

Feature Article

Tourism exchanges between Japan and East Asia and the necessity for DX

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1. Introduction

Tourism exchanges greatly contribute not only to surrounding countries/regions, but also to each local region both materially and spiritually. Since 2020, countries around the world have imposed strict restrictions on the movement of people due to the Covid-19 pandemic.⁽¹⁻⁴⁾ As a result, the exchanges stagnated, which had a considerable impact on diplomacy. In 2023, many countries were loosening their restrictions, and the number of foreign visitors and business travelers is returning to pre-Covid-19 levels. In Japan, the number of foreign tourists increased by an average of approximately 3.2 million per year from 2011 (6.22 million) to 2019 (31.88 million), while bringing various effects. From 2020 to 2022, the world experienced a difficult situation as traffic decreased drastically due to Covid-19 restrictions. In 2023, the number of foreign tourists visiting Japan has recovered to approximately 80 % (approximately 25 million) of the pre-Covid-19 level.

Tourism is said to contribute to “diplomacy.”⁽⁵⁾ Mutual exchanges lead to experience the history, culture, and customs of the country being visited. The lives of the residents can be also understood at the same time and it can lead to a further understanding of mutual countries. Tourism is a private diplomacy in other words. As entry regulations in each country and region will be loosened from 2024 moreover, tourism exchanges are increasing further. Tourism contributes not only to diplomacy but also to peacekeeping. Furthermore, as the number of foreign visitors to Japan increases, there will be a consumption effect on accommodation, transportation, food and drink, etc., which will lead to economic effects and enrich the local economy.⁽⁶⁾ Understanding the visited destinations may also lead to technology exchange and the construction of supply chains. There is the possibility of sister/friendship city alliances which are formed not only in Japan but also with local governments overseas. When the opportunities of mutual exchange increase, the friendships deepen and also develop the personal connections. This is a time when a strategy is required to take a bird’s-eye view of Asia by promoting ex-

changes.

Tourism exchange fosters the relationships of mutual trust and becomes a starting point for technology exchanges and supply chain construction. The focus of this article shifts to Japan’s total trade (the sum of imports and exports). The amount was 155.53 trillion yen in 2019, and it increased to 211.05 trillion yen in 2023 although it temporarily decreased in 2020 while Covid-19 was spreading. China ranks first in terms of total trade partners and followed by the United States, South Korea, Taiwan, and Hong Kong. China and the United States are leading in terms of import value, and the resource-producing countries (such as Australia, Saudi Arabia, and the United Arab Emirates) are following the countries. Japan has a large amount of trade with the Asian region due to the distance factors and the depth of exchanges when excluding resource imports such as fuel.

The productivity of the tourism industry, which is a key to exchange, is low in Asia. Tourism DX (Digital Transformation) has been one step ahead in Europe and the United States while making full use of ICT.⁽⁷⁾ The efficiency of business processes is increasing by utilizing artificial intelligence (especially generative AI) and IoT (Internet of Things). Japan also needs to utilize these technologies to enhance various services such as ‘hospitality’ (*Omotenashi* in Japanese), which Japan is good at. DMO (Destination Management/Marketing Organization) should be established and utilized to implement tourism administration consistent with the region. Consideration has to be given to creating regional culture and a sense of economic unity by activating exchanges in the Asian region, which would lead to the building of an Asian Union. This will contribute to the development of the Asian region both politically and economically, and creates a region that rivals with Europe and the U.S.A. One of the cores is thought to be tourism exchange.

2. Trends in foreign visitors to Japan

The Japanese government declared Japan to become a tourism nation while setting the goal of ‘10 million foreign visitors

to Japan until 2010' and hoping for economic benefits due to an increase in the number of foreign tourists visiting Japan in 2003. This is the Visit Japan Campaign (VJC). This campaign was also a strategy to deal with the decline of local economy and population decline. The goal was achieved in 2013, namely three years late due to the Lehman Shock and the Great East Japan Earthquake. The number exceeded 20 million in 2016. The number of foreign tourists visiting Japan reached 31.88 million in 2019 (before the Covid-19 pandemic).⁽⁸⁾ The Covid-19 pandemic began in 2020 and many countries imposed some kind of entry restrictions and tourism exchanges around the world came to a halt. The regulations were eased and people-to-people exchanges rapidly increased in 2023. The countries and regions of origin for foreign visitors to Japan in 2019 and 2023 are shown in Figure 1. Human exchanges (people-to-people exchanges) with foreign countries contribute to 'improving diplomatic relations' for those countries and regions. President Xi Jinping visited Japan in June 2019 and then Prime Minister Abe visited China in December, and relatively good relations between Japan and China progressed, and many Chinese people visited Japan. The rate in the top four countries/regions was 70 % and the dispersion rate of the countries/regions was low. The Japanese government has reported that the number of foreign visitors to Japan in 2023 was approximately 25.07 million. The top countries/regions in Asia accounted for over 62 %. The percentage of visitors from

China has decreased significantly. This is due to the continuing strict immigration regulations by the Chinese government. The percentage of South Korea, with more relaxed regulations, has increased significantly.

Tourism exchanges have important factors that influence diplomacy. 75 % of foreign visitors to Japan are from Asia. Although it is understandable that a large proportion of visitors come from nearby countries and regions, there are many difficult challenges among these regions. Territorial issues often cause mutual hatred, particularly between the peoples of each country. The term 'politically cold and economically hot' (coined by Hu Jintao) describes the relationship between Japan and China since the 1990s, and describes the state of the relationship properly. It is good to develop the economy and is also more important for the peoples of each country to understand each other through exchanges regardless of the relationship between the governments.

Sister and friendship city agreements also contribute to mutual exchanges between countries/regions.⁽⁹⁾ The number of sister (friendship) cities (prefectures, cities, districts, towns and villages) in Japan was 1,817 in 2023. The main countries/regions are as follows. The combined percentage of China, South Korea, and Taiwan is relatively small at 33 % when compared to the percentage of visitors. On the other hand, the proportion of G7 member countries (including the U.K. 16 and Italy 39 agreements) is 38.9 % in total, which is larger than that of the Asian region. It is necessary to increase the number of agreements with neighboring countries and promote friendly relations as a strategy. It is necessary to advance the agreements with China and Russia in particular from the current situation.

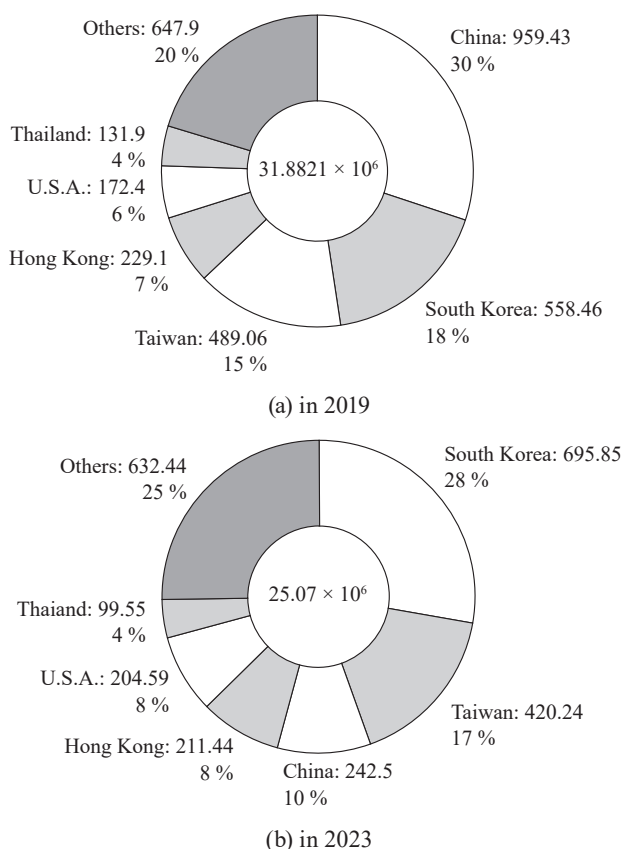


Figure 1: Percentage of foreigners visiting Japan in 2019 and 2023

- U.S.A. (468)
- China (383)
- South Korea (169)
- Australia (108)
- Canada (72)
- Brazil (58)
- Germany (57)
- France (55)
- Taiwan (48)
- Russian Federation (48)
- New Zealand (44)

3. Total trade amount

The trends in Japan's total trade is indicated in Figure 2. The amount temporarily decreased in 2020 due to the Covid-19 pandemic, but it exceeded the amount of 2019 in 2021. It remains stable at over 210 trillion yen (approximately 1.45 trillion US\$, assuming the exchange rate is 145 yen to the dollar) in 2022 and 2023. However, energy related imports such as oil increased and the import surplus continued. The current account balance (balance generated from economic transactions such as transactions of goods and services and exchange of investment

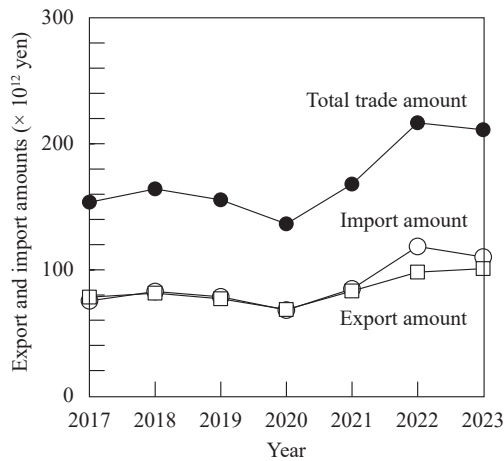


Figure 2: Changes in import and export amount in Japan

profits) is in surplus, albeit slightly, in each year. According to a report by the Bank of Japan, the surplus-amount was 18.7 trillion yen in 2019, 17.0 trillion yen in 2020 (Covid-19 pandemic), 20.2 trillion yen in 2021, 9.2 trillion yen in 2022, and 20.6 trillion yen in 2023. Japan's economic situation continues to be difficult.

Good intergovernmental relations are thought to have an impact not only on the number of tourists visiting Japan but also on the total amount of trade (especially exports). It is hoped that various efforts would be always made to build good intergovernmental relations.⁽¹⁰⁾ Various exchanges including tourism may support flexibly the relations between countries. China was at the top of Japan's total trade with 43.8 trillion yen in 2022. The percentage of Japan's top trading countries in 2022 is shown below. The total amount for the year was 216.7 trillion yen. Four countries and regions in Asia account for more than 50%.⁽¹¹⁾ However, there are some irregular countries, such as Australia's extremely large import surplus (exports: 2.17 trillion yen, imports: 11.62 trillion yen), and Hong Kong's extremely low import value (exports: 4.36 trillion yen, imports: 0.13 trillion yen).

Total trade:

- China (20.2 %)
- U.S.A. (13.9 %)
- Australia (6.4 %)
- Taiwan (5.5 %)
- South Korea (5.3 %)
- Hong Kong (2.1 %)

The number of foreign visitors to Japan in 2022 (total number: 3.832 million) was extremely small due to Covid-19 restrictions. This significantly depends on the number of arriving flights operated. The regulations were tightened and fewer flights were operated in 2022, and the number of tourists visiting Japan was extremely low. There was also a bias in the number of people from countries/regions of origin. Japan is an island country and the number of foreign visitors to Japan

depends on the number of regular air and sea routes. There are many visitors from neighboring South Korea, which is different from normal times (before 2019). The United States ranks third. These rankings are shown below. The visitor rankings also vary depending on the factors such as epidemics and regional conflicts. The proportion of friendly countries relatively becomes large.⁽¹²⁾

Visitors to Japan:

- South Korea (26.35 %)
- Taiwan (8.61 %)
- U.S.A. (8.35 %)
- Vietnam (7.31 %)
- Hong Kong (7.05 %)

The trends in the export value ratio of major export partner countries and the ratio of foreign visitors to Japan before the Covid-19 pandemic (2019) are shown in Figure 3 as a scatter plot. The amount of exports to the United States is large, but the number of visitors is small due to the distance factor. Although some items are exported to the U.S.A. for security reasons, the main export items are as follows: namely automobiles and their parts, prime movers (a device that converts natural energy into mechanical energy), construction and mining machinery, semiconductor manufacturing equipment, and scientific optical equipment. It seems necessary to take some measures to slightly increase exports to South Korea and Taiwan when considering the trends excluding the United States. Asian countries occupy the top positions excluding the United States.

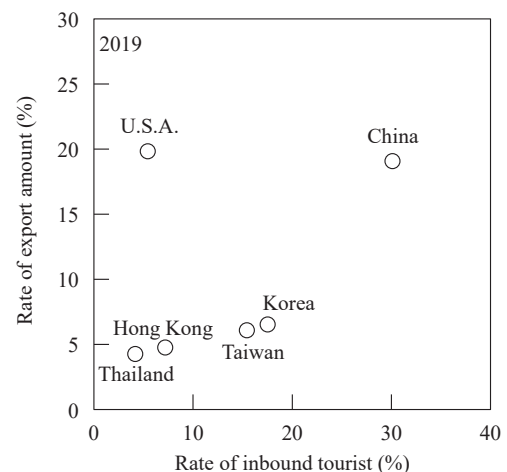


Figure 3: Scatter plot of export amount (rate) and number of inbound tourists (rate) in 2019

4. Tourism DX

Labor productivity is low in Asian countries including Japan. The ranking of labor productivity among OECD (Organization for Economic Co-operation and Development) member countries (38 countries in 2022) is indicated in Table 1. Japan's

Table 1: Rank of labor productivity among OECD member countries in 2022

| Country | Unit price per hour (US\$) |
|----------------|----------------------------|
| 1 Ireland | 154.1 |
| 2 Norway | 149.9 |
| 3 Luxembourg | 124.0 |
| 4 Denmark | 101.9 |
| 5 Belgium | 98.5 |
| 6 Switzerland | 94.1 |
| 7 Sweden | 91.4 |
| 8 Austria | 91.0 |
| 9 U.S.A. | 89.8 |
| 10 Iceland | 87.3 |
| | |
| 30 Japan | 52.3 |
| 31 Slovakia | 51.7 |
| 32 Hungary | 49.4 |
| 33 South Korea | 48.8 |
| | |
| 38 Columbia | 19.8 |

ranking has dropped significantly from 2017 and the rank in 2022 is reported to be 52.3 US\$/hr. Neighboring South Korea ranks 33rd (48.8 US\$/hr.). Labor productivity in both countries is low and it can be said that the productivity in Asia is extremely low compared to Europe and the U.S.A. The productivity in Japan's tourism sector is even lower than this value. Japan has traditionally prided itself on being a technologically advanced nation, but it is already lagging behind in many areas of cutting-edge technology.

There was a time when Japan's sales in the semiconductor field accounted for more than 70 % of the global market share, but there are currently no Japanese companies in the top 10 of the world rankings. This is due to the conclusion of the Japan-US Semiconductor Agreement at the suggestion of the U.S.A. due to trade friction between the two countries. The United States is currently a powerful partner country in terms of security, but it should be recognized that there are hidden factors that could lead to difficult issues erupting due to public sentiment. Issues between countries can arise across time and space. It is strongly recommended that each country focuses not only on neighboring countries but also on global issues and considers deriving acceptable solutions.

Each industry in each country has to improve business processes to increase labor productivity, and it is necessary to reform the organizations and the corporate culture to establish competitive advantage. There will also be issues that are difficult to transform on ones own. Economic security must be always considered. There is particularly an urgent need to improve productivity in the tourism sector. The DX strategy of

Japan's tourism sector can be said to be insufficient compared to the ones in Europe and the United States. It is necessary to improve the productivity by taking advantage of all the technologies that have been developed. And, it is necessary to improve the industry's productivity through DX and also to increase tourist satisfaction. For example, it is possible for tourists to grasp the conditions at the place they will visit and have a simulated experience using virtual reality (VR) equipment. This allows for the tourists to gather information and get a feel for the place they plan to visit, for example local clothing and the weather. It is also possible that this experience will improve the level of satisfaction during the actual visit. The weather on the day of the trip can be also checked and predicted using a live camera. Artificial intelligence (AI) can generate and provide itineraries tailored to the traveler using this information. This is '*Omotenashi*' (hospitality) which increases the traveler's satisfaction. China is also transitioning from a 'labor-intensive industry' structure to a 'capital-intensive industry' with an awareness of automation. Labor productivity is being improved particularly through the use of AI and robot technology in the service industry. Japan must proceed with productivity improvement by the introduction of short-term and long-term measures. Service robots for hotel front desk operations and restaurants must be introduced as soon as possible.

The Japan Tourism Agency established a 'Study Group on the Way to Promote Tourism DX' and published a final report in 2023. The following four items are being considered regarding tourism DX promotion in the report. The tourism DX is defined as follows. Utilizing digital technology to create specific regional tourism contents will satisfy tourists, and hone the value and expand it further.

- Improving convenience for travelers and promoting excursions
- Improving productivity in the tourism industry
- Sophistication of tourist destination management
- Developing and utilizing human resources for tourism DX

Various proposals have been made regarding tourism DX. Tourism is also an industry that contributes to regional development, and local residents must play an important role. The measures that are not accepted by residents should not be implemented. The most important thing is to explain the measures to the residents at first, and make sure they understand. The components of the tourism industry are indicated in Figure 4. Local businesses, tourism resources, information infrastructure, and the residents who make full use of ICT are components of the tourism industry. The following six main challenges for the tourism industry are listed below:

- Low productivity
- Low DX introduction rate
- Low profit margin

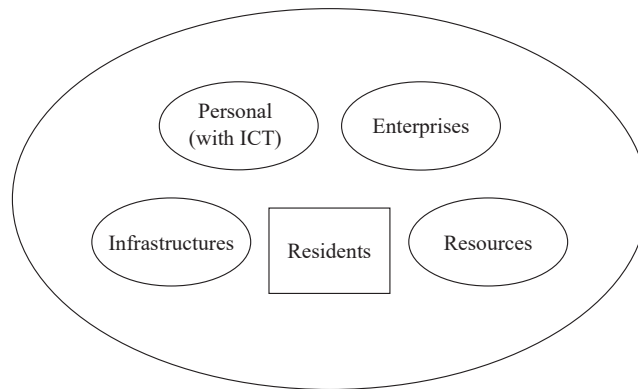


Figure 4: Main components of tourism industry

- High turnover rate
- Low funding availability
- Lack of human resources including DX engineers

Based on the above, the following subjects should be advanced as soon as possible:

- Development of human resources for Tourism DX
- Lower introduction costs, early profit improvement

5. Evacuation shelter in case of disaster

It must be kept in mind that Japan is a country prone to natural disasters. Above all, tourists including foreigners visiting the destinations must be ensured of their physical safety and security just like residents in the event of a disaster. It is necessary to pay particular attention to not only vulnerable people who require support, such as people with disabilities and the elderly, but also tourists including foreign residents who do not understand the topography and community conditions of the places. Foreign residents and visitors may not fully understand the meaning of disaster warning information. It can be said that ‘Tourism-oriented nation, Japan’ is built when this kind of consideration is carried out for those people.

It is conceivable that not only residents with different principles and customs but also foreigners with different cultures may enter the evacuation shelters set up during disasters at the same time. It is also necessary to prepare a construction process for the installation of toilets, beds, and a medical system in advance. The following items are recommended as guidelines for foreigners in the event of a disaster in Nomi City, Ishikawa Prefecture:

- Evacuation guidance signs and evacuation sites are multilingual and easy to understand for residents including foreigners
- Information transmission system for foreign tourists and residents who require assistance
- Dissemination of disaster prevention knowledge in multiple languages
- Promoting participation of foreigners in disaster prevention

training

- Establishment of support and relief systems for foreigners throughout the region

All items will be promoted through the use of information and communication devices such as smartphones. The use of smartphones is essential for foreigners during disasters as a support system. It is easy to contact people to participate in evacuation drills, and it is possible to build a system that connects in multiple languages through communication.

A disaster center must be established and the necessary system must be built in the event of a disaster. The measures taken within the center alone are not sufficient. It is necessary to constantly collect various information on the situation at the disaster site, information sent from SNS, and local information provided by the Japan Meteorological Agency, and that information should be used for various decisions at the center. It is necessary to adopt triage, which provides appropriate treatment and transportation depending on the degree of emergency and severity of the injury or medical condition. The triage determines the priority of treatment for the injured and sick. An overview is shown in Figure 5. Information from live cameras and various sensors (water level, rainfall and wind volume, etc.) is effective as information from the disaster site. It may not be possible to obtain the information depending on the situation in a disaster site. It is necessary to be able to collect information from satellites in the event of a disaster. When a DMAT (Disaster Medical Assistance Team) is placed at a disaster center, the sense of security for residents at the evacuation center may increase. The roles and components of the disaster center is indicated in Figure 5. The people supported during a disaster and the human resources at evacuation centers are shown in Figure 6. It is necessary to keep in mind that some residents may stay at their homes or temporary evacuation centers after a disaster.

6. Establishment of Asia Union based on economic and disaster security cooperation

Japan has enacted the Economic Security Promotion Act (2022), which aims to ensure national interests such as peace,

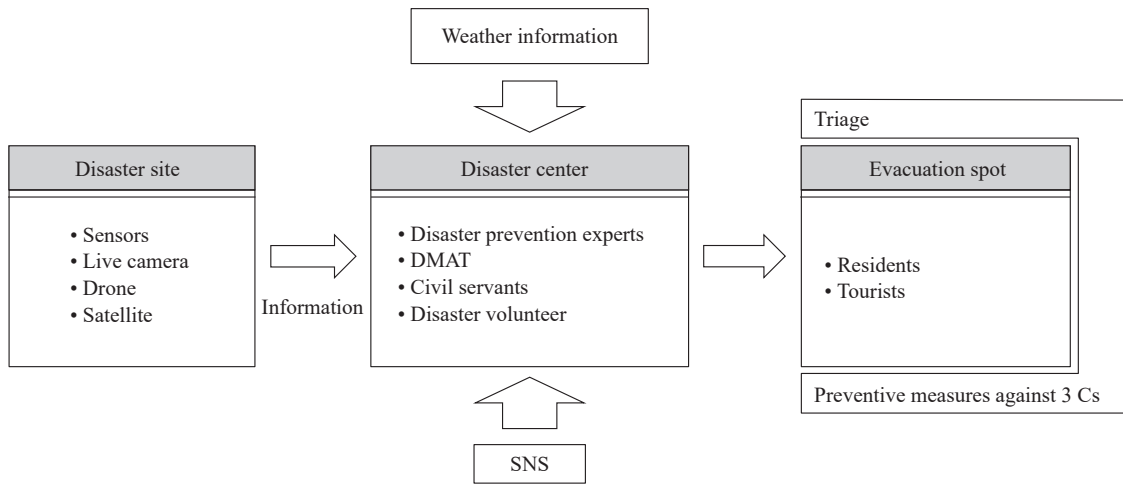


Figure 5: Role of disaster center and components

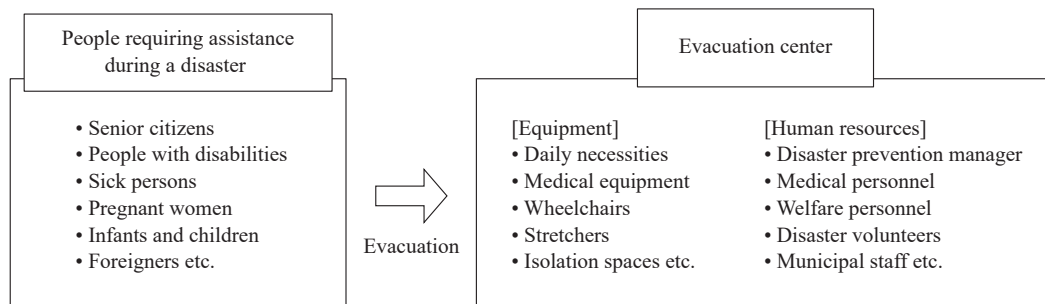


Figure 6: Support persons during disasters and human resources at evacuation centers

security, and economic prosperity. It is also one of the first policies in the world through economic measures. The definition is shown below:

To protect Japan’s economy from serious threats originating from international factors, primarily through the use of economic measures

The following three items are proposed in this regard. It is necessary to collaborate and form coalition with neighboring countries to achieve the following items:

- Maintaining and strengthening the functions of the world economic system
- Ensuring stable supply of important supplies
- Contributing to international society through technological development

The European Union (EU) was established in 1993 and it has been organized even though there are many issues.⁽¹³⁾ However, there are some disadvantages to joining together. The U.K. left the EU in 2020. In Asia as well, neighboring countries must discuss various challenges that transcend national borders, and discuss the above three items sincerely. An institution to discuss those issues is necessary. The following issues are global issues particularly, but first of all, a system for discussion and

cooperation throughout Asia is required. It is time to consider establishing an ‘ASIAN UNION’ that will handle all issues based on Asia’s development. The first step is the establishment of the Science and Technology Organization, especially the following fields:

- Oceans (free and open Indo-Pacific, East China Sea)
- Green technology
- Digital
- Science and technology

The establishment of the Asian Union will construct Asian’s foundation in many fields, and various exchanges and trade will increase with providing a starting point for resolving various issues. Naturally, people-to-people exchanges will become more active and the amount of trade with neighboring countries/regions will increase. China is Japan’s largest trading partner. Japanese companies’ investment in China accounts for a large proportion, and economic ties such as trade and investment between Japan and China are relatively small. Japan’s strengths in the green field, including the environment and energy conservation, and the field of nursing care and welfare, are also attractive for China and other neighboring countries. Japan has the benefits of improving the relations among those countries due to those strengths. Asian countries also have a large amount of trade with China. It is necessary

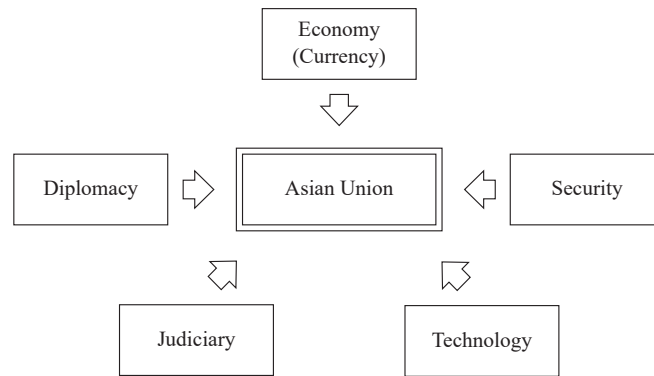


Figure 7: Future configuration of Asian Union

to further promote cooperation and build mutually beneficial relationships with Taiwan, South Korea, and other countries/regions, and it is the time to focus on the action towards establishing the Asian Union. The future structure of the Asian Union is shown in Figure 7. It is strongly desired for Asian countries to collaborate comprehensively to achieve ‘technological improvement’, especially in improving productivity. This is an Asian Comprehensive Technology Collaboration Organization, which is a research organization aimed for world peace and stability by collaborating and integrating research, development, and technology construction with a wide range of Asian countries.

7. Conclusion

Diplomacy is about building relationships between countries and includes a variety of matters. Although there are some issues that cannot be compromised due to national sentiment, some solutions can be also found through mutual discussion and understanding. The most effective way to achieve mutual understanding is through ‘exchange’. There is a great significance when Asian countries increase the number of visitors including foreign people with each other. On the other hand, the mutual benefits can be obtained by fully understanding the conditions of other countries, and the trade becomes active. Mutual understanding is the key.

There are a lot of challenges in Asia. Some of them may hurt the sentiments of the people of other countries, and some may even develop into diplomatic issues. The EU has come together to discuss various challenges. It came together as one diplomatically and concentrated on finding solutions that cooperate with the rest of the world. There are also global standards that the EU has established in the technical field.

This article explained the current status of Japan’s foreign visitor numbers and trade, and the necessity for tourism DX was particularly emphasized. The establishment of an organization for technical exchange such as DX in the future Asian Union is strongly expected.

Notes

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