Interview with Ryoichi Hiraki, Japan Representative, HAO PHAT KOP

Revitalizing Japan's Economy Through a Circular Flow of Foreign Talent & Industry with the Global South

By *Japan SPOTLIGHT*

With its declining population, Japan faces the critical challenge of utilizing foreign talent. How can foreign workers in Japan and the Japanese regions that accept them achieve a win-win relationship? We spoke with Mr. Ryoichi Hiraki, who has worked overseas for many years and is currently Japan Representative for HAO PHAT KOP, a group company running a Japanese language school in Vietnam. He advocates utilizing foreign talent to revitalize Japan's regional economies.

(Oct. 29, 2025)

Introduction

JS: First, please give us a brief self-introduction and tell us what sparked your interest in utilizing foreign talent.

Ryoichi Hiraki

Hiraki: After graduating from university, I joined a company developing offshore oil fields. That was about 50 years ago. After gaining experience at Japanese offshore oil field development sites, I worked in various Asian countries such as Taiwan, China, Singapore, and Indonesia for about 13 years. What I realized overseas was that the Japanese-style, vertically-structured business model was completely uncompetitive. To collaborate effectively with local staff and overseas companies, I needed the ability to articulate my ideas, the capacity to extend that collaboration horizontally across the organization, and the skill to hold the whole together. Bringing together people with different attitudes toward work was extremely difficult, and I came to realize the critical importance of well-defined contract management.

After that, I changed jobs to a regional construction company in Japan and was assigned as a contractor to manage the construction site of a thermal power plant commissioned by the Petroleum Corporation in Bangkok, the capital of Thailand. I went to the site as administration manager alongside Japanese engineers and sub-contractors, but it was an incredibly challenging experience. Working simply in accordance with the Japanese business style did not achieve progress. Following the advice of an American construction consultant, I restructured the organization by placing Thai and Singaporean engineers under a Japanese operation manager. Work began to flow smoothly starting in the third month. The root cause of the delay was the Japanese engineers' practice of giving instructions verbally and expecting workers to learn by observation of the senior colleagues' work – a typical Japanese approach. When the American consultant created manuals and started by improving working standards, the project finally gained momentum. That experience truly drove me to realize the critical importance of education, organization, and especially developing local leadership.

Regarding the Anti-Globalization Movement

JS: We have long believed that advancing globalization contributes to Japan's development, but in Japan recently anti-globalization movements have become increasingly active due to a backlash against foreign residents. What are your thoughts on these movements?

Hiraki: I believe the anti-globalization trend reflects the immaturity of Japanese society. Japan's growth was achieved solely through benefiting from free trade and globalization. The approach to accepting immigrants in Europe differs from Japan's approach to accepting foreign nationals. Japan has primarily accepted foreign nationals as workers through the Technical Intern Training Program. This program, introduced in 1993, allows participants to acquire practical skills and techniques while working as laborers. While criticism exists due to human rights violations by some unscrupulous brokers, supervising organizations, and companies, the program's emphasis on education sets it apart from systems in other countries. Improvements to the program are necessary, and we must not forget that these individuals are human beings who cannot be viewed solely in terms of labor value.

Nowadays, compounded by the issue of overtourism, "foreign visitors and residents in Japan" have come to draw attention as a challenge to be overcome by Japanese society, but I feel this is a very short-sighted perspective. For Japan, a small island nation with scarce resources, globalization is unavoidable for survival; indeed, we should actively pursue it. The current labor market is undergoing dramatic changes due to AI adoption and globalization. In development sites across the world, starting with ASEAN, fierce competition for workers has begun. If we respond incorrectly, it will likely lead to even greater disparities between nations and individuals than we see today.

The diverse values and innovations brought by foreigners will significantly contribute to building Japan's new society. To cultivate an environment receptive to foreigners, I believe it is essential for the government to first establish a national strategy outlining the direction, followed by the implementation of research forums involving industry, government, and academia, and particularly town meetings in local communities. Furthermore, to foster an environment accommodating diversity, I consider publicly certified organizational evaluation standards, or those set by specific industries, to be crucial.

Promoting the Circular Flow of Foreign Workers & Industries

JS: Japan faces economic stagnation, particularly in rural areas, due to population decline. Accepting foreign talent is thought to be more effective in revitalizing rural areas than urban centers. I understand that you advocate for standardizing professional qualification systems between Japan and overseas. If this were achieved, individuals could immediately utilize their acquired qualifications to work in their home countries or within regions where the qualification systems are standardized. This would create a circular flow of talent, resulting in a win-win situation for the entire region. Is that correct?

Hiraki: Yes, that's correct. The current technical intern training program and similar systems are applied based on residency statuses that are only applicable within Japan. For example, if Japan and the ASEAN region were to standardize their qualification and competency systems beyond the scope of residency statuses, human resources would be able to move more flexibly than they do now. This would simultaneously promote greater labor mobility in the industries. It means that, in pursuit of economic growth, there would be two-way movement of both human resources and industries.

Furthermore, standardization will facilitate the training of successors to the skills possessed by Japan's small and medium-sized enterprises both domestically and internationally, which is expected to contribute to the revitalization of regional industries. Additionally, standardization reduces costs for companies expanding overseas activities, and thus it would directly lead to enhancing their competitiveness in developing foreign markets. Building corporate networks with ASEAN through this approach can be considered a national strategy for Japan's survival.

JS: I imagine many people would like to continue working in Japan. What do you think?

Hiraki: Japan's labor shortage has reached a point where it can no longer be resolved without foreign workers. Foreign workers have become so deeply rooted in agriculture, fisheries, convenience stores, and other sectors that the very question of whether workers are Japanese or foreign seems increasingly irrelevant. As foreigners work longer in Japan, more will establish families and settle permanently. Rather than judging this as good or bad, we should advance multicultural coexistence as a national policy.

However, I believe human resources should circulate. For this reason, standardizing qualification and competency systems will become increasingly important. This is not just my opinion; Prof. Yu Korekawa, director of the International Relations Department at the National Institute of Population and Social Security Research, has expressed similar views. Standardizing qualification systems is crucial for standardizing Japanese ways of thinking, qualifications, training, and organizational management, as well as for creating systems to manage the global movement of workers.

Several years ago, when a council meeting on accepting foreign workers was held at the Liberal Democratic Party headquarters, I met with Doris Magsaysay Ho, CEO of A. Magsaysay, Inc., a maritime human resources solutions company from the Philippines. I remember her saying, "Mr. Hiraki, the ASEAN perspective is important. Our company provides seafarers to the world. The maritime world has global standards" – because my business card listed ASEAN as my company affiliation. In the shipping industry, there are internationally unified standards for seafarers' working conditions and qualifications, and each country's domestic laws are established in accordance with these international standards. Similarly, if the qualifications currently obtainable in universities and industry could be standardized across the ASEAN region, it would enable a circular flow of talent exchange, allowing individuals to contribute across the entire region.

JS: I'd like to ask about the "Project to Promote Personnel Mobility with Partner Countries by Local

Governments" that you are currently working on. I understand the purpose of this business model is to develop new markets and rebuild supply chains. Could you elaborate a bit more?

Hiraki: I am currently working to implement this business model in Japan's Chubu region and Vietnam. When I speak with Vietnamese government officials, they express interest in having Vietnamese professionals gain practical experience with Japanese industry technologies – such as DX or the skills possessed by SMEs – and then return to Vietnam. However, realizing this requires economic benefits for the Japanese side as well. Japan currently faces the challenge of shrinking regional economies due to deepening population decline. Therefore, I believe it is essential even now for regional SMEs to expand overseas and develop new markets. The talent needed for this can be supplemented by individuals trained through this business model. For instance, when Japanese companies consider partnerships or M&A with overseas local firms while entering overseas markets, having personnel who understand both Japanese business practices and local conditions offers significant advantages.

When Japanese companies expand their supply chains domestically and internationally, training foreign workers in-house clarifies management responsibilities for personnel. The planned Trainee Employment System (the successor to the Technical Intern Training Program), scheduled to begin in 2027, will enhance effectiveness through collaboration with industry. Furthermore, Japanese local governments will play a crucial role in revitalizing regional industries and fostering partnerships with partner countries.

JS: I see. It's a truly excellent idea, but I imagine there are also challenges. Expanding overseas requires funding, so how do you think regional SMEs should go about securing financing when they aim to expand internationally?

Hiraki: We are also considering the overseas expansion of Japanese regional financial institutions. Regional banks have been weakening alongside the decline of local economies in recent years. Therefore, we are proposing to promote the overseas expansion of regional banks while simultaneously facilitating talent matching with partner countries.

Last year, nine regional financial institutions centered in Aichi Prefecture partnered with Vietnam Commercial Bank to hold a seminar in Ho Chi Minh City. While regional banks may not have strong overseas expansion capabilities on their own, they can significantly enhance their effectiveness when collaborating with overseas financial institutions. When regional SMEs expand overseas activities to strengthen their business capabilities, this creates a demand for funding. We believe this initiative can effectively match that demand. I believe that Japanese SMEs possessing technologies attracting significant international interest can collaborate with Vietnamese companies, for example, to attract Vietnamese talent and industry players, thereby establishing mutually beneficial, cyclical relationships.

When I previously met with the president of the National Railway of Thailand, there was a strong request: "We don't need hardware; we want support for human resource development." For example, European companies accept personnel from the National Railway of Thailand into their own countries for training, then let them return to Thailand. When new product development begins, it naturally leads to bidding. They then specify their own products in the bidding specifications. This ensures their products are used in the new projects. In other words, it starts with education. Adopting a similar approach would allow workers trained by Japanese companies to develop competitive products locally, thereby building industrial competitiveness. The key to commercializing this lies in standardizing qualification and competency systems and establishing the industrial competitiveness of the region where this standardized qualification is applied.

Future Constructive Relationship Between the Global South & Japan

JS: I see. I understand that countries in the ASEAN region, such as Vietnam and Thailand, will become key new trading partners. Can this project also be applied to the Global South, such as Africa and South America?

Hiraki: Of course, it can be applied. One thing I'd like to mention is that I believe the term "partner" is more appropriate than "trading partner" when referring to countries in the ASEAN region. I've also worked with people from Africa and the Middle East and encountered highly talented individuals. As I mentioned earlier, the key lies in standardizing education and qualification/competency systems. Each country has its own methods, and Japan has its own. How we achieve standardization across these is crucial. I believe Japanese people need to study this further. It's essential for industry, government, and academia to collaborate and hold seminars for education involving people from the countries we aim to enter. This is a vital process for Japanese companies to cultivate the talent needed to sustain growth amid global competition.

JS: I believe that if a system is established that benefits one's own business and contributes

positively to the industry, it will gradually gain widespread adoption. As mentioned earlier, I feel the most effective approach would be to create a trend where Japanese technology and skills are specified and adopted. Would this be feasible in regions outside of ASEAN as well?

Hiraki: Yes, it would be. I was involved in building a thermal power plant in Bangladesh, and I believe Japanese people need to shift away from their current artisan mindset. It's about project management, or rather, the need for integration skills and flexibility.

JS: I see. While educating foreign talent is important, it's also crucial for Japanese people to learn the ways of global business.

Hiraki: Let's discuss specific success and failure cases. Previously, I was asked for advice by a high-ranking Thai official who wanted to foster the automotive parts industry within Thailand. This was back when Japanese automakers held about 90% of the market share in Thailand. The automotive industry has a pyramid structure, with manufacturing companies linked beneath the automakers. While the top parts manufacturers providing components with automakers were doing well, the request was to cultivate the subcontracting companies beneath them within Thailand. Therefore, the request was for me to find partner companies in Japan and attract them to Thailand. The Thai government agency submitted a request to Japanese companies with strong advocacy capabilities. I introduced a company from Fukuoka Prefecture, negotiations concluded, and an agreement was signed with Fukuoka Prefecture. In this case, we started by inviting Thai SME managers to Fukuoka for management training. Beginning with education proved highly successful.

On the other hand, the failure case involves IT talent development. It was a collaborative project with a training center at Dalian Software Park in China, a hub for high-tech IT companies. The project aimed to bring talented engineers from Dalian to train top-tier personnel working at SMEs in regional Japan. However, within less than six months most of the Chinese trainees had returned home. The root cause was that Japanese companies were imposing requests like "Study Japanese" and "Learn Japanese culture". It revealed that Japanese companies lacked an understanding of how to establish effective collaborative frameworks with foreign workers.

The key lesson learned here was that it is critically important for the host Japanese companies and organizations to establish their own evaluation criteria. They must assess and improve communication skills, organizational structures, and employment support programs.

Economic Inequality Spreading Across Japan & the Acceptance of Foreigners

JS: This will be my final question. I feel the widening economic disparity in Japanese society is manifesting as resentment toward foreign workers. Could addressing this disparity also lay the groundwork for accepting foreign talent?

Hiraki: From a business perspective, I believe there's also the idea that correcting disparities can itself become a business. While Japan's inbound tourism industry is currently drawing significant attention, fundamentally, if it becomes a viable business and the majority of Japanese people gain jobs there, people should adapt to that situation. Just like Japan's tourism resources, the skills possessed by local SMEs are also vital resources for Japan. Right now, I think it's crucial to leverage those resources and boldly advance business initiatives.

Furthermore, shouldn't local governments focus on strengthening local economies' foundations through organizations like NPOs or revitalizing local towns through collaboration with start-up companies and local universities? Within this framework, I believe it's necessary to create an environment that welcomes foreign workers supporting regional industries as local residents.

JS: Is it important to emphasize that accepting foreigners and building economic benefits with countries in the Global South ultimately benefits us as well?

Hiraki: Since accepting foreign workers is already deeply rooted in Japan's local communities, it's crucial to cultivate an environment where this becomes viable business. This business serves as part of regional revitalization efforts, embodying the principles of coexistence and mutual growth. Therefore, the role of local governments is crucial, and it is vital to establish a complementary relationship with the Global South that fosters mutual growth. Finally, I would like to emphasize that employment support programs are also important in terms of creating job opportunities for foreign workers when they return to their home countries. JS

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