

**Mekong–Japan Industry and  
Government Dialogue  
&  
MJ–CI Action Plan**

Ministry of Economy, Trade and Industry  
Kunihiko Shinoda  
December 14, 2010

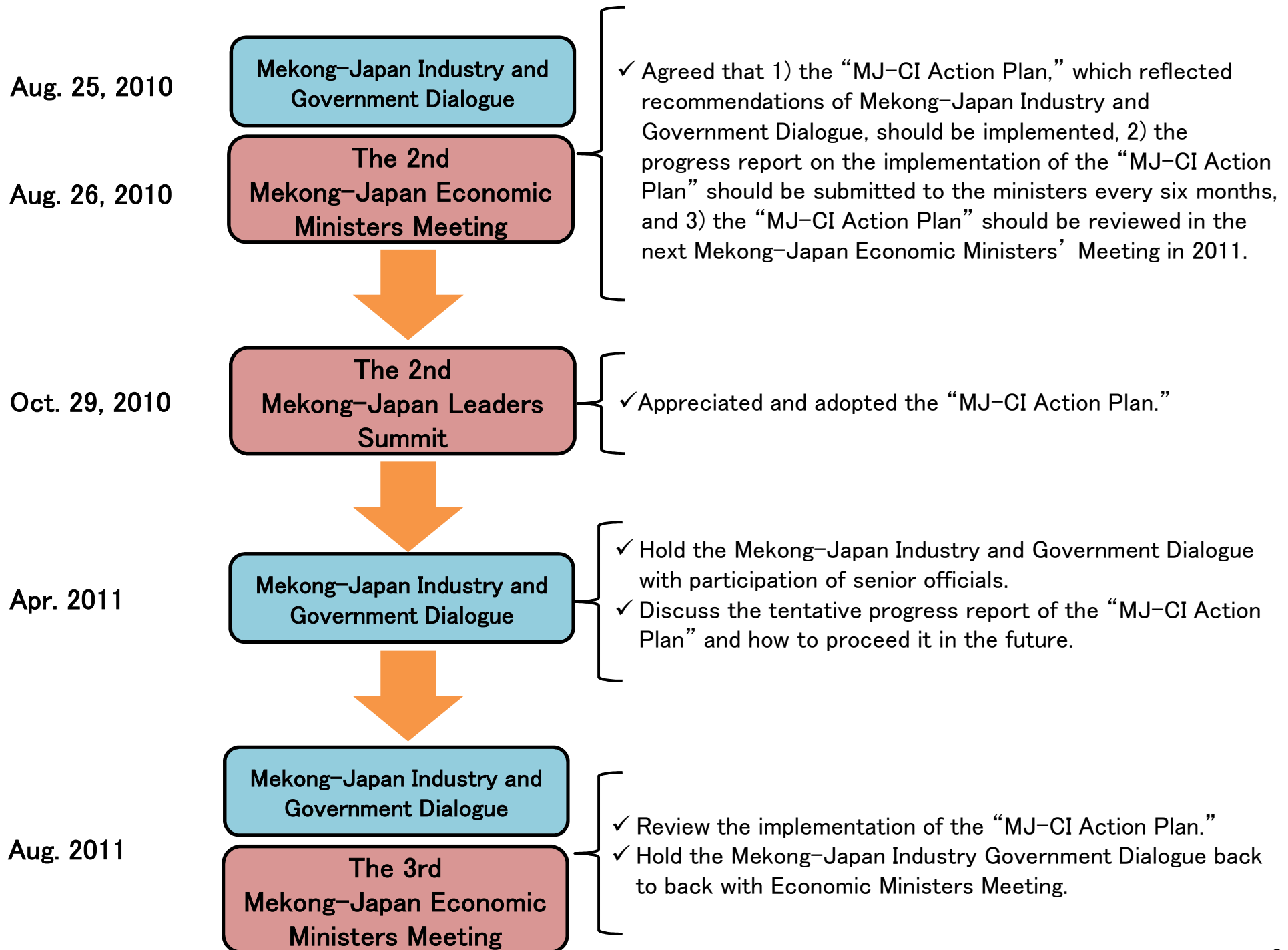
# Background and Future Schedule of the “MJ-CI Action Plan”

## <Background>

- Japan External Trade Organization proposed that Mekong countries should improve their business environment to promote investment of Japanese companies in this region at the first Mekong–Japan economic Ministers Meeting in October 2009. In addition, at the same meeting, Mr. Naoshima, the former Minister of METI, proposed “Mekong–Japan Economic and Industrial Cooperation Initiative (MJ-CI)” regarding 1) development of hard infrastructure, 2) trade facilitation/improvement of logistics, 3) enhancing SMEs/supporting industries/entrepreneurship, and 4) enhancement of service sectors and new industrial sectors, which was agreed on by ministers of Mekong countries. Subsequently, leaders agreed with the “MJ-CI Action Plan” at the first Mekong–Japan Leaders Summit in November 2009.
- In June 2010, business leaders of Mekong countries and Japan discussed detailed cooperation in this region and presented the “Business Recommendations on the MJ-CI Action Plan.” to the governments. Based on the recommendations, Mekong countries and Japan formulated the “MJ-CI Action Plan.” At the second Mekong–Japan Economic Ministers Meeting in August 2010, they agreed that the “MJ-CI Action Plan” should be implemented in cooperation with businesses.
- In October 2010, leaders highly appreciated and adopted the “MJ-CI Action Plan” at the second Mekong–Japan Leaders Summit.

## <Future Schedule>

- In April 2011, Mekong–Japan Industry and Government Dialogue will be held with participation of senior officials. Senior officials and business leaders will discuss tentative progress report on the implementation of “MJ-CI Action Plan” and how to proceed cooperation between the Mekong countries and Japan.
- The “MJ-CI Action Plan” will be reviewed at the third Mekong–Japan Economic Ministers Meeting to be held in August 2011. Mekong–Japan Industry and Government Dialogue will be held back to back with the Mekong–Japan Economic Ministers Meeting.



# Action Plans in Progress Conducted by the Japanese Government (Major Examples)

## Hard Infrastructure

- Pledge ODA (yen) loan for Lach Huyen seaport and road linkage with Hanoi.
- Conduct the study of the road along the East-West Economic Corridor to specify the parts required for restoration.
- Draw up the feasibility study on construction of the Vientiane Special Economic Zone (SEZ). /Dispatch experts on investment to the LAO PDR government.
- Accelerate the construction of Cai Mep-Thi Vai seaport with the use of ODA (yen) loan, aiming at finishing the construction by 2012.
- Hold policy dialogues, seminars and workshops, and dispatch experts to enhance PPP institutional frameworks in Vietnam and Thailand.

## Trade facilitation/Logistics

- Conduct the study for gathering information about customs in the Mekong countries to introduce fast lane systems and to research the possibility of realizing 24 hour customs operation.
- Conduct training courses for customs and trade administration agencies.
- Dispatch experts or conduct group training upon the requests from Mekong countries. (e.g., training for customs officers, capacity building for logistics companies)

## SMEs and supporting industries

- Dispatch experts to introduce “Shindanshi” as an official business consultant qualification system in Thailand./Conduct workshops on “Shindan” (diagnosis) capacity of business consultants in Cambodia and Vietnam.
- Dispatch technical assistance (electric, automobile parts engineers, corporate managers, finance) experts.
- Enhance SME financing through “two-step loans” and hold credit guarantee seminars that focus on how to build governmental agencies.

## Service sector and new industrial sector

- Conduct investigation of productivity/quality on food processing industry and identify the obstacles that hinder investment from Japanese companies.
- Conduct cooperation for strengthening the capacity of government institutions in charge of tourism.

# **Business Recommendations on the MJ-CI Action Plan (Summary)**

July 2010

## **I. Hard infrastructures**

- In order to promote economic and industrial development in Mekong region, it is important to expand agglomerations of manufacturing and service industries to wider areas in the region, although it has concentrated in a limited number of big cities.
- For that purpose Mekong countries and Japan should develop and improve
  - I. seaports and airports functioning as windows of foreign trade,
  - II. road and railways connecting big cities along major economic corridors such as East-West Economic Corridor and Southern Economic Corridor, and
  - III. special economic zones and industrial and logistic parks functioning as production and distribution bases.
- Since some Mekong countries are faced with shortage of power supply, Mekong countries and Japan should construct highly efficient and eco-friendly power generation plants and develop regional power grids.
- Priority should be put on.
  - I. seaports such as Lach Huyen, Cai Mep-Thi Vai and Dawei/Ranong and road infrastructures to link them with production/consumption basis,
  - II. improvement of road on major economic corridors such as up-grading of EWEC in Lao PDR and upgrading of SEC in Cambodia (including ring-road around Phnom Penh),
  - III. development of mutual supply of electricity through development of power generation plants under regional coordination.
- It is necessary to develop financial schemes for the mobilization of a great amount of fund from various financial sources, including introduction of PPP schemes ensuring bankability of projects with the use of both public and private fund.

## **II. Trade facilitation/improvement of logistics**

- It is critical for business sectors in Mekong region to secure efficient transportation in shorter time and in scheduled time. While recognizing relevant government agencies' efforts, business sectors operating in this region are still face faced with the problems in smooth cross-border transactions in terms of regulations, technology and human resources.
- Since these problems are related each other, partial solution can have only small effects. Comprehensive solution is strongly needed to realize improvement of logistics, which will lead to enhanced connectivity of various industries operating in this region.
- Under these circumstances Mekong countries and Japan should take policy measures to enable manufactures in Mekong region, in such sectors as automobile, electrical and electronics, to transport finished products, parts and components across borders within a short period if they get a prior approval from custom offices..
- In particular Mekong countries and Japan should promote trade facilitation and improve logistics so that manufactures and forwarders in this region.
  - I. can apply for and be authorized under the AEO (Authorized Economic Operator) system beforehand,
  - II. do not have to wait for opening of custom offices, which are open 24 hours,
  - III. can finish custom clearance in 5 minutes with a few pages of document for AEOs,
  - IV. can enjoy one-stop service inspection and
  - V. do not have to change their vehicles at the border.
- Cooperation among Mekong countries as well as efforts by each country is substantial to realize smooth movement of goods in this region. In addition, Japan can play an important role to support Mekong countries in this sector.

### **III. SMEs/Supporting Industries/Entrepreneurship**

- With a view to further enhancing SMEs/Supporting industries in the region, measures related to both the attraction of foreign investments (especially from Japan) and further development of local SMEs to penetrate the global market should be accelerated.
  
- Priority should be put on,
  - I. further enhancement of human resource development (HRD) both private and government sectors through Japanese government agencies and ADB (Phnom Penh Plan),
  - II. further development of supporting industries in Viet Nam and labor-intensive industries in CLM countries,
  - III. enhancement of SME financing through “two-step loans” from relevant agencies such as JBIC, JICA and NEXI
  - IV. establishment/effective operation of SME development fund.
  
- In relation to them, movement of skilled labors inside the region should be further facilitated through simplification of immigration and development of special economic zones.



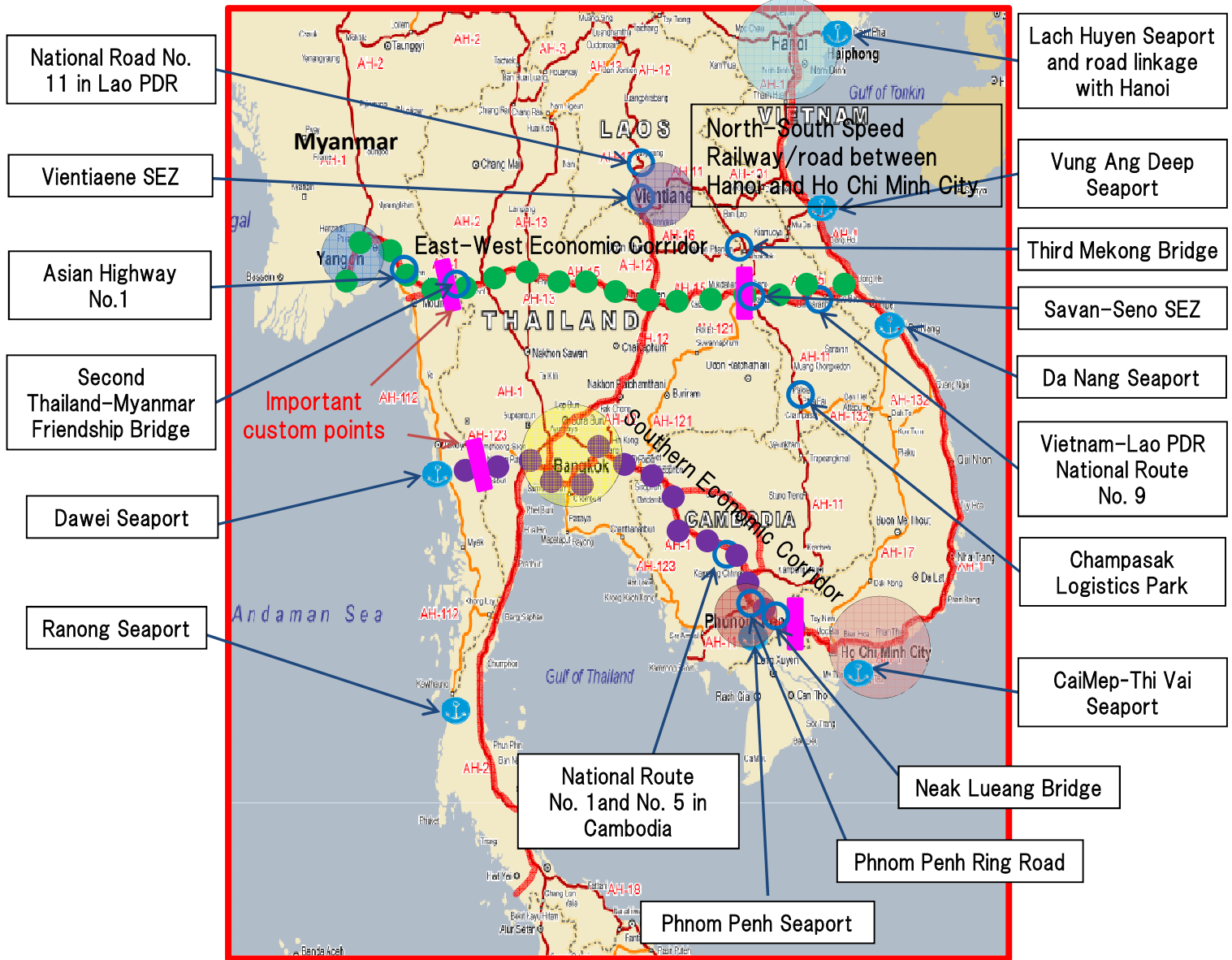
#### **IV. Enhancement of service sectors and new industrial sectors**

- It is highly recommended that government authorities from Mekong countries and Japan further promote development of new industries, including agro-based ones, tourism, IT-related, medical/health care and financial sector.
- Priority should be put on,
  - I. Food processing industry,
  - II. Water supply industry with new technology,
  - III. Tourism industries
- Sectors based on plentiful natural resources in Mekong sub-region (e.g., agro-industries) should be further promoted through improvement of productivity.
- Also, in order to ensure the stable supply of water from a regional viewpoint, both government and private sectors should devote efforts in introduction eco-friendly water supply systems (e.g., water recycling).
- Also, with a view to further enhancing the competitiveness of tourism sector, Mekong countries should take collective action to appeal the attractiveness of cultural/historical/natural aspects of this sub-region.

# **MJ-CI Action Plan (Summary)**

August 2010

# I Hard infrastructure / II Trade facilitation/Logistics



## <Other infrastructure>

- Mutual Supply of energy resources: Feasibility studies on the construction of power grid networks/Regional policy dialogue/Power development plan
- Low carbon infrastructures including power generation plants: High-efficiency coal-fired power/Nuclear power/Renewable energy, etc.
- Hard infrastructure related to urban development: Urban road networks/Urban railways/Airports/Water and sewage systems, etc.
- Financing schemes: Enhancement of a PPP institutional framework in Mekong countries/Enhancement of Japanese finance scheme for implementing PPP projects

## <Trade facilitation/Logistics>

- Realization of 24 hour custom operation: Realize 24-hour operation or introduce "advance notification system", on step by step approach, taking into account the current status of customs operations
- Harmonization/Simplification of documents: Harmonize the format of documents by employing the ASEAN Custom Declaration Format, etc.
- Introduction of fast lanes: Collect and analyze data to figure out frequent top 50 shippers and forwarders/Conduct a feasibility study of introducing fast lane systems
- Introduction/Improvement of IT technologies: Conduct a feasibility study for the introduction of an electronic clearance system/Introduce and improve e-custom systems based on the above study
- Human resources development: Implement projects such as training for customs officers and capacity building for logistics companies/Enhance effective training for capacity building
- Issues related to CBTA: Accelerate ratification of protocol and annexes/Effectively implement CBTA

### III Enhancing SMEs/supporting industries/entrepreneurship

#### <Development of supporting industries>

- “Shindanshi” (business consultant system): Introduce “Shindanshi” as an official business consultant qualification system in Thailand by 2011/Strengthen “Shindan” (diagnosis) capacities of government and private institutions and persons in Vietnam
- Management/Logistics/Accounting system: Accelerate training projects in such areas as the 5S basic management system and QCD/Develop knowledge of logistics through logistics seminars/ Study the introduction of a SME accounting system
- SEZ :Promote SEZ/Encourage Japanese investment through conducting seminars

#### <Promotion of human resource development (HRD)>

- Enhance technical assistance such as technical training for engineers and corporate managers through dispatching skilled Japanese technicians and business experts
- Develop incubation programs for entrepreneurs

#### <Enhancement of SME financing>

- Enhance SME financing for local SMEs through “two-step loans” from relevant agencies such as JBIC, JICA and NEXI
- Disseminate know-how on the Credit Guarantee System through holding seminars
- Promote capacity building for SME fund experts

#### <Others>

- Promote comprehensive SME development in collaboration with international organizations like UNESCAP and UNIDO

### IV Enhancement of the service sector and new industrial sectors

#### <IT-related industry>

- Nurture instructors on “The Information Technology Engineers Examination” (ITEE) through the dispatch of Japanese IT experts and training activities

#### <Food processing industry>

- Conduct a pre-feasibility study for the development of production and distribution centers for food processing and the improvement of quarantine techniques
- Promote exports of processed foods through holding workshops and seminars

#### <Garment industry>

- Provide training for production managers and instructors in the textile and garment industry

#### <Eco-friendly industry>

- Introduce the concept of eco-industrial town through conducting feasibility studies and organizing capacity building activities

#### <Health care industry>

- provide capacity building assistance for developing the healthcare industry (e.g. products and services using indigenous herbs)

#### <Tourism industry>

- Strengthen the capacity of government institutions in charge of tourism development