

Interview with Payson Cha, Chairman of Mingly Corporation

A Beautiful Japanese Hot Spring Resort Restored by a Long-time Friend of Japan in Hong Kong

By Japan SPOTLIGHT



History of Friendship Between Chairman Cha & Japan

JS: Could you please introduce your company, and in particular the circumstances in which you became interested in Japan?

Cha: Our family has been dealing in textiles since the late 1940s. Our business includes manufacturing of textile products and construction equipment, as well as real estate development — we have a flagship property development in Hong Kong called Discovery Bay — and we also have investments in mainland China, Singapore, Thailand, the Philippines, Africa, the United States, Canada and so on, a lot of investments abroad. Our textile business has always been acquiring machinery from Japan as one of our major sources. We have built relationships with companies like Marubeni, Nichimen and Nisshinbo, and we have had an office in Osaka since the 1960s. We also have a lot of investments in Japan, most currently in the Tokyo Shiodome office complex together with the government investment corporation of Singapore (GIC), Matsushita Electric and Mitsui Fudosan.

So we have always been interested in Japan, and I already had opportunities to visit in the late 1950s. As for the Tohoku area and the Chikusenso hot spring resort, I was introduced to it by a classmate who is a resident of Sendai, which I visited often, and I have stayed at Chikusenso up to about 20 times. I was not the owner then, but unfortunately the bank that loaned money to the owner foreclosed the property due to the economic slowdown, and through Mitsui Fudosan I managed to bid for the property and the ownership. That is how I came to own the hot spring at Chikusenso.

JS: When did you start work on the restoration of Chikusenso? And how was it affected by the 2011



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Tohoku disaster?

Cha: We bought the hotel in 2006, and first of all we put a lot of money into refurbishing it. It was not reinforced against earthquakes greater than 7.3 on the Richter scale, and because we wanted to make a long-term investment, we rebuilt it to a standard of Richter 9.3, putting in over US\$26 million. And then very luckily, when the disaster struck the hotel did not have any trouble at all except for a broken window.

We closed for a short while because of the lack of customers, as well as the employees who wished to go home, but re-opened in six months. Because of the Fukushima nuclear reactor issue many people have been afraid to come back, and we have not been making a profit, but we have checked closely that the radiation is minimal and believe that with the cooperation of the local people and government, visitors will come back in the longer term, because it is a wonderful area to go to. Through the disaster we understood that the Japanese government, including the Miyagi prefectural and local governments, showed an exceptional ability to cope and have expended unbelievable efforts in trying to bring everything back to normal, and in continuing to support domestic and overseas tourism promotions. It brought out the strengths of Japan's economy and government as well as its people.

JS: How do you assess your partnership with local Japanese people in Tohoku so far?

Cha: We believe there are several wonderful things about them. They are very hard-working, really professional, very polite and eager to learn. They honor their word and do their work with no complaints, so it is very easy to work with them. I have realized that they are not fussy people; by and large I enjoy their company as well as the

working relationship. Of course we have a good supportive government as well. In order for an overseas business to invest, you need clarity of law, good government policy and support, and employees and partners who are honorable and professional as well as very polite and easy to get along with. So it is really wonderful to work with them.

Japan as a Tourist Spot

JS: Chikusenso looks like a stunningly beautiful place. How do you assess the potential of Japanese regions as tourism spots?

Cha: I have gone to the Mount Zao area more than 20 times over the years, in all different seasons, and it is one of the most beautiful areas with its nature, friendly and hard-working people, peace and quiet, good food, good shopping and value for money. It is also very safe. Sendai and everywhere else in the Tohoku area are wonderful, and tourists are brought to beautiful areas like that. Japanese culture is also something for which they like to go, and I certainly believe that in many aspects it is unique: *onsen* (hot springs) is one example. I think Japan needs to continue to preserve its culture and traditions: professionalism, respect and courteousness are part of that culture, as is the food and music. This is what I have been hoping to do at Chikusenso. It is a wonderful way to build bonding, create family ties, and give other nations something to appreciate or to learn from. I think if Japan continues to behave like Western societies, and loses its own culture, that will not be good, because Japan is unique.

I think tourism will be a very good thing because Japan can still expand the share of GDP in tourism a lot more, maybe to 10% or 15%. If you look at Switzerland, one of the pillars of the Swiss economy is their percentage of GDP in tourism, and they are very professional in the way that tourism is being promoted. I think Japan is only at 6.6%, so it can still double, if not more. And the yen is at a reasonable valuation now and very competitive; that is why there are lots of Asian visitors, because everything in Japan is cheaper, and better-made than before; the quality is always good, and there are no fake items. Especially the Chinese tourists: they enjoy buying from Japan, though I think tourism is not only about shopping but the overall impression and experience that people would have staying there.

JS: What about the food in Tohoku? Cuisine is certainly attracting tourists to Japan, and Tohoku cuisine is somewhat unique.

Cha: I think there are three aspects there. First is value for money: it comes at a very reasonable price but high quality. Tohoku beef, for example, is as good as or better than Kobe beef or Matsusaka beef, but at a much lower price. The second thing is that it is very close by: everything is local. You take a 10-minute drive and you are in the

country. It is not like Tokyo or Osaka, where you drive for two hours and are still inside the city, and where you do not get to go to the farm and buy direct. And third, the taste is very different. The people there do have a somewhat different cuisine.

JS: Japan also has many historic spots which could attract foreign people. What is your opinion on that?

Cha: Yes, that is what I meant by culture. Compared to Switzerland, as far as cultural variance goes, Japan is far richer. Hokkaido, Kagoshima, Okinawa, the Tohoku area, Tokyo, Kyoto, Osaka and so on — everywhere is very different, as though it is not only one country but many. You can go back to Japan over 30 or 40 years and always see different areas, and I think it is a wonderful thing to promote. Compared with say France or Italy, which have done a lot of very good marketing but are now going through a more difficult period, this is a time when Japan can start to gain strength, and if it takes this opportunity it will be able to compete favorably on this.

Japan also has two or three advantages that they do not. One is security: people feel very safe in Japan. The second is that everything you buy is at a reasonable price: the value for money is very good. Third is that it is easy to get in and out, and you have a huge population in close proximity. I think that Japan really has unique advantages.

Revitalizing Local Japanese Economies

JS: What is your view on the depopulation problem in Japan? Do you think Japanese regions need more young people, or perhaps ought to provide more job opportunities for them?

Cha: You are absolutely right, in that the Japanese should not all become urbanized and centralized in the big metropolitan areas. I think that the Japanese government should encourage younger people to stay in different regions. But in order to do that, it must be able to give them good jobs of comparable value, give their children good schooling, provide good medical support, especially for older people, as well as good community support and services. And also a convenient lifestyle, whereby you have good, inexpensive shopping centers and stores, for example. I think these conditions are currently pretty much all available, and the government may be able to focus on these and provide similar quality services to those people can get in the big cities. The other thing is that job prospects are only going to be a function of whether the businesses can attract young people. If the government perhaps can give some incentives such as tax reductions, favorable housing conditions and high-quality medical and educational facilities, then more industry and business will come out into different areas.

As things stand now, Japan has huge urbanized metropolitan areas, and the Tohoku area should not be abandoned. If you ask me, Japanese people are urbanizing too rapidly, and the lifestyle changes



Photos: Mingly Corporation

Chikusenso has "traditional Japanese and modern design elements" as a design concept.

are such that encourage young people to leave the rural areas for the major cities, which will create a lot of issues. I am in support of all government policies that will help the anchoring down of young people, and restoring the local service sector or incentivizing industry to move out there are certainly things that can be done.

JS: What about the possible role of foreign companies like yours, such as in the hotel business, in restoring local Japanese economies and providing young people with job opportunities?

Cha: I personally think the Japanese hotel industry is now changing very fast, because they have to keep up and become more efficient. The same thing will happen to *onsen*. With an *onsen* or local businesses, originally it was all family business. But in order to be efficient you need to put many of them together as a group. One way to do this is to encourage the *onsen* owners to form an association, with quality inspections and similar tests, to encourage and teach them how to optimize their services. I think that this can be done, but it will take time. The Japanese people are very traditional: I understand that, and I respect that. But because of that it is more difficult for them to accept changes quickly, especially in the rural areas and the *onsen* or hotel sectors. It will be good if we can work together towards a more efficient domestic service for smaller or medium-sized hotels and create additional productivity.

Observations on Japanese Business & Economy

JS: Do you think Japanese corporate governance reform will also make a good contribution to restoring local economies?

Cha: Over the long term, definitely. In the short term, not so effectively, because the owners do not worry about return on investment. They have their good *onsen* area in a very good location, very beautiful, and they no longer count their capital investment: rather they take the same hotel from three generations ago, improve

it a little bit when they have money, and continue to operate, so they do not know how much the hotel is worth. On the other hand, if I invest \$20 million or \$30 million, then I am interested in an ROI, and in order to get that they must value their hotel. So it will take a little time, especially for *onsen*.

JS: What do you think about the current state of the Japanese economy?

Cha: I think the Japanese economy should improve a lot more because the weakening of the yen is quite significant. But until now, I do not see the economy showing any substantial consistency; it is still going up and down. There is a lack of trust in the system among people, and therefore a lot of money is being taken out of the banks and circulation, and resuscitation through continuous positive GDP growth has become more difficult. Although the debt is big, the interest rate is so small that it is not really a fantastic burden — unlike in Greece for example where they borrow in euros and now their economy cannot export and they are in a deadlock. But in Japan the interest rate is very low and it is domestic borrowing. So I personally think that Japan should show better signs of economic growth than it is doing now. Of course, I am not an economist and am unable to tell you what the government should or should not do, but perhaps if the Japanese people start to have more confidence in policies, the economy will grow faster. I generally feel my Japanese friends are not really relaxed about what the government is trying to do.

Peaceful Relations as Basis of Prosperity

JS: Could you tell us about your future business plans, or any further dreams or ambitions you may have?

Cha: We are commercial people and therefore do not wish to dwell on politics. But I think we can all learn from each other and improve our relationships over time, and at our age we would like to see sustainable peace in the area. I do not think that hostility between nations helps the growth of anybody. Working together and cooperating would be the best solution. States and regions such as South Korea, Japan, China, as well as Hong Kong and Taiwan — everybody should try and work towards more economic cooperation and less aggression. I think that would be the best thing.

If we can sustain those good relationships, then these countries and regions are all wonderful places to invest. If we feel unsafe, then nobody wants to invest anywhere, right? So my long-term ambition is to have peace and cooperation so that we can invest more, and so that Japan will have positive GDP growth on a sustainable basis year after year. We love to invest in Japan.

JS

Written with the cooperation of Chaobang Ai, a Tokyo-based editor and blogger.