Watch), aged care facilities (Ryman Healthcare), property development, and farming. Ngai Tahu was one of the first iwi to finalize a Treaty of Waitangi settlement.

The tribe has 53,000 members, and operates as a family business taking a long-term view of relationships based on the whakatauki ("kotowaza" or vision statement) "for us and for our children after us". Commercial success is measured in terms of jobs created, how much the activity supports the local community, and impact on the tribe's mana (political and community standing). Family bonds are important with collective needs placed over those of the individual.

Noting the similarities between Ngai Tahu philosophy and Japanese business practice, Mr Sang recalled the personal connection forged between Ngai Tahu Chairman Sir Tipene O'Regan and Tokyo-based Japanese businessman and philanthropist Mr Masashi Yamada. He recounted how, in the lead-up to Ngai

Tahu's treaty claim settlement, Mr Yamada had provided the iwi with a significant loan to help with its finances. Following the successful conclusion of its claim, and establishment of Ngai Tahu as a successful business operation, Sir Tipene had returned to Japan to meet with Mr Yamada in order to thank him and make the final repayment of the loan. Mr Yamada had graciously declined to accept the final repayment, however, and had directed that the money be used instead to fund scholarships for Ngai Tahu youth consistent with the original purpose of the loan.

Ngai Tahu is not doing much business yet with Japan, but it does not consider this an issue, as opportunities will arise to work together in the future, concluded Mr Sang.

First Plenary Session: "Economic Overviews and Prospects"

Co-Chairs: Mr Steven Counce, Corporate Affairs Manager, Fuji Xerox, & Mr Ryu Yano, Chairman of the Board, Sumitomo Forestry.

Mr Stephen Toplis, Head of Research, BNZ Markets, provided a comprehensive overview of the New Zealand economy. The key message was that New Zealand is in very good shape compared to many other developed economies with 4% growth "the strongest in a decade", 72,000 jobs created in the last 12 months; rising real wages, no sign of inflation; and close to fiscal surplus. He identified four main factors contributing to this position in addition to good economic settings: the Christchurch rebuild; strong terms of trade reflecting high commodity prices for NZ exports; high net migration; and low interest rates (meaning that the cost of debt was not prohibitive).

Looking ahead, some slowdown was anticipated over the next twelve months - the result of number of factors, including a drop in commodity prices, interest rates increasing, and the contribution of the Christchurch rebuild slowing. The only question was the likely order of magnitude of the slowdown. In commenting also on the evolving political environment in New Zealand, Mr Toplis suggested it would be important to watch the impact that the Green vote could have on the business environment and the direction of New Zealand economic and environment policies.

Mr Daisuke Hiratsuka, Executive Vice President, Japan External Trade Organization (JETRO) commented that the Japanese economy had recovered under the "three arrows" of "Abenomics" - monetary policy, fiscal policy and structural reform. In the second and third quarters of 2014, however, the economy had fallen back into recession partly as a result of the dampening effect of the April 2014 sales tax increase from 5% to 8%. As a result, PM Abe had deferred the scheduled second sales tax increase from 8% to 10% planned for October 2015, by 18 months, to April 2017. Revitalization of the Japanese economy remained a work in progress, but overall the economic

outlook for Japan was "not so bad".

Turning to the Japan/New Zealand bilateral relationship, Mr Hiratsuka noted that one third of New Zealand's exports to Japan were sourced from Japanese companies. At the same time, he remarked on structural change in the Japanese economy away from producing finished products for export to production of parts and components as inputs for final manufactured goods assembled overseas, particularly in Asia (ASEAN and China). The same trend applied to Japanese companies operating in New Zealand who were diversifying their exports to third country markets, especially China. This made it difficult to get an accurate measure on the value of the New Zealand Japan relationship by looking at the trade statistics on their own.

Second Plenary Session: Investment & Infrastructure Opportunities
Co-Chairs Mr Peter Townsend CNZM, Chief Executive, Canterbury Employer's Chamber of Commerce, & Mr Takao Kusakari, Board Counsellor, NYK Line.

Mr Murray Cleverley, General Manager, Greater Christchurch Investment Strategy, CERA, outlined the vision for the re-build of Christchurch as a dynamic, creative, distinctive, green, compact, and prosperous modern city. The process was now about 25% completed with many new buildings under construction or planned for construction in 2015. Major projects such as the cricket oval had already been completed. Christchurch was "open for business!"

Mr Kazuhiko Kamada, President, Oji Forest & Products, outlined the extent of Oji Holding's interests in New Zealand commencing with Pan Pac in 1971. That investment had led to the introduction of the "Nepia" tissue paper band - known throughout Japan - named after Napier. More recent investments included Carter Holt Harvey and Southern Cross Forest Products. In outlining the reasons why Oji had looked to New Zealand initially and continued to build on its business investment, Mr Kamada listed the abundance of soft wood resource, trust, and political stability as key factors that all contributed to long term, successful, export oriented, value-added collaboration between New Zealand and Japan.

Third Plenary Session, "Primary Industries and Food"
Co-Chairs: Mr Doug Ducker, Managing Director, Pan Pac Forest Products Ltd, & Mr Akira Ichikawa, President, Sumitomo Forestry.

Ms Jen Scoular, CEO, New Zealand Avocado outlined developments in the New Zealand avocado industry. Currently, Australia was the largest market for New Zealand avocados, but research pointed to the potential for significant growth in demand in Asia (South Korea, Malaysia, Thailand and Japan). Under the brand of "Amazing Anytime", the New Zealand avocado industry

has held a number of successful marketing events in Japan, including a function at the New Zealand Embassy in Tokyo and a live talk show focusing on the health, beauty, and food safety benefits of New Zealand avocados designed to raise the level of product awareness of avocado in Japan.

Mr Yasushi Takahashi, Executive Managing Officer, Mitsui & Co and Chairman & Managing Director, Mitsui & Co (Australia & New Zealand) commented on Mitsui's long history of involvement in commodities trade, including construction materials, food products and chemicals. With a market presence in 66 countries and more than 140 offices overseas, Mitsui had diversified its operations to become a "one-stop shop", connecting international businesses. Now in its 80th year, having first opened an office in Wellington in 1934, Mitsui supplied steel products for the Auckland harbour bridge. It had been involved also in the Kupe gas development and the Taharoa iron sands development. More recently, Mitsui had diversified its operations beyond commodity trading to invest in businesses such as Lanzatech and Synlait. In outlining the reasons why Mitsui had looked to New Zealand as a business partner, Mr Takahashi observed that New Zealand was well regarded as a reliable source of safe food products, and global demand for these would always exceed supply. He remarked further that Mitsui would continue to seek new business opportunities in New Zealand including, collaboration with Maori interests in agriculture and in geothermal development.

Mr Philip Turner, Director, Dairy Development, Fonterra, commented that, as a small country, New Zealand's focus inevitably needed to be on export to international markets. As the world's largest processor and exporter of dairy products, Fonterra understood that in order to be globally relevant, it was not enough to focus only on selling products. It was important also to understand the communities the company was selling into in order to make a difference to the lives of local people. Fonterra's work in this area was led by the Dairy Development team. The job involved working actively with local communities overseas to help build sustainable production systems and improve the livelihood of farm communities. In Japan, New Zealand had a long-standing link with Hokkaido through the Grassland Farming School. Fonterra was looking to build on this further by providing technical assistance in grassland pasture management. It had projects also in China, Myanmar and the Philippines and had signed an agreement with MFAT's International Development Group to cooperate in international dairy development, providing an excellent example of how industry and government can work together.

Mr Takao Ouchi, Chief Executive Officer, Champion Flour Milling outlined the operations of Champion Flour. The company (established in 1856) is New Zealand's largest milling company with a 55% market share of New Zealand's cereal based products. Headquartered in Auckland, Champion Flour has two milling sites in Christchurch and Mt Maunganui. The company produces an

extensive and innovative range of food items, including flours and speciality grains, meals, bread and cake mixes, coatings, and a variety of other baking ingredients. Most of New Zealand's wheat is grown in the Canterbury region. Wheat is imported also from Australia. Nisshin Flour Milling (Japan's largest flour milling company with 9 plants) purchased Champion Flour in February 2013. The purchase reflected Nisshin's mid-term strategy to address declining domestic demand (as a result of demographic change in Japan) through mergers, acquisitions and business alliances, including purchase of businesses overseas in the US, Vietnam and Turkey, as well as New Zealand. It's a relationship that works both ways. Champions' services to customers and baking partners through its specialist technical and product development teams, have benefitted also from access to the global expertise of Nisshin Flour Milling.

Fourth Plenary Session: "Creative Industries"

Co-Chairs: Ms Annette Azuma, Director, Business Advisory Services, Staples Rodway Ltd, & Mr Hiromu Tada, President, Tasman Corporation.

Ms Peri Drysdale MBE, Founder & CEO, Snowy Peak Ltd & Untouched World first entered the Japanese market through a distribution deal with Isetan in 1995. The following year, after extensive research and development work, she launched her fine merino brand, Merinomink in Japan. At the APEC Leaders meeting in Auckland in 1999, United States President Bill Clinton endorsed the Untouched World garment he was gifted as the "the smartest garment (he'd received) in his seven years as President." Most recently Prime Minister Abe and Mrs Abe were gifted garments from the latest "Kapua" blend of possum down, cashmere, and silk clothing by Untouched World. In recognition of its efforts in the area of education for sustainability, especially through the Untouched World Charitable Trust, in 2007 Untouched World became the first fashion company globally to be authorized by UNESCO to carry the United Nations Decade of Education for Sustainable Development (UN DESD) logo on its labelling.

Mr Masa Sekikawa, Managing Director, Sakura Television Network, outlined how he had established World TV in 1999 to meet the growing demand in New Zealand for multi-lingual Asian language television. Based on the success of World TV, he had then founded Sakura TV in 2004 to broadcast Japanese programming in English drawn from NHK World. The advent of the Internet and smart TVs had made it easy to export television programs. At the same time, from December 2013, TV in New Zealand had become fully digital. Access to a huge multi-channel environment of TV programs had opened the door to Asia, including K-Pop, for all New Zealanders, but it had also highlighted the lack of English language Japanese TV content relative to large volume of programming available from other countries. Sakura TV had the technical capability to re-broadcast Japanese programs, but had experienced difficulty in securing English language content. Copyright, pricing structures,

illegal streaming websites, and broadcasting legislation were issues that needed to be addressed, he suggested.

Mr Malcolm Rands, Chief Executive, Ecostore outlined the establishment of Ecostore as a boutique mail-order business in 1993. After assessing the crowded retail marketplace for cleaning products, the company decided to compete by being "quiet" - using black and white packaging and images from New Zealand artists on its packaging. In 2006 Ecostore launched its product range of household cleaners, body and baby care products into New Zealand supermarkets, and it expanded into Australia in 2008. US distribution followed in 2009. Ecostore products are sold at full concentration in order to keep volumes to a minimum and reduce the carbon footprint involved in transport. Although the brand was initially developed with the environment in mind, it has been found to have significant health benefits also. Skin care products are a growing market for the company reflecting rising health consciousness among consumers and concern about the negative side-effects of chemicals.

Fifth Plenary Session: "Innovation & Technology"

Co-Chairs: Mr Andy Hamilton, CEO, The Icehouse, & Mr Takao Kusakari, Board Counselor, NYK Line

Mr John Morgan, South Island Manager, New Zealand Food Innovation Network (NZFIN) outlined the role of the Food Innovation Network in supporting the growth and development of value-added New Zealand food & beverage businesses. NZFIN has five offices located throughout New Zealand. It acts to provide access to science and technological resources and equipment and infrastructure to build industry capability and speed the process to product development from concept to commercialization in order to boost production and export of New Zealand's processed foods.

Mr. Yukihiko Kazao, Executive Officer, Corporate Vice President, General Manager, Power and Industrial Systems Research and Development Center, Power Systems Company, Toshiba Corporation, outlined Toshiba's expertise in the effective generation and utilization of energy. Current areas of focus were cutting-edge power-saving technology, tidal power generation technology; smart grid technology, and smart building energy management systems.

Mr Andrew Riddell, Managing Director, Allied Telesis, described the company as a world leader in delivering IP/Ethernet network solutions to the global marketplace. In 1998, when the then New Zealand firm was purchased by Allied Telesis KK, Mr Riddell described how impressed all the staff had been that the company president visited personally to establish contact at an individual level. He outlined also how, after the acquisition, there were some mismatches in expectations. The New Zealand firm had learned that Japan demanded very high product reliability and service quality, and the Japanese

parent had learned that the New Zealand firm was agile in the way that it dealt with product issues. A mark of the success of the relationship and the degree of mutual respect was that Allied Telesis had "never transported a manager to New Zealand from Japan". The secret to the successful relationship between the Japanese parent and New Zealand subsidiary was the sense of partnership and mutual respect for one another stemming from common values and shared interests relating to the importance of consensus, honesty in relationships, reliability in delivering on agreed actions, and a commitment to continuous improvement.

Commenting from the floor, Mr Jonny Hendriksen, CEO, Shuttlerock, echoed the same advice that "to be successful in Japan, it was important to do things perfectly". For that reason, Shuttlerock had decided to enter the market in association with an established Japanese company, rather than marketing directly from New Zealand. In this way, it was learning how to globalize in partnership with Japan.

Sixth Plenary Session: "Tourism & Major Events"

Co-Chairs: Mr Norm Thompson, Chairman, Golf Tourism New Zealand; Member, BMW NZ Open Organizing Committee; Member, New Zealand Tourism Board; Deputy Chair, Auckland Tourism, Events and Economic Development (ATEED), & Mr Hideharu Tsubota, President, Ishigaki Service Corporation, Associate Advisor, Japan Chamber of Commerce & Industry.

Mr Thompson began the session by announcing Oji Holdings as a new major sponsor, and Sumitomo Forestry as a sponsor, of the 2015 BMW NZ Open Golf Championship. Mr Thompson also announced that JTB Corp would once again be a supporting sponsor of the tournament, as would Furuuchi Kamejiro Shoten - a company owned by Mr. Furuuchi who is the only Japanese member of The Hills golf club. With supplier support coming also from other Japanese-owned New Zealand based subsidiary companies, Asahi Beer and Frucor, there was clear evidence of the strength of the relationship between Japan and New Zealand through this major sporting event.

Mr Richard Thomson, General Manager Networks, Air New Zealand, remarked on the pleasing 6% increase in the number of Japanese tourists to New Zealand during the third quarter of 2014, relative to flat or declining growth in Japanese tourist numbers to other long-haul destinations. Air New Zealand was also seeing growth in the number of New Zealand travellers to Japan. Company forward planning provided for a 23% increase in seat capacity out of New Zealand to Japan in 2015. With the introduction of the new 787 Dreamliner on the route, Air New Zealand had set itself an ambitious but attainable goal to double the number of travellers from Japan to New Zealand to 150,000 by 2020.

Mr Naoyoshi Tashiro, Managing Director, JTB New Zealand, provided a comprehensive overview of tourist flows between New Zealand and Japan. Key points were: the numbers of Japanese tourists to New Zealand had gradually increased since the drop following the Christchurch earthquake. JTB's most recent survey of desirable travel destinations placed New Zealand inside the top ten (in 9th place), considerably up on 17th in 2012/13. The ranking confirmed that New Zealand remained a top destination, but the high cost of travel was an inhibiting factor. In deciding where to travel, 36.8% of Japanese looked at brochures, while 19% searched on Internet. High quality brochures remained an important promotional tool especially for long haul destinations, but could be expensive to produce just for New Zealand given the relatively small pool of potential travellers. This had led travel companies to produce combined "Oceania" brochures covering both New Zealand and Australia which could be at the expense of a clear New Zealand tourism image. Major sports events had a huge impact on the level of interest in host countries, e.g. heightened exposure of New Zealand in the run-up to RWC 2011 had resulted in a 17% percent increase in the level of Japanese awareness of New Zealand. It followed that events such as the 2015 BMW NZ Golf Open in Queenstown, RWC 2019 Japan, and the 2020 Tokyo Olympics presented big opportunities to expand tourist numbers between New Zealand and Japan.

Mr Malcolm Johns, Chief Executive, Christchurch Airport, remarked on the high cost per tourist of promotion in Japan, but observed also that the high repeat visitation rate (of 2.7 visits per tourist) justified investment in the Japanese market.

Seventh Plenary Session: "Education"

Co-Chairs: Mr Jason Reeves, Trade Commissioner, Japan, New Zealand Trade and Enterprise, & Mr Hiromu Tada, President, Tasman Corporation.

Mr Grant McPherson, CEO, Education New Zealand (ENZ) underlined the importance of Japan as an education partner providing the 3rd largest number of overseas students to New Zealand. He observed it was pleasing to note also that student numbers had been increasing. Key factors for Japan in considering New Zealand as an education destination were the high international standing of the universities and New Zealand as a safe country. The New Zealand government was keen to increase the value to the economy of international education. With this in mind, and for relationship building reasons, ENZ was committed to develop innovative programs to encourage more Japanese to study English in New Zealand in advance of RWC 2019 and the 2020 Tokyo Olympics. "Game On English" was one such initiative designed to combine English language tuition with study of another discipline. The government was keen also to encourage more New Zealand students to study in Japan.

Professor Hiromi Maenaka, Director, Global Studies & Director, Center for Promotion of International Liberal Arts Education, Advanced Education (Global Studies Program), Undergraduate, Akita International University, commented on the two main drivers of Japanese government international education policy designed to promote the development of global citizens (graduates from university): demand by Japanese companies for graduates with English language and cross-cultural skills able to operate comfortably and effectively in offices overseas; and reversing the trend among young Japanese to be inward looking and not motivated to go overseas.

She remarked also that Akita International University (AIU) was receiving local and central government funding support for its efforts to become a leading international university ("Super Global University"). In addition to traditional methods of encouraging foreign student exchanges, AIU programs included encouraging staff exchanges with partner universities overseas (15 per year) to develop international teaching methods, and the introduction of a "24/7" English language speaking environment, bringing native Japanese speakers and foreign language students together in daily contact to foster the development of truly global citizens well qualified to become future world leaders.

Eighth Plenary Session: "Open Discussion"

Co-Chairs: Mr Ian Kennedy, Chairman, New Zealand Committee, & Mr Kazuhisa Shinoda, Chairman, Japan Committee

Mr David McConnell, Managing Director, McConnell Group, Mr Norm Thompson, Deputy Chair, Auckland Tourism, Events and Economic Development, Mr Akira Ichikawa, President, Sumitomo Forestry Co., Ltd; and Mr Moriyasu Kawamura, President, Toranomom Jitsugyo Kaikan Co., Ltd led off the session. Points raised in discussion including comments from the floor focussed on:

- the strength of New Zealand/Japan trade and economic connections at a personal level;
- the importance and diversity of business linkages between Japan and New Zealand with major companies on both sides committed for the long haul and to continuous improvement;
- the degree to which trade is not limited to two way direct trade, but increasingly also involves trade with third country markets;
- recognition that this trend tends to go unrecognized both in the official trade statistics and by the media;
- associated with this, the need for more advocacy to accord due recognition to the value of New Zealand/Japan trade linkages; and
- the potential benefits to both countries of finding a way forward to conclude the Trans Pacific Partnership Agreement.