



Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

Developing the Japanese Market for Philippine Tourism and Retirement Services: Prospects and Impediments

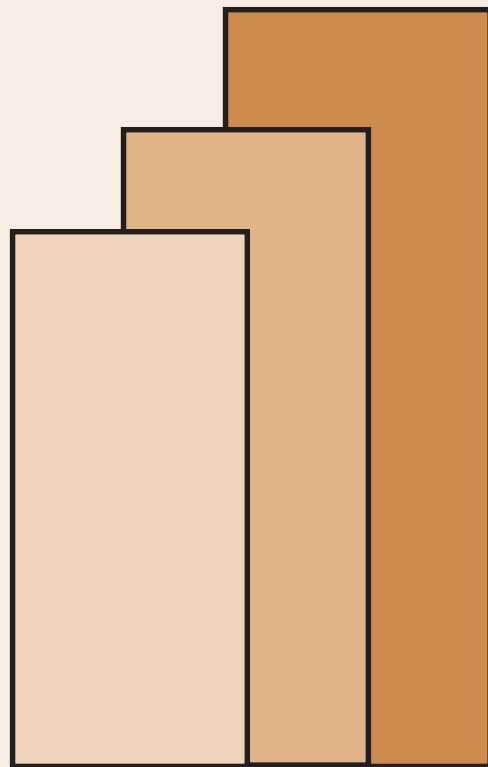
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**Developing the Japanese Market for Philippine Tourism and
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*Winston Conrad B. Padojinog
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Paper prepared for the Japan-Philippines Economic
Partnership Research Project

November 2003

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Developing the Japanese Market for Philippine Tourism and Retirement Services: Prospects and Impediments

Winston Conrad B. Padojinog
Maria Cherry Lyn S. Rodolfo

Abstract

This paper aims to assess the prospects and impediments to developing the Philippine's tourism and retirement services for the Japanese market. The impediments identified are in the areas of air access, peace and order situation, marketing and promotions and market information as well as human resource training. Given that the Japanese population is aging rapidly and the cost of medical and caregiving services in Japan remains to be one of the highest in the world, tourism destinations like Thailand and Malaysia have developed and aggressively positioned themselves in niches like medical and long stay programs. The Philippines currently possesses a relatively good supply of caregivers, real estate facilities for long stay programs and a government agency mandated to devote its resources and efforts in these programs.

Keywords: tourism, retirement services, Japan-Philippines Economic Partnership (JPEP)

Executive Summary

The Philippines and Japan have considered forming an economic partnership that will remove barriers to trade and investments in a number of economic sectors including tourism. Ranked as the second largest tourism market (next to the United States), Japan has contributed roughly US\$190 million in revenues to the Philippine tourism industry. In spite of these economic gains, the Department of Tourism (DOT) recognizes that the Philippines still has a lot of catching up to do with other Asian destinations as far as attracting the Japanese market is concerned. The Philippines has so far captured only 1.8% of the 20 million Japanese travelers in the Asia-Pacific region. Today, the race has intensified as the rapidly aging population of Japan has begun to exert pressures on destinations to develop and promote products catering to this growing market segment. Competition is becoming intense as regional destinations like Thailand, Singapore and Malaysia are aggressively positioning themselves in niche markets like medical tourism, long stay and retirement programs. Thailand, for instance, is pushing for the opening up of Japan's aviation and tourism sectors. Under the proposed provisions of the bilateral free trade agreement, Thailand has sought for Japan's technical support in liberalized areas such as agriculture, fisheries, and forestry, and Japan's recognition of the standards of Thai medical care services, including health spas and elderly care centers.

According to the United Nations, the number of persons aged 60 years or older had been estimated at 629 million as of 2002 and is projected to grow to almost 2 billion by 2050. By this year, the population of older persons will be larger than the population of children for the first time in history. The majority of the world's senior citizens reside in Asia (54% of the total Asian population) and in Europe (24%).

Japan's population is rapidly aging. In 2002, there are more than 20 million Japanese aged 60 years and above. The number of senior citizens belonging to this bracket increases not only because of the number of individuals reaching that age level, but also because they tend to live longer. As of 1999, the average life span of a Japanese individual was 77.10 years for males and 84 years for females – the highest life expectancy rate in the world. At the rate in which the demographic structure is changing in Japan, by the year 2025, the number of people aged 60 and over will be highest in Japan, Italy, and Germany. It is projected that out of the 124.1million population of Japan in the year 2020, around 27.8 percent will be 65 years and older and that the growth rate in the age brackets of 0-39 will be negative.

The aging market provides opportunities for the exports of our labor services -- caregivers and medical practitioners – or for the exports of tourism services via medical tourism, long stay and retirement programs. The Philippines can tap the retiree markets for the tourism industry. To start with, it is important to segment the retiree market depending on their needs. The retiree market can be segmented into the following categories:

Retiring individuals. The category of people who are about to retire is made up of individuals aged 50 to 55 years. These are people in the process of winding down their active professional life and are contemplating what retirement plans they wish to pursue.

Retired individuals. This category refers to those generally within the range of 56 to 75 years of age and some opt to maintain a schedule of social activities while others are relatively idle.

Retired elderly. This category generally includes those at least 76 years and older. They are the least active and would have less capacity for independent existence.

To assess the implications of these market niches it is important to identify the trends in Japan in these areas.

Many elderly people in Japan are showing an interest to continue working even after retirement. In fact, the post-retirement period is considered an opportunity to enjoy a “second life”. In contrast to the traditional idea of a retiree as someone who lives in a quiet and inactive environment, a typical Japanese in his second life is still on the move. Old age is no longer seen as quite life but another stage in life when people should make use of their increased free time and enjoy life fully. Sports have been adapted to suit the needs of older people. The second life is evidently a chance to engage oneself in a new range of activities such as sports, arts-related hobbies, and volunteer work, which are even more exciting if pursued abroad. This is where the concept of overseas multi-habitation (retirees’ pursuit of an alternative way life abroad) comes in.

Statistics show that there are currently more than 800,000 Japanese on long stay abroad. The number of long-stayers has increased from 326,225 in 1971 to 839,435 in 2001. Around 20% are in Asia, mostly in China, Singapore, and Thailand. The most recent statistics show that as of Oct 2001, there are 10,137 Japanese officially residing in the Philippines making it the 8th most popular destination in Asia next to China, Singapore, Thailand, Korea, Taiwan, Malaysia and Indonesia.

How do the elderly choose their retirement destination? Apparently, their decision is contingent on such factors as assets and pension revenue, marital status and relationship with spouse and children, as well as visa rules and regulations in the country where they wish to travel to or to stay permanently.

Assets and pension revenue. The family assets of those in the highest income group are valued at roughly \$1 million. About 80% are in the form of residential land, 12% in financial assets, and the rest in houses and durable goods. The family assets of those working as corporate administrators or managers are valued at \$0.9 million. The average monthly income of households with parents aged 65 or older is valued at \$3,218 while those with parents under age 65 have \$5,116. Accumulated savings per capita is around \$79,500.

Today there is a trend among the Japanese to depend on public pensions as the main source of income during elderly life. While the pension is at an average of \$1,800 per month (one of the highest in the world), Japan is implementing some reforms to deal with its dwindling funds and the possible bankruptcy of the national pension system by year 2010 (as predicted by the International Monetary Fund. For one thing, the retirement age has been raised to 65 years old. The imposition of a mandatory insurance scheme covering the whole population (similar to Germany’s) has been considered. Even Japan’s private sector pension system is facing severe strain because of too few corporate workers, too many retirees, and many outdated rules which were crafted in the context of economic conditions 30 years ago.

Relationship with spouse and children. People who are retiring at age 60 actually face an average of 20 to 30 years of post-retirement life independent from one’s children. Although the ratio of living together is extremely high in Japan compared to other countries, the enthusiasm is waning: the ratio of living together has declined from 68% in 1975 to about 55% in the 1990s. At present, four out of five old people are still looked after in a family

setting, but Japanese women who bear much of the responsibility of caring for the older generation are becoming restive.

Personal and social factors affecting the choice of destination. These include personal preferences (familiarity with the foreign country), peace and order situation in the country, cost of living, distance from Japan (presumably affecting cost of visits by the retirees to their families and vice versa), English-speaking population; and beauty of the natural environment.

○ **Cost of Medical Care and Long-Term Care Services**

Another reason why a growing number of Japanese retirees have considered seeking medical attention abroad is the high cost of medical care in Japan. And if they are going to depend on their pension and insurance benefits alone for their day to day living, they will consider maximizing the value of their money in hospitals and medical facilities abroad.

Older people are more prone to sickness and thus require regular medical check up or special medical attention. The cost of living and medical care in Japan is one of the highest in the world. This could put a lot of pressure on the limited pension of an average Japanese retiree. For instance, an average Japanese in 1997 spends at least US\$2,400 annually in medical care. This reflects almost the average medical spending in developed economies. With 20 million retirees having their regular medical check-ups or treatment, that translates to at US\$48-billion. The amount is even expected to go up. The daily cost of hospitalization in Japan in 1997 costs about US\$720. Elderly people in Japan tend to stay longer at 4.1 days – much longer than the national average of 2.0 days. Since Japan has one of the highest proportions of its population covered by private health insurance, the growing number and cost of medical care of its senior citizens would ultimately place a lot of strain on the pension and insurance systems of the country.

The Ministry of Health and Welfare estimates that the number of elderly needing nursing care at over 2 million and is set to increase to 4 million 2010 and as high as 5.2 million in 2025. The Ministry plans to separate nursing services from existing medical care and institute a social insurance plan to cover the former.

Recognizing that tourism is a major entry point to finally attracting the retirees to spend their retirement years in Thailand and to invest in the retirement communities, the TAT started to promote Thailand as a hub for medical tourism, challenging the position of Singapore which has become a costly destination. Services in Bangkok can be as low as 50% to 70% of that charged in Singapore.

Medical tours are now readily available which include the packages which are heavily promoted by the TAT. The holiday packages include a two-week trip to Thailand, including airfare, hotel and a complete medical check-up in Bangkok before heading to the beaches in the South. Tour operators offer wide array of packages that couple medical procedures like liposuction with a stint on the beach or boat trip. The government is likewise promoting its top hospitals as the latest national attractions, with the TAT leading the marketing efforts. The TAT has now organizes a health travel mart which brings around 150 tour operators from Asia and Europe plus journalists to see the best of Thailand's hospitals. The international [patient volume of Bumrungrad Hospital increased by 57% between 1999 and 2001 and revenue contribution reached 37%.

In 2002, the Philippines started to launch the long stay program under the new Philippine Leisure and Retirement Authority (PLRA). The program aims to persuade retirees from different parts of the world to live in the Philippines even for a few months, and in the process to spend their money on local goods and services. The new name aims to reflect the PLRA's thrust of encouraging foreign nationals to try the Philippines as a leisure destination and eventually as a retirement haven. Under the chairmanship of former Batangas governor Antonio Leviste, the agency has intensified its efforts in boosting the tourism industry and increasing the industry's contribution to the country's total foreign-exchange earnings.

To address the lack of retirement villages and facilities in the country, the PLRA has embarked on negotiations with existing leisure communities where such retirement facilities can be established. It has also signed various memoranda of agreement with agencies such as the Department of Tourism to undertake a marketing campaign and the Bureau of Immigration to implement "look and see" programs of varying durations.¹

In a related development, the Bureau of Immigration's Special Resident Retiree's Visa has been merged with the Board of Investment's Special Investor's Resident Visa to produce the IR2 Visa (Investor and Retiree Resident Visa), which awards holders with a permanent non-immigrant status with multiple entry privileges, as well as exemption from exit and entry clearances and exemption from custom duties and taxes on imported personal effects such as appliances and furniture.

Filipinas Paradise was an early entrant in the retirement industry in the early 1990s. By 1996, another retirement home – Rose Princess – was set up in Laguna. There have been attempts by other developers to develop retirement havens for the Japanese but these projects were aborted due to the Asian financial crisis and unfavorable investment climate. Today, Rose Princess has expanded through franchising to other areas such as Cebu, Matabungkay and Subic,. In the absence of facilities for long stay programs, the PLRA has started to accredit tourism-related real estate properties – condominiums, subdivisions, etc. – to accommodate long stayers (based on a set of guidelines).

The cost of living is lower in the Philippines than in Japan. Perhaps, a good indicator is to compare per capita income in US dollars of the two countries. Japan has a dollar per capita income of over US\$30,000 – which is 30 times that of the Philippines. A good indicator is also to compare the cost of hospitalization in Japan and the Philippines. In the Philippines, the daily cost of hospitalization is 30 times lower than that of Japan. In terms of medical charges, the Philippines is more than 9 times lower compared to Japan.

Cost of dwelling units in the Philippines is lower while providing more living space for the household. In fact, there is no need even to construct new settlements just to serve the retirees. The soft property market currently prevailing in the Philippines has caught many developers of both subdivision and condominiums with large inventories of unsold units. Perhaps with some adjustments in the standards of construction and amenities, many of these housing developments can be re-launched or re-marketed as retirement villages or clusters.

The Philippines can tap into the Japanese retirees market. It has the manpower, the culture, the resources and the cost structure to make life for the Japanese retiree less stressful and more active.

The Philippines has both the available manpower and culture to support retirees. The educational system churns about 300,000 to 400,000 graduates every year and about 7% 21,000 to 28,000 come from medical-related degrees. The abundance of medical service providers in the country is supported by the endless stream of nurses, physical therapists and care givers from the Philippines going to other countries like the United States, Canada, and the United Kingdom. With retirees going to the Philippines, these people need not go to these countries and leave their families behind just to earn the levels of income they would get catering to other nationalities. They can provide the same service and perhaps receive the same income levels serving these nationalities here in the Philippines. However, cultural barriers (beginning with the language facility) have to be overcome.

Elderly require special care giving which a typical Filipino finds natural to provide. The cheerful and hospitable disposition of the Filipino makes the nation a natural haven for care giving and other services. Elderly can also avail of high levels yet affordable quality of medical care. There are many competent doctors who practice specialty medical care in the Philippines. In fact, a number of them have received training or first practiced their professions in the United States, Canada, the UK, etc.

Caring for retirees, particularly the elderly is intensely service-oriented which goes beyond medical care. It is providing personalized care for a longer period of time involving more people. This care must involve other meaningful activities that will keep the retirees busy. As a result, a retirement facility does not only become a venue for providing medical attention, but also a place where self-esteem and self-worth are restored.

Since the services provided already targets foreign nationals, it is important that high standards of care giving must be made. These standards must apply for medical care, facilities, amenities and even for recreation and extra-curricular activities.

Price discrimination against foreign nationals must be avoided. The cost of the medical care provided to retirees should be standardized as far as it is possible or to set ceilings based on local rates (as practiced in Thailand).

In sum, the development of the retirement industry in the country particularly for the Japanese market begins with the growth of tourism. Retirees interviewed reveal that they go to appreciate the country during their trips here. The medical and long stay programs have proven successful for countries like Thailand and Malaysia in generating interest on the retirement industry. Those programs generate foreign exchange earnings and at the same time strengthen linkages between tourism and other related services such as medical care, training and financial institutions and the like.

The realization of these programs also depend on the removal of impediments to tourism growth. Among those identified are the insufficient air access, lack of training for tourism personnel for the Japanese retiree markets, lack of effective marketing and promotions, and lack of access to market information. It is recommended that the areas for cooperation between the two countries in the area of tourism cover efforts in removing or at least reducing those impediments.

Developing the Japanese Market for Philippine Tourism and Retirement Services: Prospects and Impediments

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1. Background

The Philippines and Japan have considered forming an economic partnership that will remove barriers to trade and investments in a number of economic sectors including tourism. Ranked as the second largest tourism market (next to the United States), Japan has contributed roughly US\$270 million in direct revenues to the Philippine tourism industry. In spite of these economic gains, the Department of Tourism (DOT) recognizes that the Philippines still has a lot of catching up to do with other Asian destinations as far as attracting the Japanese market is concerned. The Philippines has so far captured only 1.8% of the 20 million Japanese travelers in the Asia-Pacific region. Today, the race has intensified as the rapidly aging population of Japan has begun to exert pressures on destinations to develop and promote products catering to this growing market segment. Competition is becoming intense as regional destinations like Thailand, Singapore and Malaysia are aggressively positioning themselves in niche markets like medical tourism, long stay and retirement programs. Thailand, for instance, is pushing for the opening up of Japan's aviation and tourism sectors. Under the proposed provisions of the bilateral free trade agreement, Thailand has sought for Japan's technical support in liberalized areas such as agriculture, fisheries, and forestry, and Japan's recognition of the standards of Thai medical care services, including health spas and elderly care centers.¹ Japan has considered exporting its elderly market to the Philippines in an effort to ease the burden of long-term care which will hopefully ease the unemployment problems in the Philippines.

This research study shall assess the prospects of and impediments to developing the Japanese tourism market. More specifically, it shall identify the factors that will enable the Philippines to tap the Japanese retiree market and develop services that will cater to these retirees, including retirement destinations. It shall seek to identify the barriers to fully exploiting this market for those services.

2. Objectives of the Study

The study aims to look into the prospects of increasing foreign exchange earnings, investments as well as employment through the development of the tourism industry with the Japanese market as a special focus. Specifically, the objectives are:

- (1) To assess the prospects of and impediments to developing the Japanese tourism market, particularly the retirees,
- (2) To assess the implications of Japan's aging market on the Philippine tourism and retirement services, and

¹ From the looks of it, Thailand is intent on tapping the business potential of Japan's retirement industry. Indeed, according to the Japanese Thai Venture Co., a Japanese consulting firm, Thailand is already attracting the interest of small and medium Japanese enterprises to invest in the Thai hospitality sector, including the establishment of care centers for retired and elderly Japanese.

- (3) To identify areas of cooperation in tourism between Japan and the Philippines.

3. Removing Barriers to Trade in Tourism Services: Towards Development of the Retirement Industry

What factors influence the choice of a retirement destination? Wiseman (1980) suggests that the decision to migrate whether on a temporary or permanent basis is actually begins with an evaluation of satisfaction with current living arrangements. As such, this evaluation is influenced by triggering mechanisms, evaluation factors, and the type of move. Wiseman argues that triggering mechanisms include both personal changes and external factors that can be positive (pull) or negative (push). It is in this area that tourism may serve as a pull factor, by providing information about the existence of amenities and support facilities in other destinations. A retiree's previous experience as a tourist on a short term basis or as a seasonal migrant can influence that decision (Espinoza and Stallman, 1996). The search for destination places is influenced by vacation experiences where they may have developed strong social attachments (Wiseman and Roseman, 1979) or established network such as childhood home or (Stallman and Jones, 1995). It thus becomes imperative that tourism serves as a major entry point in attracting retirees for seasonal or even permanent migration.

According to the APEC Tourism Working Group (1996) several impediments exist which limited the growth of tourism to and within the APEC region. These impediments included constraints which limit the freedom of the individual to travel from and to countries in the region of affect their decisions to travel to countries in the region. It also included those factors which limit the operation, promotion, development or establishment of tourism-related businesses, within the APEC region such as infrastructure capacity, regulatory environment, the financial system, the labor market, the marketing and promotion network and the implications of technology.

Economic theory does not justify the exclusion of tourism and allied industries such as air transport in services liberalization. Based on the principle of comparative advantage, nations can trade and specialize in activities where they enjoy the least opportunity costs relative to other goods or services. In order to maximize the gains from trade, countries have the option to negotiate a packaged deal rather than a single good or service such as air transport or travel agency operations. When airline services are liberalized, for example, it is possible that the airline industries of some countries will lose. Thus, liberalization will be viewed to have a net negative effect on the economy. However, when the airline industry is grouped with other industries in trade negotiations, the losses in one industry (airline services) may be outweighed by gains in other industries (agriculture or garments manufacturing or IT-enabled services). Linking trade in aviation services with other goods and services is important to form successful free trade blocs.

4. Japan as a tourism market

Under the bilateral agreement, the Philippines can push for the removal of impediments to tourism growth (air access in particular) and for closer cooperation in areas such as marketing and promotions and access to information for product development (i.e. medical tourism, long stay and retirement programs).

Japan is a country with a total population of 126 million and with a GDP of US\$4.2 trillion, 7 times that of China and twice that of all the rest Asia put together. Per capita income is US\$33,333. It has a relatively large number of households earning above US\$50,000 per annum (see Table 1).

Table 1. Number of Households Earning US\$50,000 per annum or more (in '000) in Selected Asian Countries

	Y2000	Y2005	Y2010
India	1,109	1540	2275
China	1	3	25
Malaysia	76	96	145
Philippines	37	51	69
Singapore	241	394	559
South Korea	492	802	1,281
Taiwan	1170	1285	1,624
Thailand	42	63	116
Japan	28,388	23,468	25,701
Total (Asia excluding Japan)	4,807	6,280	8,592
Total (Asia including Japan)	33,195	29,748	34,293

Source: Asian Demographics

For most countries Japan continues to be a huge market for their tourism suppliers. Outbound travel to Asia-Pacific destinations alone has averaged at 20 million per year since 1999. According to the Japan Association of Travel Agents (JATA), the Japanese market loves to travel and winter bonuses are usually spent on leisure and travel. Average spending per trip by an average Japanese traveler is estimated at US\$1,750. In its communication to the World Trade Organization during the Symposium on Tourism Services (February 2001), the JATA recognized critical factors for the development and promotion of a tourist destination to the Japanese travel market. These are: strong presence through tourism promotion officers, improvement in tourism infrastructures, easy access (more airline seats, lower group airfares) and availability of competent local Japanese, and visa waiver program (an added incentive). The JATA noted further that the Japanese are particularly concerned about personal safety and therefore very sensitive to the crime rate, security and hygiene of host destinations.

4.1 The Philippines as a Destination for the Japanese

Japan is ranked as the 2nd largest tourism market of the Philippines. Today, it accounts for 17 percent of the total arrivals to the country. Around 85 percent of all Japanese tourists originate from Tokyo, another 5% from Osaka and another 5% from Nagoya. They come here mostly for leisure (62%), business (19%) and to visit friends and relatives (10%). The average age of Japanese tourist is 41 years old, mostly male (79%), and repeat visitors (55%). Only 0.60% of total visitors are retired or pensioners. Average daily expenditure is US\$159 with 39% allocated for entertainment and recreation, 20% for food and beverage and 18% for shopping. Most frequently visited places are Tagaytay in Cavite, Cebu and Batangas.

However, the Philippines has not been as competitive as the other Southeast Asian countries in attracting the Japanese market. Arrivals to Thailand (which is seven hours away from Japan), for instance, are almost four times than what the Philippines has captured from the 20 million Japanese outbound travel to Asia Pacific (see Table 2).

Table 2. Visitor Arrivals from Japan to Asia-Pacific Destinations

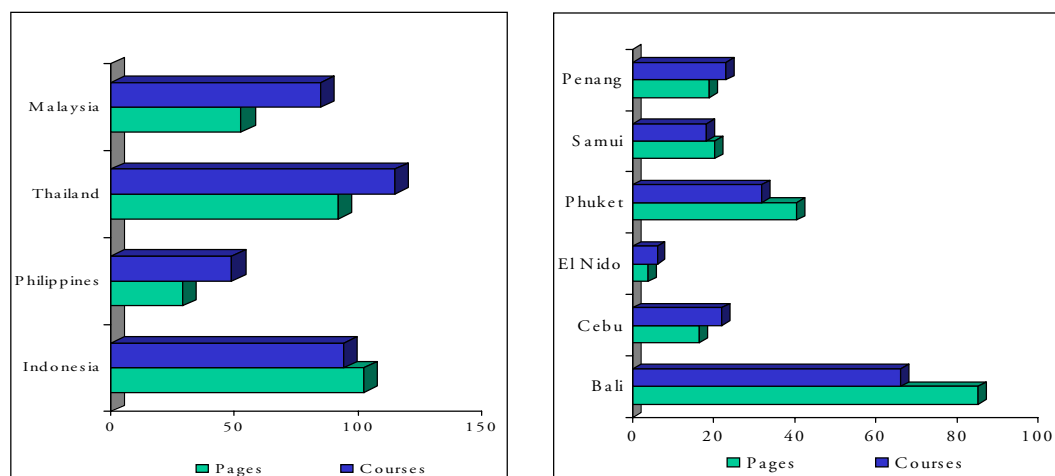
	1997	1998	1999	2000	2001	2002
Philippines	376,714	361,631	387,513	390,517	343,840	341,867
Singapore	1,094,040	843,683	860,661	929,895	755,683	723,350
Thailand	972,056	982,116	1,059,872	1,202,164	1,177,599	1,233,239
Indonesia	706,942	469,409	606,102	643,794	611,314	617,427
Malaysia	308,902	252,178	286,940	455,981	397,639	354,563
Total Arrivals from Japan to Asia Pacific	20,327,232	18,490,060	19,266,893	20,950,725	19,186,294	19,570,020

Source: Pacific Asia Travel Association

Peace and Order Issues

Compared with Thailand, the Philippines has a relatively poor image in terms of safety and security. However, even without those travel advisories in the past, the Philippines still was not as popular as other ASEAN destinations like Bali, Phuket and Penang (see Figure 1).

Figure 1. No. of Brochure Pages and Courses of Top 10 Japanese Travel Agencies Devoted to ASEAN Beach Destinations



Source: Seminar on Upgrading the Service Standards of Travel Trade Supporting Industries (1999)

The Japanese are particularly concerned about personal safety and therefore very sensitive to the crime rate, security and hygiene of host destinations. The government has been issuing “Travel Advisories” in five degrees, updating information on security concerns of each country. The higher the level, the more serious the security concerns. If the Travel Advisory becomes Level 2 or higher, travel companies are virtually not allowed to plan or operate any leisure trips there by administrative guidance.

During the height of the Abu Sayyaf kidnappings in 2000, the Japanese government issued Level 2 travel advisory which led to the cancellation of tours as well as reduction in air access. PAL had to reduce its flights from Tokyo to Cebu from 4 times a week to twice due to poor load factors. The Federation of Tourism Industries of the Philippines mounted a series of campaigns and lobbying in order to convince the Japanese government to remove its travel advisories.

Apart from marketing and promotions and peace and order, infrastructure is another area that needs improvement. McKinsey (2002) further notes that infrastructure in Cebu, for instance, is not as developed as Phuket’s.

Air access

Over the years, the Japanese market has largely been developed with the support of direct flights provided by Philippine Airlines (PAL) and Japan Airlines (JAL) although JAL has concentrated its operations in Manila. Fifth freedom carriers like Northwest Airlines, Egypt Air and Thai Airways added to the capacity but on a limited basis only. PAL’s direct services between Tokyo and Cebu have helped make the latter the most popular destination for the Japanese outside of Luzon.

Air access between Japan and the Philippines can still be improved to make it more competitive with Thailand's level. The number of flights from Tokyo to Bangkok, for instance, is 2.9 times that of the Philippines' level of services (see Table 3). Data reveal further that Thai Airways mounts a total of 29 flights per week (out of the total 87) from Tokyo to Bangkok. The Japanese carriers such as Japan Airlines, JALways and Nippon Airways provide another 28 flights. The rest (about 30 flights) is mounted by fifth freedom carriers such as United Airlines, Northwest, Air India, Egypt Air, and Bangladesh Airlines.

Table 3. Air Access Between Japan and the Philippines (direct flights only)

FROM	PHILIPPINES		THAILAND	
	MANILA	CEBU	BANGKOK	PHUKET
TOKYO	30	6	87	11
OSAKA	12		52	
NAGOYA	10		8	
FUKUOKA	6		4	
OKINAWA	4		0	
TOTAL	62	6	151	11

Source: OAG 2003

Fares are likewise more expensive between Tokyo and Cebu (US\$590) than Tokyo and Phuket (US\$300).. The bilateral air service agreement between Philippines and Japan restricts weekly capacity to 45 frequencies (for each country's carriers) for combination carriers and dedicated. Prior to October 2002, there were 43 weekly entitlements. At that time, the Philippines utilized 21 frequencies using A330 with average load factors of 80 percent. Japan, on the other hand, utilized 40.5 frequencies (10 of which were used by All Nippon Cargo)².

Removing restrictions in air traffic rights between the two countries can lead to more competition particularly in routes currently monopolized by PAL (Osaka-Cebu, Fukuoka-Manila and Okinawa-Manila). This will give flexibility to other Philippine carriers like Cebu Pacific to explore and develop the market without being constrained by capacity and aircraft utilization or lack of competition policy in the allocation of additional traffic rights. Furthermore, this will likely help address one of the concerns of the JATA, that is, easy access (more airline seats, lower group airfares). It is recognized, however, that slot restrictions already exist in the Narita airport.

To provide flexibility to both Philippine and Japanese carriers and to assist travel operators in developing the tourism markets, it is recommended that the Philippines push for an opening up of the air traffic routes, that is, a bilateral open skies agreement. This will also facilitate the development of secondary gateways and entry of secondary carriers.

² Under the agreement, utilization of entitlements are computed based on the following conversion factors: B744 (x2); B747 (x2), DC10 (1.5); B767 (x1.5); MD11 (x2)

4.2 An Assessment of Japan’s Silver Market: Opportunities and Threats

Japan’s population is rapidly aging. In 2002, there are more than 20 million Japanese aged 60 years and above. The number of senior citizens belonging to this bracket increases not only because of the number of individuals reaching that age level, but also because they tend to live longer. As of 1999, the average life span of a Japanese individual was 77.10 years for males and 84 years for females – the highest life expectancy rate in the world. At the rate in which the demographic structure is changing in Japan, by the year 2025, the number of people aged 60 and over will be highest in Japan, Italy, and Germany.³ It is projected that out of the 124.1million population of Japan in the year 2020, around 27.8 percent will be 65 years and older and that the growth rate in the age brackets of 0-39 will be negative.

Table 4. Age Distribution Structure

Selected Asian Country	1990				2000			
	Population (in Million)	0-14	15-64	65+	Population (in Million)	0-14	15-64	65+
China, People' Republic	1,135.2	27.7	66.7	5.6	1,262.5	24.8	65.0	10.1
Hong Kong, China	5.7	21.5	70.0	8.5	6.8	16.3	69.3	14.3
Indonesia	179.4	35.7	60.4	3.9	210.5	30.8	61.6	7.6
Japan (1996)	na	na	na	na	129.87	10.0	77.0	13.0
Korea, Republic of	42.9	25.9	69.1	5.0	47.3	20.8	68.2	11.0
Malaysia	17.8	36.5	59.8	3.7	23.3	34.1	59.3	6.6
Philippines	62.0	40.4	56.1	3.5	78.4	37.5	56.9	5.5
Singapore	3.1	21.5	72.9	5.6	4.0	21.9	67.6	10.6
Taipei, China	20.2	27.3	66.6	6.1	22.1	21.4	70.1	8.6
Thailand	55.8	32.0	63.7	4.3	62.4	26.7	65.2	8.1

Source: Asian Development Bank, *Key Indicators 2001*, 29 August 2001

Note: For 1996, the population of Japan is 125.8. An assumption of an average population of 0.08% was made until 2000.

The aging market provides opportunities for the exports of our labor services -- caregivers and medical practitioners – or for the exports of tourism services via medical tourism, long stay and retirement programs. The Philippines can tap the retiree markets for the tourism industry. To start with, it is important to segment the retiree market depending on their needs. The retiree market can be segmented into the following categories:

Retiring individuals. The category of people who are about to retire is made up of individuals aged 50 to 55 years. These are people in the process of winding down their active professional life and are contemplating what retirement plans they wish to pursue.

Retired individuals. This category refers to those generally within the range of 56 to 75 years of age and some opt to maintain a schedule of social activities while others are relatively idle.

³ See article “Wooing the Elderly,” *Industry Monitor* April 2002.

Retired elderly. This category generally includes those at least 76 years and older. They are the least active and would have less capacity for independent existence.

To assess the implications of these market niches it is important to identify the trends in Japan in these areas.

- **Overseas Multihabitation**

Many elderly people in Japan are showing an interest to continue working even after retirement. In fact, the post-retirement period is considered an opportunity to enjoy a “second life”.⁴ In contrast to the traditional idea of a retiree as someone who lives in a quiet and inactive environment, a typical Japanese in his second life is still on the move. Old age is no longer seen as quite life but another stage in life when people should make use of their increased free time and enjoy life fully. Sports have been adapted to suit the needs of older people. The second life is evidently a chance to engage oneself in a new range of activities such as sports, arts-related hobbies, and volunteer work, which are even more exciting if pursued abroad. This is where the concept of overseas multi-habitation (retirees’ pursuit of an alternative way life abroad) comes in. Table 5 presents the different categories of overseas multi-habitation.

Table 5. Lifestyles of Japanese seniors

Categories of overseas multi-habitation⁵

Long stayers	Retirees who live in Japan during their “second life,” but travel abroad on extended vacations
Migrant retirees	Retirees who live in Japan during spring and summer and just like birds – they often travel to tropical countries during autumn and winter
Immigrants	Those who opt to immigrate to or be a permanent resident of another country, and return to Japan periodically

Source: Hiroyoshi Ono, “The Philippines as Retirement Haven for the Japanese,” 21 March 2002, UA&P.

Statistics show that there are currently more than 800,000 Japanese on long stay abroad (see Table 6). The number of long-stayers has increased from 326,225 in 1971 to 839,435 in 2001. Around 20% are in Asia, mostly in China, Singapore, and Thailand. The most recent statistics show that as of Oct 2001, there are 10,137 Japanese officially residing in the Philippines making it the 8th most popular destination in Asia next to China, Singapore, Thailand, Korea, Taiwan, Malaysia and Indonesia.

How do the elderly choose their retirement destination? Apparently, their decision is contingent on such factors as assets and pension revenue, marital status and relationship with spouse and children, as well as visa rules and regulations in the country where they wish to travel to or to stay permanently.

⁴ Ibid.

⁵ According to Mr. Ono, this is a very loose classification. There are migrants who become enchanted with living in their new country and later opt to become immigrants. However, some retirees approaching their final years opt to return to their homeland for emotional reasons.

Table 6. Japanese Living Abroad by Country (1975-2000)

Country	1975	1980	1985	1990	1995	1999	2000	2001	# of permanent expatriates
Total	396,617	445,372	480,739	a)620,174	a)728,268	a)795,852	a)811,712	a)837,744	293,310
Asia	42,948	62,689	68,274	86,886	141,739	165,168	168,434	179,107	7,892
Iran	2,111	799	547	394	500	513	435	441	221
Iraq	492	2,143	1,560				4	6	1
India	793	838	1,054	1,190	1,442	2,050	2,035	1,959	106
Indonesia	4,255	6,026	6,524	7,031	10,583	11,766	12,254	11,366	759
Korea, Rep. of	2,725	3,040	2,567	5,826	10,206	15,217	16,446	17,613	808
Kuwait	449	711	1,857		161	211	161	157	43
Saudi Arabia	549	3,919	2,300	423	1,011	1,121	846	780	33
Singapore	4,694	8,140	8,077	12,701	24,003	24,186	23,063	23,174	961
Thailand	5,952	6,424	7,852	14,289	21,745	21,400	21,154	22,731	593
China 1)	5,037	6,199	8,415	8,269	16,592	43,997	46,090	53,357	537
Taiwan	3,394	5,022	5,088	7,729	10,687	13,227	14,041	14,554	531
Philippines	3,101	3,958	2,578	4,025	4,175	8,728	9,227	10,137	1,456
Hong Kong	3,964	7,795	8,974	13,980	21,766				
Malaysia	2,023	3,201	4,836	6,116	10,366	11,545	11,625	11,653	648
Other 2)	3,409	4,474	6,045	4,913	8,502	11,207	11,053	11,179	1,195
America, North	123,221	139,367	170,547	263,863	296,594	331,245	339,067	354,262	137,807
United States of America	109,645	121,180	146,104	236,401	263,577	293,606	297,968	312,936	113,233
Canada	8,759	12,280	16,995	21,846	25,493	30,681	34,066	34,446	22,002
Dominican Republic	562	555	610	622	620	603	614	669	445
Mexico	2,462	3,157	2,774	3,286	4,632	4,109	4,158	3,803	1,670
Other	1,793	2,195	4,064	1,708	2,272	2,246	2,261	2,408	457
America, South	184,592	178,336	154,503	130,565	116,859	103,796	99,496	96,909	90,958
Argentina	15,327	15,887	15,660	12,663	11,709	11,846	11,804	11,629	10,857
Colombia	716	833	973	963	1,353	1,370	1,392	1,360	962
Paraguay	4,964	5,187	5,120	4,388	4,119	3,860	3,915	3,835	3,500
Brazil	146,488	141,580	120,276	105,060	90,890	79,560	75,318	73,492	71,033
Peru	11,774	8,460	7,083	2,458	3,370	1,886	1,810	1,385	1,003
Venezuela	960	1,545	967	819	871	773	695	602	335
Bolivia	3,327	3,709	2,911	2,593	2,646	2,538	2,645	2,676	2,358
Other	1,036	1,135	1,513	1,621	1,901	1,963	1,917	1,930	910
Europe, the NIS Group	36,768	50,632	70,215	111,933	131,469	144,080	146,774	145,342	31,358
United Kingdom	5,559	10,943	19,889	44,351	51,668	55,224	53,114	51,896	9,310
Italy	2,337	3,013	3,442	4,849	6,174	7,359	7,997	8,297	2,383
Austria	768	1,187	1,173	1,568	1,605	1,792	1,826	1,825	583
Netherlands	1,469	2,059	2,500	4,334	5,931	5,919	6,481	6,821	785
Greece	643	951	1,028	907	724	624	620	628	436
Switzerland	1,326	1,946	2,864	4,456	4,980	5,595	5,694	5,992	3,289
Sweden	776	943	1,174	1,510	1,901	2,003	2,142	2,193	1,495
Spain	2,074	2,184	2,000	4,195	4,219	4,532	4,683	5,167	1,925
Denmark	498	580	597	870	886	947	960	1,060	652
Germany 3)	12,060	13,991	16,073	20,913	23,843	23,270	25,021	26,402	4,392
France	4,646	6,842	12,156	15,026	18,543	24,658	25,574	21,785	4,771
Belgium	1,719	2,433	4,014	4,551	5,039	4,688	4,936	5,323	
Russia 4)	978	976	831	957	1,471	1,562	1,484	1,612	40
Other	1,915	2,584	2,474	3,446	4,485	5,907	6,242	6,341	1,297
Africa	4,848	8,161	7,662	5,491	7,866	6,386	5,992	5,879	427
Algeria	737	2,199	1,238	344	53	66	72	101	10
Egypt	367	1,039	1,395	925	772	1,046	912	900	166
Kenya	444	560	713	828	875	740	735	708	
South Africa	644	611	801	530	3,136	1,540	1,210	1,238	132
Other	2,656	3,752	3,515	2,864	3,030	2,994	3,063	2,932	119
Oceania	4,240	6,187	9,538	21,398	33,701	45,137	51,909	56,205	24,868
Australia	3,393	5,007	7,466	15,154	23,929	33,188	38,427	41,309	18,501
New Zealand	442	659	1,068	2,006	4,337	6,412	7,780	9,090	3,953
Other	405	521	1,004	4,238	5,435	5,537	5,702	5,806	2,414

1) Excluding Taiwan. Beginning 1999, including Hong Kong, as it was returned to the People's Republic of China.

2) Through 1985, including Antarctica.

3) Through 1990, Germany (Fed. Rep.) only.

4) Through 1990, data for U.S.S.R.

a) Including Antarctica.

Source: Consular and Migration Affairs Department, Minister's Secretariat, Ministry of Foreign Affairs.

Table 6a. Japanese Living Abroad by Country: Percent Share (1975-2000)

Country	1975	1980	1985	1990	1995	1999	2000	2001	# of permanent expatriates
Total	100%	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Asia	10.8%	14.1%	14.2%	14.0%	19.5%	20.8%	20.8%	21.4%	2.7%
Iran	0.5%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Iraq	0.1%	0.5%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
India	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%	0.0%
Indonesia	1.1%	1.4%	1.4%	1.1%	1.5%	1.5%	1.5%	1.4%	0.3%
Korea, Rep. of	0.7%	0.7%	0.5%	0.9%	1.4%	1.9%	2.0%	2.1%	0.3%
Kuwait	0.1%	0.2%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Saudi Arabia	0.1%	0.9%	0.5%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
Singapore	1.2%	1.8%	1.7%	2.0%	3.3%	3.0%	2.8%	2.8%	0.3%
Thailand	1.5%	1.4%	1.6%	2.3%	3.0%	2.7%	2.6%	2.7%	0.2%
China 1)	1.3%	1.4%	1.8%	1.3%	2.3%	5.5%	5.7%	6.4%	0.2%
Taiwan	0.9%	1.1%	1.1%	1.2%	1.5%	1.7%	1.7%	1.7%	0.2%
Philippines	0.8%	0.9%	0.5%	0.6%	0.6%	1.1%	1.1%	1.2%	0.5%
Hong Kong	1.0%	1.8%	1.9%	2.3%	3.0%	0.0%	0.0%	0.0%	0.0%
Malaysia	0.5%	0.7%	1.0%	1.0%	1.4%	1.5%	1.4%	1.4%	0.2%
Other 2)	0.9%	1.0%	1.3%	0.8%	1.2%	1.4%	1.4%	1.3%	0.4%
America, North	31.1%	31.3%	35.5%	42.5%	40.7%	41.6%	41.8%	42.3%	47.0%
United States of America	27.6%	27.2%	30.4%	38.1%	36.2%	36.9%	36.7%	37.4%	38.6%
Canada	2.2%	2.8%	3.5%	3.5%	3.5%	3.9%	4.2%	4.1%	7.5%
Dominican Republic	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Mexico	0.6%	0.7%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.6%
Other	0.5%	0.5%	0.8%	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%
America, South	46.5%	40.0%	32.1%	21.1%	16.0%	13.0%	12.3%	11.6%	31.0%
Argentina	3.9%	3.6%	3.3%	2.0%	1.6%	1.5%	1.5%	1.4%	3.7%
Colombia	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%
Paraguay	1.3%	1.2%	1.1%	0.7%	0.6%	0.5%	0.5%	0.5%	1.2%
Brazil	36.9%	31.8%	25.0%	16.9%	12.5%	10.0%	9.3%	8.8%	24.2%
Peru	3.0%	1.9%	1.5%	0.4%	0.5%	0.2%	0.2%	0.2%	0.3%
Venezuela	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Bolivia	0.8%	0.8%	0.6%	0.4%	0.4%	0.3%	0.3%	0.3%	0.8%
Other	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.3%
Europe, the NIS Group	9.3%	11.4%	14.6%	18.0%	18.1%	18.1%	18.1%	17.3%	10.7%
United Kingdom	1.4%	2.5%	4.1%	7.2%	7.1%	6.9%	6.5%	6.2%	3.2%
Italy	0.6%	0.7%	0.7%	0.8%	0.8%	0.9%	1.0%	1.0%	0.8%
Austria	0.2%	0.3%	0.2%	0.3%	0.2%	0.2%	0.2%	0.2%	0.2%
Netherlands	0.4%	0.5%	0.5%	0.7%	0.8%	0.7%	0.8%	0.8%	0.3%
Greece	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Switzerland	0.3%	0.4%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	1.1%
Sweden	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.5%
Spain	0.5%	0.5%	0.4%	0.7%	0.6%	0.6%	0.6%	0.6%	0.7%
Denmark	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Germany 3)	3.0%	3.1%	3.3%	3.4%	3.3%	2.9%	3.1%	3.2%	1.5%
France	1.2%	1.5%	2.5%	2.4%	2.5%	3.1%	3.2%	2.6%	1.6%
Belgium	0.4%	0.5%	0.8%	0.7%	0.7%	0.6%	0.6%	0.6%	0.0%
Russia 4)	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.0%
Other	0.5%	0.6%	0.5%	0.6%	0.6%	0.7%	0.8%	0.8%	0.4%
Africa	1.2%	1.8%	1.6%	0.9%	1.1%	0.8%	0.7%	0.7%	0.1%
Algeria	0.2%	0.5%	0.3%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Egypt	0.1%	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Kenya	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%
South Africa	0.2%	0.1%	0.2%	0.1%	0.4%	0.2%	0.1%	0.1%	0.0%
Other	0.7%	0.8%	0.7%	0.5%	0.4%	0.4%	0.4%	0.3%	0.0%
Oceania	1.1%	1.4%	2.0%	3.5%	4.6%	5.7%	6.4%	6.7%	8.5%
Australia	0.9%	1.1%	1.6%	2.4%	3.3%	4.2%	4.7%	4.9%	6.3%
New Zealand	0.1%	0.1%	0.2%	0.3%	0.6%	0.8%	1.0%	1.1%	1.3%
Other	0.1%	0.1%	0.2%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%

1) Excluding Taiwan. Beginning 1999, including Hong Kong, as it was returned to the People's Republic of China.

2) Through 1985, including Antarctica.

3) Through 1990, Germany (Fed. Rep.) only.

4) Through 1990, data for U.S.S.R.

a) Including Antarctica.

Assets and pension revenue. The family assets of those in the highest income group are valued at roughly \$1 million. About 80% are in the form of residential land, 12% in financial assets, and the rest in houses and durable goods. The family assets of those working as corporate administrators or managers are valued at \$0.9 million. The average monthly income of households with parents aged 65 or older is valued at \$3,218 while those with parents under age 65 have \$5,116. Accumulated savings per capita is around \$79,500.

Today there is a trend among the Japanese to depend on public pensions as the main source of income during elderly life. While the pension is at an average of \$1,800 per month ⁶ (see Table 7) and considered to be one of the highest in the world, Japan is implementing some reforms to deal with its dwindling funds and the possible bankruptcy of the national pension system by year 2010 (as predicted by the International Monetary Fund). For one thing, the retirement age has been raised to 65 years old. The imposition of a mandatory insurance scheme covering the whole population (similar to Germany's) has been considered. Even Japan's private sector pension system is facing severe strain because of too few corporate workers, too many retirees, and many outdated rules which were crafted in the context of economic conditions 30 years ago.

Table 7. International Comparison of Old-Age Pensions

		Pension per month
Japan	Average for all recipients	172,200 yen
USA	Average for all recipients	US\$ 765 (Single) US\$1,148 (Couple)
Germany	Average for Workers' Pension and Employees' Pension	88,600 yen (1,270 marks)
	Workers' Pension	73,600 yen (1,055 marks)
	Employees' Pension	104,000 yen (1,491 marks)
UK	Basic pension	286 pounds (single) 457 pounds (couple)

Source: Ministry of Health and Welfare (Japan)

Relationship with spouse and children. People who are retiring at age 60 actually face an average of 20 to 30 years of post-retirement life independent from one's children.⁷ Although the ratio of living together is extremely high in Japan compared to other countries, the enthusiasm is waning: the ratio of living together has declined from 68% in 1975 to about 55% in the 1990s. At present, four out of five old people are still looked after in a family setting, but Japanese women who bear much of the responsibility of caring for the older generation are becoming restive.

Personal and social factors affecting the choice of destination. These include personal preferences (familiarity with the foreign country), peace and order situation

⁶ The Tourism Authority of Thailand is targeting different segments of the retirement group. One of these is the group of pensioners who receive more than \$1,750 per month from industrial firms. The TAT is also positioning Thailand as a destination for their preferred customers in the 50-65 age group, the combined retiring and retired individuals.

⁷ Mr. Hiroyoshi Ono, "The Philippines as Retirement Haven for the Japanese," 21 March 2002, UA&P.

in the country, cost of living, distance from Japan (presumably affecting cost of visits by the retirees to their families and vice versa), English-speaking population; and beauty of the natural environment.

According to the study conducted by the TAT for the long stay program, Japanese respondents indicated several major considerations in choosing a retirement destination (see Table 8).

Table 8. What Will Make Them Stay

<i>Factors affecting Japanese retirees' choice of retirement location</i>	<i>Responses</i>
Safety	40.2%
Natural beauty	12.9%
Promptness	7.9%
Conducive environment	7.6%
Friendliness of local population to the Japanese	7.4%
Others (not specified)	24.0%
<i>Questions often asked by Japanese retirees when considering Thailand as a retirement location</i>	
Safety and security	40%
Medical services and availability	14%
Language barriers	14%
Costs and expenses	11%
Local attitude	10%
Others	11%

Source: Tourism Authority of Thailand

The growing silver market has been shaping the kinds of products and services being developed and offered in major destinations of Japanese tourists. In Hawaii, for instance, the percentage of Japanese travelers 60 and older increased from 8.3 percent to 12.7 percent from 2000 to 2002. Older Japanese travelers are more interested in walking, hiking, cultural activities and nature. As revealed by the survey of the JATA on the overseas travel of the “over 60” generation, 66.5% prefer future trips that would allow them to have a pleasant time and enjoy the natural scenery. Another 58.8% would like to tour places of historical and architectural significance. People between the ages of 55 and 64 had the highest likelihood of going on ecological tours because they are interested in nature and are strong enough to bear the physical strain involved in such tours.

○ **Cost of Medical Care and Long-Term Care Services**

Another reason why a growing number of Japanese retirees have considered seeking medical attention abroad is the high cost of medical care in Japan. And if they are going to depend on their pension and insurance benefits alone for their day to day living, they will consider maximizing the value of their money in hospitals and medical facilities abroad.

Older people are more prone to sickness and thus require regular medical check up or special medical attention. The cost of living and medical care in Japan is one of

the highest in the world. This could put a lot of pressure on the limited pension of an average Japanese retiree. For instance, an average Japanese in 1997 spends at least US\$2,400 annually in medical care (Refer to table 9). This reflects almost the average medical spending in developed economies. With 20 million retirees having their regular medical check-ups or treatment, that translates to at US\$48-billion. The amount is even expected to go up.

Table 9. Comparison of Average Medical Care Expenditures in Selected Countries and the Presence of Private Insurance

Country	% Share of Population with Private Health Insurance	Average Medical Care Expenditure (in US\$)
United States (1996)	71	4,090
Japan (1997)	65	2,453
Singapore (1996)	2	473
Taipei, China (1997)	2	2,642
Australia (1996)	45	1,818
South Korea (1996)	94	410
New Zealand (1996)	50	1,350
Hong Kong (1996)	65	3,062
East Asia and the Pacific (1994)	2	38

Source: The World Bank, *Innovations in Health Care Financing 1997*, pp. 104-109, Various articles

The daily cost of hospitalization in Japan in 1997 is around US\$720. Elderly people in Japan tend to stay longer at 4.1 days – much longer than the national average of 2.0 days (see Table 10). Since Japan has one of the highest proportions of its population covered by private health insurance, the growing number and cost of medical care of its senior citizens would ultimately place a lot of strain on the pension and insurance systems of the country.

Table 10. Comparison of Cost of Hospitalization and Medical Charges

Country	Cost of Hospitalization per Day (In US\$)	Inpatient day per Person	Medical Charges (in US\$)
United States (1995)	1,742	1.1	Na
Hong Kong, China (1996)	1,010	2-3	Na
Japan (1995)	721	2.4-4.1	1,416
South Korea (1995)	138	Na	Na
Philippines	16 – 24	3-5	60 – 153

Source: Various articles

Given the longer life span of the Japanese, the demand for long-term care will continue to increase as cultural changes have been observed among Japanese families. Up until the 1980s, Japan's national policies reflected the basic belief that children should take care of their aged parents (Ihara, 1997). Although the ratio of

living together is extremely high in Japan compared to other countries, the enthusiasm is waning: the ratio of living together has declined from 68% in 1975 to about 55% in the 1990s. At present, four out of five old people are still looked after in a family setting, but Japanese women who bear much of the responsibility of caring for the older generation are becoming restive.

The supply of long term care by the family can be expensive from both the individual and society's standpoint (Seike, 1998). This is because the productivity in providing care services is lower for family members than it is for professional care workers. The opportunity cost for many family members is that they have to give up work from which they can earn wages. This opportunity cost is great for family carers who have accumulated their own professional skills. Apart from lost income, their skills can be rusty thereby putting them at the margins of their professions. Volunteer workers tend to be less reliable than and dependable than professional workers.

Table 11. Cost of Long Term Care in Japan: Public and Private Silver Businesses

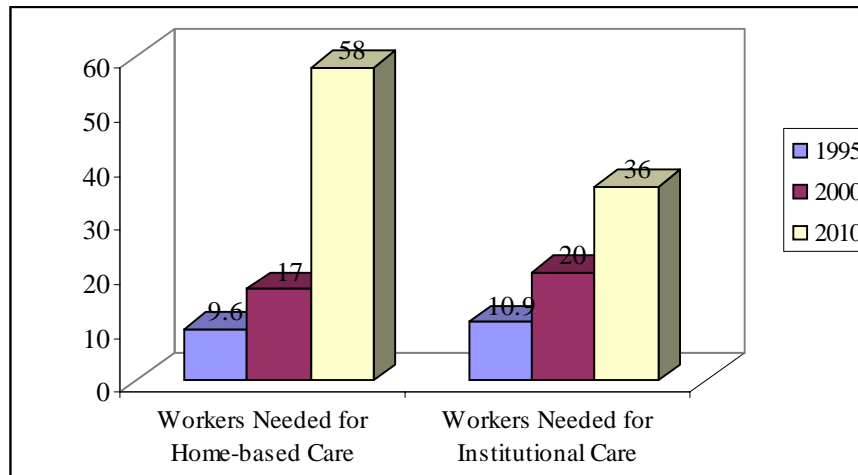
Type of Services	Description	Cost of Service
Home care for the elderly who find themselves alone	Company keeps an eye on the situation at home and reports to the senior citizen's family who can feel at ease as they move elsewhere in Japan or even overseas at work.	2,200 yen (18 dollars at 120 yen to the dollar) per hour for these calls.
Emergency transportation	Taxi companies have established a cooperative emergency alert support network operating in around 40 areas in Japan	4,800 yen (40 dollars) monthly rental fee for an emergency alert device.
Home helper services	involving nursing care and help with household chores	5,000 yen (42 dollars when provided by municipal employees but less than half from private equivalents)
Bathing Services	Privately run	14,000 yen (117 dollars per month)
	Nursing home	32,400 yen (270 dollars per month)
A one-month stay in a nursing home	Municipally operated	366,000 yen (3,000 dollars)
	Privately run	267,0000 yen (2,200 dollars)

Source: Japan Association for Administration of Local Government

The Ministry of Health and Welfare estimates that the number of elderly needing nursing care at over 2 million and is set to increase to 4 million 2010 and as high as 5.2 million in 2025. The Ministry plans to separate nursing services from existing medical care and institute a social insurance plan to cover the former.

Care workers have been in great demand in Japan especially in recent years. Since 1990 the number of care workers has increased from about 40,000 to about 120,000 in 1996 and the increase has been about 10,000-20,000 new workers each year.

Figure 2. Projection of Necessary Number of Care Workers (in 0000s)



Source: Ministry of Health and Welfare; Seike (1998)

Japan still does not allow the entry of medical practitioners and caregivers from other countries into their society. Furthermore, it would be relatively more difficult to uproot the Japanese particularly the retired elderly. Thus, destinations like Thailand have considered attracting the growing “wintering market” or seasonal migrants although others have developed retirement communities.

5. Regional Competition

The reality is that Japan’s aging market will be the largest tourism market that Asian destinations like the Philippines will have to cater to in the future. Recognizing these trends, countries like Singapore, Thailand, Malaysia and even the Philippines are aggressively positioning themselves to become the travel destinations of this aging market, and eventually become the retirement choice. The most aggressive of all these destinations is Thailand.

Singapore

In the past, Singapore was the only country in the region known for its state-of-the-art hospitals. Based on figures from the Ministry of Health, patients come mostly from Malaysia and Indonesia (70-85%). An estimated 150,000 foreign patients sought treatment in Singapore in 2000 and spent about S\$345 million a year in healthcare expenditure. Regional competition has intensified with the aggressive marketing of Thailand as a destination for medical tourism.

Singapore is working to boost its image as a destination that has set standards for quality healthcare. It plans to lead over its regional competitors in terms of medical expertise rather than just price. It also aims to establish one-stop centers in key regional markets to make it more convenient for patients to come to Singapore.

Thailand

Thailand has been cited as a model for tourism marketing and promotions after it successfully launched the Visit Thailand Year in 1997. That program helped attract 9 million arrivals that year and created awareness of Thailand's products. However, the average length of stay and per capita spending declined thus preventing Thailand from generating higher revenues from the huge volume of visitors. As a result of the Amazing Thailand campaign (and devaluation of the Thai baht), destinations have been promoted as cheap and packages have been strict thereby preventing tourists from enjoying other attractions and from staying longer (WTO, 2001). To achieve economic sustainability, Thailand has to attract more longer staying and higher spending tourists to increase the yield. And the retirees are one of these markets.

In 1998 the government developed the long stay program under the TAT. It regards the Long stay and health care project as a highly potential industry and several official departments have been working actively on this project⁸:

- The Department of Export Promotion, Ministry of Commerce
- Ministry of Public Health
- Ministry of Public Foreign Affairs
- Immigration Bureau
- Tourism Authority of Thailand
- Private Hospital Association
- Thai Hotel Association
- Thai Airways International

The Private Hospital Association with members of over 185 hospitals has been supporting this project. For the past two years, participating long-stay providers such as hotels, condominiums, and service apartments in the city and resorts in the suburb region began to convert their premises to be ready for this new project. Thus the standards of services have been taken into consideration by the long-stay and healthcare committee.

Thailand is promoting Bangkok as a hub for medical tourism, challenging the position of Singapore which has become a costly destination. Services in Bangkok can be as low as 50% to 70% of that charged in Singapore.

Medical tours are now readily available and heavily promoted in the website of the TAT. The holiday packages include a two-week trip to Thailand, including airfare, hotel and a complete medical check-up in Bangkok before heading to the beaches in the South. Tour operators offer wide array of packages that couple medical procedures like liposuction with a stint on the beach or boat trip. The government is likewise promoting its top hospitals as the latest national attractions, with the TAT leading the marketing efforts. The TAT has now organizes a health travel mart which brings around 150 tour operators from Asia and Europe plus journalists to see the best of Thailand's hospitals. The international [patient volume of Bumrungrad Hospital increased by 57% between 1999 and 2001 and revenue contribution reached 37%.

⁸ see TAT website

MALAYSIA

Health tourism has been identified as a major sector earmarked by the government under the 8th Malaysia Plan. In 1998, the government introduced this niche in response to the Asian economic crises. All healthcare-cum-tourism activities are categorized under health tourism. Any healthcare programme which covers medical care, wellness and fitness are included under health tourism. It also aims for the enhancement of the mind, body and spirit of the individual, families and groups. The Plan has identified 44 hospitals out of the 224 private hospitals as part of the programme. So far, 27 medical centers have expressed interest to participate while another 13 have already embarked on various promotional activities. Malaysia is now being promoted as “My Second Home.” The Social Visit Pass can be granted to any person who fulfills certain criteria to stay in Malaysia as long as possible on a social visit pass for initially a period of 5 years and renewable. The government has likewise created a National Committee for the Promotion of Health Tourism in 1998. It aims to promote smart partnerships between government, healthcare providers, travel organizations and medical insurance groups and to identify suitable countries for promoting medical and health tourism to Malaysia. Japan is the second largest tourism market of Malaysia and it is now a major target for the health tourism programs. Table 12 shows some of these medical tourism packages.

The website of the Association of Private Hospitals of Malaysia promote Malaysia as the preferred health and medical destination because of its English-speaking medical staff, its harmonious plural society practicing a variety of religion, affordable hospitalization costs, highly trained medical specialists most with recognized practices from the UK, Australia and the US, accessibility to major international airports (22 airports nationwide) and comprehensive network of hospitals and clinics.

Table 12. Malaysia's Wellness Paradigm (Health Screening Packages)

Type of Package	Cost (RM)	Details of Package
Basic Health Screening	450	Consultation by medical officer Full medical examination Chest X-ray Electrocardiogram (ECG) Eye Test Comprehensive blood profile* Lung function Test Medical report and counseling
Well Woman Package	1,150	Specialist consultation by O & G Consultant Full physical examination Chest X-ray ECG Eye Test Urine FEME Comprehensive blood profile Lung function test Stress test PLUS Breast examination Papsmear Mammogram Medical report and counseling
Well Man package		Specialist consultation by O & G Consultant Full physical examination Chest X-ray ECG Eye Test Urine FEME Comprehensive blood profile Lung function test Stress test PLUS Blood test for PSA Ultrasound for prostate, liver, gall bladder and kidney Medical report and counseling

*Hematological profile
 Infectious diseases (Hep B & VDRL)
 Kidney function
 Full lipid profile
 Metabolic disorders (including diabetes, thyroid and gout disorder)
 Liver function

Philippines

Only the Philippines has a dedicated government agency (Philippine Retirement Authority) to develop and promote the Philippines as a retirement haven. In other countries like Thailand and Malaysia, these retirement programs are undertaken by the tourism authorities. Created under E.O 1037 by President Marcos in 1985, the PRA was attached under the Office of the President and its main purpose was to adopt an integrated approach in the development of retirement communities. In 1989, the Leisure Development Center of the Ministry of Trade and Industry in Japan undertook a US\$2 million survey of Japanese nationals living in the Philippines on the Extended Leisure Stay Abroad (ELSA) program of the Japanese government.⁹ The ELSA is a government program that encouraged private companies to send out their employees who are about to retire in 3 to 5 years at company expense to countries with ELSA tie-up for 3 to 6 months vacation. In 2001, President Arroyo placed the PRA under the supervision and control of the Board of Investments by virtue of E.O. No. 26. in order to enhance the efforts to attract additional investments.

In 2002, the PRA was renamed as Philippine Leisure and Retirement Authority (PLRA) 2003 to reflect the PLRA's thrust of encouraging foreign nationals to try the Philippines as a leisure destination and eventually as a retirement haven. The Philippines revived the relationship with the Long Stay Coordinating Committee in Japan by signing a Memorandum of Agreement (MOA) that involves partnership and cooperation in marketing and facilitation for the entry of Japanese nationals. To address the lack of retirement villages and facilities in the country, the PLRA has embarked on negotiations with existing leisure communities where such retirement facilities can be established. It has also signed various memoranda of agreement with agencies such as the Department of Tourism to undertake a marketing campaign and the Bureau of Immigration to implement "look and see" programs of varying durations.¹⁰ The PLRA likewise signed agreements with the DOT and the Bureau of Immigration to allow foreigners registered as participant in the program of the PLRA to stay for at least 31 days in the accredited accommodation facilities. The Bureau of Immigration's Special Resident Retiree's Visa has been merged with the Board of Investment's Special Investor's Resident Visa to produce the IR2 Visa (Investor and Retiree Resident Visa), which awards holders with a permanent non-immigrant status with multiple entry privileges, as well as exemption from exit and entry clearances and exemption from custom duties and taxes on imported personal effects such as appliances and furniture.

⁹ The ELSA replaced the Silver Columbia Plan, a scheme based on research that calls for the old Japanese people to be sent out of Japan to spend their aging years in other countries, particularly Spain which was then the leading retirement destination. However, the Japanese elderly did not like the lack of care and haughtiness for the elderly of the Spanish caretakers. This eventually led the Japanese to return voluntarily to Japan (Salaya, 1989; Ono, 2002).

¹⁰ The look and see programs aims to attract foreigners (who do not have the money to invest) as retirees. The program provides different options: a tour package of one week, a short visit of one month, or an extended stay for one year. This aims to give visitors a taste of Philippine lifestyle without pressuring them to invest immediately.

6. Implications on Developing the Philippine Retirement Industry

The Philippines can tap into the Japanese retirees market. It has the manpower, the culture, the resources and the cost structure to make life for the Japanese retiree less stressful and more active.

Manpower Resources

The Philippines has both the available manpower and culture to support retirees. The educational system churns about 300,000 to 400,000 graduates every year and about 7% 21,000 to 28,000 come from medical-related degrees. The abundance of medical service providers in the country is supported by the endless stream of nurses, physical therapists and care givers from the Philippines going to other countries like the United States, Canada, and the United Kingdom. With retirees going to the Philippines, these people need not go to these countries and leave their families behind just to earn the levels of income they would get catering to other nationalities. They can provide the same service and perhaps receive the same income levels serving these nationalities here in the Philippines.

Elderly require special care giving which a typical Filipino finds natural to provide. The cheerful and hospitable disposition of the Filipino makes the nation a natural haven for care giving and other services. Elderly can also avail of high levels yet affordable quality of medical care. There are many competent doctors who practice specialty medical care in the Philippines. In fact, a number of them have received training or first practiced their professions in the United States, Canada, the UK, etc.

• Overcoming Cultural Barriers Especially in the Medical and Health Sectors

The interviews conducted with some Japanese retirees have shown the two major challenges a successful retirement facility must overcome in order to be successful. First is closing the gap between the cultures. The second is providing a personalized care for each retiree in the facility.

Caring for the retiree, especially for the elderly, entails close cultural interaction between the caregiver and the retiree. With two different cultures closely brought together in a place where one becomes highly dependent on the other is bound to create friction. Most of the weaknesses of care giving in the Philippines are cultural in nature. This can be primarily traced to the lack of effective communication because of the Filipino caregiver's lack of understanding of the Japanese language. Another area of difficulty is certain actions and behaviors of both the cared-for and the caregiver that also lead to misunderstanding and often times tension between the two parties.

The training curriculum for caregivers must also incorporate programs that aim to close these cultural gaps. In addition to the medical training for the care of the elderly, training courses should also incorporate basic languages, culture practices and norms, and even on values. More professional training courses must also be given to service providers of ancillary services like facility design, food preparation, culinary arts, tourist guides and even commercial attaches abroad.

Caring for retirees, particularly the elderly is intensely service-oriented which goes beyond medical care. It is providing personalized care for a longer period of time involving more people. This care must involve other meaningful activities that will keep the retirees busy. As a result, a retirement facility does not only become a venue for providing medical attention, but also a place where self-esteem and self-worth are restored.

Since the services provided already targets foreign nationals, it is important that high standards of care giving must be made. These standards must apply for medical care, facilities, amenities and even for recreation and extra-curricular activities.

Price discrimination against foreign nationals must be avoided. The interviews seem to indicate the arbitrariness of some hospitals and doctors in pricing their services to foreign nationals, especially to retirees and the elderly. Perhaps, the cost of the medical care provided to retirees should be standardized as far as it is possible or to set ceilings based on local rates. The National Insurance Industry of Japan and the retirement facilities must also accredit these hospitals including the manner in which they set the rates of their medical services.

○ **Taking Advantage of Existing Real Estate Opportunities**

Retirement homes are traditionally associated with clusters, nursing homes and villages. These places are specially designed to serve the elderly and to provide specialty care for them.

However, the retirement homes market is not only focused on the elderly that belong to the 65 and up age bracket. Retirement homes can also target those who are close to retirement or have opted for early retirement. This segment caters to working professionals and executives aged between 45 to 65 years old including their family members. They are often referred to as “retirables”.

Among the sectors in the economy that will greatly benefit from retirement villages is the real estate market. In the Philippines, there are a number of idle land and unsold but highly developed properties which can be transformed into retirement villages or subdivisions. For instance, over half a million lots and 110,000 house and lots were added into the housing market in the last 11 years. These housing projects are concentrated in Region IV, National Capital Region and Region III.

Table 13. Percentage Share of Additional Housing per Region Classified According to Type of Development (H&L and Lots): 1992-2002

REGION	Open Market				Low Cost			
	H&L Total	% Share to Total	Lots Total	% Share to Total	H&L Total	% Share to Total	Lots Total	% Share to Total
NCR	24,252	22%	67,182	13%	35,449	8%	38,045	18%
I	715	1%	6,578	1%	2,688	1%	1,953	1%
II	674	1%	2,008	0%	11,540	2%	2,459	1%
III	4,864	4%	81,516	16%	104,556	22%	34,042	16%
IV	70,254	63%	290,991	56%	204,421	44%	62,028	29%
V	423	0%	7,282	1%	3,881	1%	21,108	10%
VI	983	1%	23,463	5%	14,663	3%	26,379	12%
VII	2,884	3%	11,474	2%	4,936	1%	5,095	2%
VIII	1,141	1%	2,568	0%	4,403	1%	2,780	1%
IX	107	0%	3,073	1%	4,035	1%	4,680	2%
X	1,449	1%	12,101	2%	14,772	3%	4,221	2%
XI	4,084	4%	7,315	1%	48,253	10%	10,952	5%
XII	120	0%	1,447	0%	12,528	3%	1,314	1%
Total	111,950	100%	516,998	100%	466,125	100%	215,056	100%

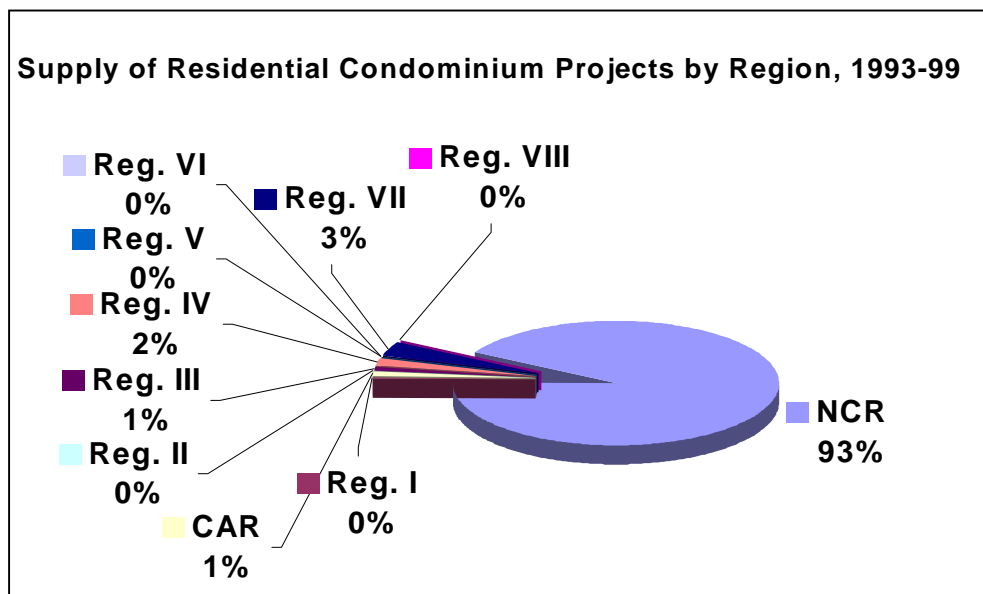
Source: SBE Research, NSO, HLURB

But majority of these housing projects' inventory do not moved because of the current glut and intense competition in the market. For instance, based on a recent survey of housing projects in Region IV or the Southern Tagalong Region, it is estimated that over 30% of the house and lot packages remain unsold.¹¹ And yet, new housing units are expected to be put up every year, estimated to be at least 1,000 H&L open market units throughout the country.

Idle housing subdivisions may not be the only beneficiary of a robust retirement industry. Vertical housing structures or residential condominiums can also be sold to the "retirables" – who are more active and required minimal nursing care or medical attention except for some regular diagnostic tests.

¹¹ This was culled from a May 2003 SBE Consulting Group Survey of 11 subdivision housing units in the Cavite, Laguna and Batangas areas. These areas belong to Region IV which accounts for 63% and 44% of the country's house and lot developments in the open markets, and low cost housing markets, respectively.

Figure 3. Regional Distribution of Condominium Projects from 1993-1999



In the Philippines, residential condominiums cluster in and around the Metro Manila and Cebu. From 1993 to 1999, The National Capital Region accounts for 93% of the total residential condominium inventory in the country followed by 3% in Region VII. Both areas already account for over nine-tenths of the total market. The residential condominium also suffers from a supply glut and intense market competition. As of 2003, there are close to 600,000 condominium units in Metro Manila alone with a fourth of that remaining unsold or unoccupied.¹² The survey data came only from units classified as sold units. The estimate of unsold units could even be higher if those repossessed by financial institutions would also be classified as unsold and therefore idle inventory. At present, there is no estimate of the total number of housing units, both subdivision and condominium units, repossessed by banks.

Standards of the facilities in residential subdivisions and condominiums and their amenities can be conformed to the standards set by the Philippine Leisure and Retirement Authority (PLRA).¹³

The rates and sizes of dwelling units in the Philippines are lower and more spacious than Japan. The continuous weakening of the Peso against major currencies can even make real estate properties in the Philippines more affordable to a Japanese retiree or visitor.

¹² Ibid.

¹³ Refer to section on Policy and Standards,

Table 14. Comparative Real Estate Housing Size and Rates in the Philippines and Japan

Comparative Housing Statistics	Japan*		Philippines*	
	Size (In Sqm)	Price (US\$/Sqm)	Size (In Sqm)	Price (US\$/Sqm)
New Condominium Sale	50-70	3,900-4,100	40-300	730-1,820
New Detached Unit Sale	80-92	3,000-3,300	140-500	545-900
Daily Apartment Rental **	40-100	54-211	50-150	40-113

* Rates in Central Tokyo and Makati were basis for the highest priced or luxury units. Kansai and Cavite property markets were used for the lower priced detached units. Exchange rates assumptions used are ¥108.9/US\$1.0 and PHP55/US\$1.0 for Japan and Philippines, respectively.

** Based on the lowest and highest monthly rates of full serviced apartments in Central Tokyo and Makati

Sources of Data: For Japan: www.stepon.co.jp/ir/or/ar2003/5e.pdf; www.yoke.city.yokohama.jp/theyoke/no.82/f1.2.82.html. For Phils: SBE Consulting Group Survey of Housing in Metro Manila and Cavite, May 2003.

However, both countries Japan and the Philippines prohibit foreign ownership of land. In the Philippines, foreigners can possess properties either as rights to use or occupy it or own it as condominium units provided that the total number of units owned by foreigners in a condominium building does not exceed 30%.

For instance, Rose Princes in Cabuyao, Laguna, the first nursing home in the Philippines which do not cater only to the Japanese elderly sell rights to its clients. These rights involve the use of the property until death or depending on the choice of the resident. Other real estate developers owning units in Subic like Pragmatic Development Corporation and Forest Hills can sell time-shares or long-term leases to foreigners.

Another option is to provide accommodations under long-term pr perpetual lease arrangements. In this case, the arrangement is similar to an apartment user whose payments would depend on the length of stay, the location, the amenities and other services provided to the resident(s).

A host of sectors in the Philippines will benefit if the retirement industry flourishes. Besides real estate, industries that are closely linked with the retirement industry will likewise benefit like health care, pharmaceuticals, care giving, medical services and educational institutions, retail spending and tourism among others. For the Japan, having their retirees living in the Philippines can ease the pressure on its pension and social security system while according them the necessary care and attention they need. While the cost could be lower or even the same in Japan's point of view when it spends for its retirees, the expenditure in peso terms would actually be very lucrative to Philippine industries because of the large disparity in the cost of living between the two countries.

In spite of these advantages the Philippines has to offer, Japan's potentials remain fully untapped for the Philippine retirement industry.

- **Strengthening the Regulatory Framework**

A series of roundtable discussions with private sector representatives from real estate, healthcare and tourism sectors were conducted for this study. They highlighted the need to coordinate efforts of private sector members to begin with. In the medical tourism market, for instance, there are no packages existing that compete with what Thailand and Malaysia are offering. For one, the tourism industry is still fragmented at this point. The coordination of efforts by travel agencies and medical facilities is not yet extensive and marketing efforts are not aggressive at this point. However, it was likewise pointed out that a national plan which will direct efforts of tourism and its allied industries is existing. This is in stark contrast to the efforts in Malaysia where the national government spearheaded the creation of a healthcare sector committee that will specifically address the development of the medical tourism and long stay niches of the country.

There is likewise a need to increase awareness about these market niches among the local government units and local communities which are positioning their destinations for tourism and investments. Social acceptability issues can be addressed through dialogues with the communities.

7. Summary and Conclusion

The study aimed to assess the prospects of and impediments to developing the Japanese tourism market, particularly the retirees as well as the implications of Japan's aging market on the Philippine tourism and retirement services, and to identify areas of cooperation in tourism between Japan and the Philippines.

Japan is a country with a total population of 126 million and with a GDP of US\$4.2 trillion, 7 times that of China and twice that of all the rest Asia put together. Per capita income is US\$33,333. It has a relatively large number of households earning above US\$50,000 per annum. However, the Philippines has not been as competitive as the other Southeast Asian countries in attracting the Japanese market. Arrivals to Thailand (which is seven hours away from Japan), for instance, are almost four times than what the Philippines has captured from the 20 million Japanese outbound travel to Asia Pacific. The impediments identified are in the areas of air access, peace and order issues, as well as marketing and promotions. These are impediments which affect the ability of tour operators such as the JATA in developing and promoting destinations. In its communication to the WTO in February 2001, the JATA recognized the following as critical factors: strong presence through tourism promotion officers, improvement in tourism infrastructures, easy access (more airline seats, lower group airfares) and availability of competent local Japanese, and visa waiver program (an added incentive). The JATA noted further that the Japanese are particularly concerned about personal safety and therefore very sensitive to the crime rate, security and hygiene of host destinations. It is therefore proposed that the Philippine government seek for an opening up of the air traffic routes between Japan and the Philippines on a bilateral basis, removing restrictions

between third and fourth freedom traffic and opening up all gateways as a starting point.

It should be noted however that the Japanese tourism market is already aging. In 2002, there are more than 20 million Japanese aged 60 years and above. The number of senior citizens belonging to this bracket increases not only because of the number of individuals reaching that age level, but also because they tend to live longer. The aging market provides opportunities for the exports of our labor services -- caregivers and medical practitioners -- or for the exports of tourism services via medical tourism, long stay and retirement programs. These market niches allow the country to still generate foreign exchange earnings and generate employment opportunities despite the restrictions imposed by the healthcare sector of Japan. But the Philippine businesses as well as communities and local government units need access to information as well as technical assistance so that the right products for the aging market can be developed.