Sumitomo Shoji Research Institute

World Focus

No. 45, January 2010

VIEWPOINT

Avoiding the Galápagos Syndrome

I am writing this as 2009 draws to a close. A year ago I wrote a column titled “The Immortal Auto Industry,” and over the course of the year since then, a number of automobile-related topics have become major news stories, such as the Japanese government’s “eco car” system of tax breaks for buyers of environment-friendly new autos, the posting of an annual loss by Toyota, the collapse of General Motors and Chrysler, and China’s move into top place in annual auto sales.

Amid concerns about Japan’s ability to maintain its competitive position internationally, the auto industry stands out as one of the country’s strongest performers. This industry is also a leading representative of Japan’s prided skill at manufacturing. Our country’s underlying strength is to be found on the front lines, particularly on the factory floor, and it is generally thought that this strength is grounded in good teamwork. I would not deny the importance of teamwork, but there is a limit to how much can be accomplished through teamwork if the individuals on the team are not capable.

In connection with the importance of human resources, I recently saw a story that caused me concern. Though the number of Japanese studying abroad increased by 30% from 1995 to 2005, reaching a total of 80,000 in 2005, over the decade from 1997 to 2007 the number of Japanese students in the United States actually fell by more than 10,000. Reportedly prospective students are saying things like “the competition is [too] fierce” and “my English may not be good enough” (*Asahi Shimbun*, December 11). Today’s young Japanese seem to lack vigor and to want to avoid competition; they have lost the spirit of challenge. This is regrettable.

Japan’s mobile phone industry is often said to be suffering from the “Galápagos syndrome.” This refers to the sort of phenomenon that Charles Darwin observed on the Galápagos Islands, where plants and animals evolved in an isolated environment. In Japan’s case, mobile phones have become highly advanced to survive the fierce competition in the domestic market, but they are not adapted to other markets. It seems to me that a similar phenomenon can be seen in the field of human resources.

As globalization progresses, the development of human resources has become a crucial issue in countries around the world. And for Japan, amid the demographic shift to fewer births and an aging, shrinking population, the domestic market is contracting, and even businesses that have up to now focused on domestic demand need to extend their operations to external markets, particularly China and other Asian countries. This makes it even more important to increase the ranks of employees capable of coping with diversification and passing muster on the international scene.

The year 2010 is the year of the tiger according to the oriental zodiac, and it is year 27 in the traditional 60-year cycle. This is said to be a year of escaping from the stagnation of the previous year of the ox and achieving bold renewal and progress, while maintaining the necessary continuity with the past. I hope we will be able to accomplish this as individuals—and that through bold renewal and progress we can keep Japan as a whole from succumbing to the Galápagos syndrome.

■ ***Akio Okawara, December 17, 2009***

ON OTHER PAGES

ECONOMIC OUTLOOK

World economy

The world economy managed to emerge from the worst phase of the latest downturn in the first half of 2009 thanks to the general mobilization of fiscal and monetary policy measures by countries around the world in a drive centering on the Group of 20. In the second half of the year, the world entered a phase of searching for a way back to a growth track as risk capital started to flow back into financial markets and the vicious cycle of credit contraction and deterioration in the real economy eased off. In particular, expectations of rapid growth in China and other emerging countries heated up again, and these countries took over the leading role in the world economy as recoveries in the advanced countries lagged, reflecting such factors as the worsening of the employment situation. Though the worst of the financial crisis is now behind us, a number of aftereffects remain, such as the ongoing reliance on public funds for financial stabilization and the rise of sovereign risk due to growing fiscal deficits in some emerging countries that are heavily dependent on foreign capital.

The world economy is expected to achieve a growth rate topping 3% in 2010, breaking away from the negative growth recorded in the wake of the Lehman shock, and it will be a year that will test our path from a recovery dependent on government policy measures toward self-sustaining growth led by private-sector demand. It will not be surprising if the heightening of uncertainty accompanying this process causes the forward momentum to stall temporarily, but even if the developed countries continue to record only slow growth due to the aftereffects of the financial crisis, the emerging and developing countries can be expected to keep up their rapid expansion, powered largely by domestic demand, and trade and investment centering on the emerging countries should show strong growth. This should allow the world economy to avoid the risk of a double-dip downturn in which growth would once again turn negative.

The residual effects of the financial crisis will not completely disappear from the scene in 2010 but will continue to threaten the stability of financial markets. There is a strong possibility that the strengthening of financial regulation, including the tightening of banks' capital adequacy requirements, will delay the recovery of the supply of risk capital, and we cannot ignore the existence of sovereign risk in some emerging countries, such as ones in Central and Eastern Europe where both the external and fiscal balances have deteriorated sharply.

In the advanced economies, though the overall growth rate is expected to turn positive in 2010 after recording the first negative figure of the post–World War II period in 2009, the pace of growth will continue to be slow, reflecting the anemic recovery power of domestic demand against a backdrop of lingering aftereffects of the financial crisis and a harsh picture for jobs. In the United States, the adjustment in the residential and automobile markets has run its course, and the economy is regaining its growth momentum. Also, hopes are being placed on additional economic stimulus measures and export growth reflecting the authorities' acquiescence in the face of the dollar's depreciation. But the chances are strong that the economy will not achieve its potential growth rate, said to be in the 2.0%–2.5% range. In Europe, meanwhile, the recovery is likely to lag, reflecting the persistence of North-South differences due to the impact of the real estate downturn; the countries in Central and Eastern Europe experiencing sovereign risk are also likely to act as a drag. This sluggishness will contrast with better performance elsewhere: The newly industrialized economies of Asia, for example, will benefit from China's rapid growth through the links provided by production networks; resource-rich countries like Canada and Australia will also enjoy positive effects from China's expansion.

The emerging and developing economies will lead global growth: China should continue to record expansion at a rate of more than 8% driven by domestic demand, including the positive impact of Expo 2010 in Shanghai. The rising purchasing power of the middle class should result in strong performance in India, Southeast Asia, and elsewhere in Asia. And Brazil and other Latin American countries should benefit from the pickup in demand for resources. But recovery power is likely to be weak in Central and Eastern Europe and in Russia and other members of the Commonwealth of Independent States, where external balances have been slow to improve and governments are being forced to adopt belt-tightening measures. Meanwhile, keeping inflation in check, maintaining balance in external payments, and holding currency values steady will remain as issues that both emerging and developing countries need to address in order to achieve sustained rapid growth.

If the authorities move too hastily to shift their monetary and fiscal policies before their countries' economies make it all the way on the path from a recovery dependent on government policy measures toward self-sustaining growth led by private-sector demand, there will be an increased danger of a downturn, particularly among the developed countries. In addition, we must note the possibility of declines in the stock and bond markets and other forms of international financial market turmoil as a result of the weakening of the dollar's leading international position. Another ongoing concern is the possible rise of geopolitical risks.

The IMF's World Economic Outlook

(annual growth, %)

	2007	2008	2009	2010
World	5.2	3.0	–1.1	3.1
Advanced economies	2.7	0.6	–3.4	1.3
Japan	2.3	–0.7	–5.4	1.7
United States	2.1	0.4	–2.7	1.5
Euro area	2.7	0.7	–4.2	0.3
Britain	2.6	0.7	–4.4	0.9
Other	4.7	1.6	–2.1	2.6
Asian NIEs	5.7	1.5	–2.4	3.6
Emerging and developing economies	8.3	6.0	1.7	5.1
Developing Asia	10.6	7.6	6.2	7.3
China	13.0	9.0	8.5	9.0
India	9.4	7.3	5.4	6.4
ASEAN-5	6.3	4.8	0.7	4.0
Africa	6.3	5.2	1.7	4.0
Central and Eastern Europe	5.5	3.0	–5.0	1.8
Commonwealth of Independent States	8.6	5.5	–6.7	2.1
Russia	8.1	5.6	–7.5	1.5
Middle East	6.2	5.4	2.0	4.2
Western Hemisphere	5.7	4.2	–2.5	2.9
Brazil	5.7	5.1	–0.7	3.5

Source: International Monetary Fund, World Economic Outlook, October 2009.
Notes: Figures for 2009 and 2010 are projections. The assumed price of oil based on future markets (simple average of prices of UK Brent, Dubai, and West Texas Intermediate crude oil) is $61.53 a barrel in 2009 and $76.50 in 2010.

Japanese economy

The Japanese economy took a sharp plunge in 2009, reflecting the major drop in exports resulting from the simultaneous global downturn in the wake of the Lehman shock. But it bottomed out in the January–March quarter thanks to large-scale fiscal stimulus and active relaxation of monetary policy both in Japan and elsewhere. The real growth rate turned positive in April–June, when gross domestic product rose by 0.7% from the previous quarter. By this measure, Japan was a step ahead of the major Western countries. The expansion continued in July–September, albeit at a slower quarterly pace of 0.3%.

Exports to other Asian countries recovered steadily, helped by the Chinese government's adoption of a 4-trillion-yuan stimulus package. In addition, the Japanese government managed to halt the slide in consumer spending with a number of policies implemented during the course of the year, such as fixed-amount cash payments to households, "eco car" tax breaks for buyers of fuel-efficient new autos, and the "eco-point" incentive system applied to purchases of energy-efficient appliances.

In the year ahead, the export-demand-led recovery should continue, with demand from Western markets picking up again, alongside ongoing strength in sales to other Asian markets. The real GDP growth rate for fiscal 2010 (April 2010 through March 2011) is expected to be 1.0%, turning positive for the first time in three years. But capital investment is too weak to power the expansion, and around the middle of the year the effects of the government's public works outlays and incentives like the eco car tax breaks will peter out. There is thus a persistent risk of a second dip. The new administration's planned stimulus measures, such as an eco-point system for residences, along with the payment of child allowances, should help support the economy, as will the continuation of loose monetary policy, but there is almost bound to be an interval of marking time.

The Japanese economy is more closely tied to the economies of China and other emerging countries through production networks than are the other developed economies, such as those of the United States and Europe.

This allows Japan to benefit more directly from the upturns in the emerging economies, but it also means that there is a strong risk that Japan's domestic economy will falter should there be a slowdown in the emerging countries due to the weakening of their economic stimulus measures or other factors. Other potential causes of concern include the possibility that fiscal and monetary policy management will falter and that the growth of the public deficit will lead to higher interest rates, thereby hindering a recovery in investment.

■ ***Soichi Okuda and Ayako Tanabe, December 14, 2009***

JAPANESE INDUSTRY

Industry conditions, 2009 → 2010

(A: excellent, B: good, C: fair, D: bad, E: slump)

Materials

PETROLEUM PRODUCTS E→E

Even if gradual economic recoveries progress around the world, demand for petroleum products is expected to go on declining, reflecting such factors as the acceleration of moves away from oil. The key to a recovery in performance will lie in the scrapping of excess production facilities. We will see ongoing pressure for companies to join forces and regroup.

CHEMICALS D→E

There is fear of a softening in the market for chemicals as large-scale plants in the Middle East and China come on line. Reduced exports to other Asian markets will force domestic petrochemical producers to cut back on output, and their results may well deteriorate again.

PLASTIC PRODUCTS C→D

Thanks to economic stimulus measures in China, exports of plastics have been running strong, and demand has picked up from the low levels seen earlier. But the intensification of competition with plastics produced elsewhere, notably in the Middle East, Thailand, and India, will make it harder to turn profits.

STEEL D→C

There has been a recovery in demand for steel, primarily from automakers and other manufacturers domestically and from China and other external markets. But causes for concern remain, notably the possible softening of the market due to increased production in other East Asian countries, the wearing out of the effects of governments' economic stimulus measures, and the chance that the yen will appreciate further against the dollar and other currencies.

CEMENT E→E

The performance of the cement industry is expected to remain depressed. There is an excess of supply capacity, and the new administration led by the Democratic Party of Japan is expected to reduce funding for public works; in addition, there is little recovery power in evidence either for private-sector capital investment or for condominium sales.

NONFERROUS METALS D→C

It is feared that the supply of aluminum will be excessive in the face of sluggish demand for use in residential construction, which is the mainstay of the aluminum market. Producers will need to work at cutting costs and to hold down their investment outlays. Meanwhile, the outlook for titanium producers is bleak because of the delay in the start of mass production of aircraft using large amounts of that metal.

Processing and assembly

ELECTRONIC PARTS C→C

Demand for electronic parts from emerging market economies is strong, but demand from the advanced economies is expected to remain lackluster. Meanwhile, the rise of South Korean and Taiwanese manufacturers is certain to intensify competition.

SHIPBUILDING C→D

Amid a decline in the global volume of marine transport, shipbuilders in China and South Korea have greatly increased their output, and this has led to an extreme softening of the supply-demand balance. New orders have effectively stopped, and if conditions like declining shipping prices, poor availability of ship financing, and appreciation of the yen persist further, the environment for the industry is bound to deteriorate.

AUTOMOBILES D→C

Demand for automobiles has been weak both within Japan and in other markets, with the exception of China and India. The key to auto sales will be measures by governments to encourage purchases. Manufacturers with a strong position in eco cars, such as hybrids and electric vehicles, will enjoy an increasing advantage, particularly in sales to advanced countries.

CONSTRUCTION MACHINERY E→E

Demand for construction machinery is sluggish in various markets. Though conditions have bottomed out in some countries, notably China and India, the global supply-demand situation is likely to remain weak, reflecting the ongoing sluggishness of residential real estate markets in countries around the world and the slowdown in mine development.

General products

PAPER AND PULP D→D

With no industry to drive demand in sight, the recovery in the market for paper and pulp will probably be slow at best. Companies have been working to deal with the problem of excess capacity in order to bring supply into line with demand, but meanwhile there is concern over the prospect of higher prices for materials.

FOOD C→C

On top of the sluggishness of consumption, the downward trend in prices is continuing, reflecting such factors as the introduction of private-label products by mass merchandisers; this has caused sales to slump. The overall deflationary tendency in the market for food products is expected to continue, and so there will be general downward pressure on profits.

APPAREL D→D

Consumer demand for apparel continues to be weak, reflecting the deflationary environment. Some firms are doing well, such as H&M and Zara with their "fast fashion" offerings and Uniqlo with its low-price strategy, but the going will probably continue to be rough overall.

LUMBER E→D

The bottoming out of housing starts is a favorable factor for the lumber industry, but profits may be hurt by rising prices of imported raw timber, which could well result from strong demand in China and the Middle East.

Nonmanufacturing

INFORMATION SERVICES D→D

Private-sector companies are generally tending to hold down their information-technology investment levels in response to the business downturn, and demand continues to follow a gradual downward trend. Strong growth is expected in some areas, however, such as software packages promising reduced IT costs, cloud computing, and smart-grid systems.

REAL ESTATE D→D

There is a sense that condominium sales have bottomed out, but it will take time before buyer demand picks up strongly, because concerns about the future outlook persist. The office building market is likely to remain weak, reflecting the upward trend in vacancies.

CONSTRUCTION E→E

The combination of sluggishness in private-sector capital investment and the new administration's policy of cutting back on public works will cause conditions for the construction industry to remain harsh. The selection of contractors for public works projects may act as the trigger for changes in market shares and regrouping of companies within the industry.

RETAIL D→D

Consumer spending has contracted, and we cannot expect it to pick up anytime soon. Concerns about the future and the tendency to scrimp and select lower-priced products will cause prices to continue to fall. In addition, there is no prospect for a quick improvement on the supply side as a sense of excess retail floor space remains, and competition will remain fierce.

ELECTRIC POWER C→C

Industrial demand for electric power is expected to rise, reflecting the gradual recovery in the economy, but a major upturn is unlikely. The upward trend in fuel costs will work to hold down profits.

LOGISTICS D→C

Though uncertainty about economic prospects remains, demand should recover somewhat, helped by pickups in domestic and foreign markets and by revisions of logistic strategies by client companies in connection with increased use of outsourcing. With the domestic market having plateaued, companies will be stepping up their moves toward regrouping aimed at the development of international operations.

■ ***Economic Research Team, December 14, 2009***

FOCUS

Emerging countries: Different approaches to privatization

In the aftermath of the financial crisis, emerging countries, which previously had been moving actively to sell off state-owned assets, are expected to switch to more cautious and selective approaches to privatization. But their thinking on this matter is not uniform; we can classify their approaches into four categories as set forth below.

1. Actively pursuing sales aimed at improvement of public finances: The first category consists of countries that have fallen into severe fiscal straits as a result of the economic crisis and that need to sell off state-owned assets in order to help fill the gap in public finances. For example, in 2010 Poland will seek to sell some $12.8 billion worth of assets in such areas as telecommunications and energy, while Ukraine has expanded the number of enterprises to be privatized from 135 to 365, primarily in the areas of communications, fertilizer, and heavy electric machinery. South Korea is expected to privatize the Korean Development Bank and also to sell off government-owned shares in Hynix Semiconductor Inc., Hyundai Engineering and Construction Co., and Daewoo Shipbuilding & Marine Engineering Co. In India, some 30% of state-operated enterprises are constantly in the red, and the government is planning to divest some of its shares in Oil India, the National Hydroelectric Power Corporation–India, and other companies.

2. Postponing privatization until market conditions improve: The second category consists of countries that find themselves impelled to postpone plans for privatization in the face of the deterioration of market conditions resulting from the global financial crisis. These include China, the Philippines, Thailand, and Turkey. At present they find conditions unfavorable for selling off state-owned assets, since potential investors face difficulties raising funds, total market capitalization has shrunk, and the appetite for investment has weakened. But they are expected to resume their privatization moves if and when the environment becomes more favorable.

China has been working to strengthen the operations of its major state-owned enterprises to prepare for a global economic recovery, and there are signs that the preferential treatment of SOEs in the provision of funds is putting a crimp on financing for private-sector businesses, a phenomenon known as *guojin mintui*, meaning “the state sector advances as the private sector recedes.”

3. Cautious about privatization in the face of high political hurdles: In the third category are countries that face not only the effects of the financial crisis but also strong underlying domestic resistance to privatization predating the crisis. These include Indonesia, Malaysia, Mexico, and Vietnam.

4. Expanding the role of the state and developing SOEs: The final category consists of those countries where the state is stepping up its involvement and there are no privatization moves on the economic policy agenda. Notable examples are Argentina, Brazil, Russia, and South Africa. In some of them, such as Brazil, moves toward resource nationalism can be seen. In Russia there is a pronounced tendency toward strengthening the state’s involvement, but at the same time there are also moves to secure revenues through the sale of shares owned by the state in the face of the pinch in government finances.

Turkey: Developing ties with nearby countries

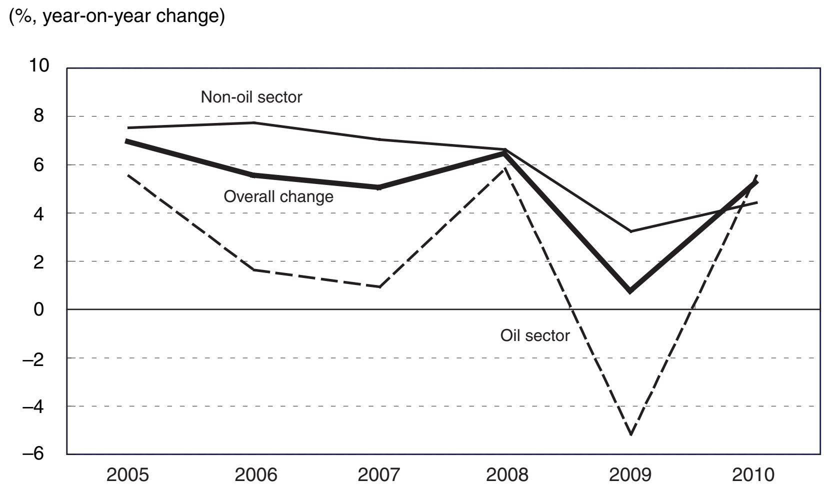
Turkey is in the limelight these days as a major emerging “post-BRICs” (Brazil, Russia, India, and China) country, featuring an ample, youthful labor force and a geopolitically strategic position at the crossroads of Europe and Asia. The most important external economic partner for Turkey is the European Union, and the country has been negotiating for admission into the EU for many years, but recently the talks have become stalled, with the EU side showing a lack of enthusiasm. Partly for this reason, Turkey is now making some highly visible moves to develop its economic interests among the countries in its immediate vicinity.

Over the next few years Turkey aims to increase its trade with nearby countries by three- to fivefold. Turkey has concluded 40 treaties with Syria, including provisions waiving visa requirements, and Turkish hotel operators have set up operations there. With Libya it has concluded treaties in such areas as energy and transportation, waived visa requirements, and received some $8 billion in construction orders over the past six years. It has entered into 48 treaties with Iraq, including agreements involving natural gas and water rights. And it has established joint ventures with Iran in the areas of power generation and gas pipeline construction, as well as setting up a free trade zone. Turkish companies have a wealth of experience operating in these other countries of the region, which together represent a huge market, and it is hoped that Japanese companies will be able to do business in cooperation with them.

In addition, Turkey is now actively pursuing a strategy of turning itself into an "energy corridor" through major pipeline projects crossing the country from east to west, including the Blue Stream Natural Gas Pipeline and the Nabucco Pipeline.

This year is being observed as "Japan Year 2010 in Turkey," in commemoration of the 120th anniversary of the start of friendly relations between the two countries, which date back to the visit to Japan by the Ottoman frigate *Ertugrul*. The business communities of both countries are now hoping for the expansion of cooperation in areas including automobiles, information and communications technology, electric machinery and electronics, pharmaceuticals, construction and infrastructure, and tourism.

Real GDP Growth, Gulf Cooperation Council Countries



Source: International Monetary Fund, October 2009.
Notes: The Gulf Cooperation Council comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. Figures for 2009 and 2010 are projections.

Gulf countries: Seeking diversified development

The recent financial crisis has revealed the limits of a model of economic policy that relies heavily on large-scale real estate development making use of highly leveraged borrowing, the approach of which Dubai had been a prime practitioner. Meanwhile, the impact of the financial crisis was relatively light on countries like Singapore that have achieved development without depending on natural resources by pursuing a balanced portfolio of activities. So it is likely that the Gulf countries will step up their moves to diversify as they seek to break away from dependence on energy resources.

Among the moves already underway are the following:

- Raising the added value of downstream energy operations: Petro Rabigh Company in Saudi Arabia; Industrial City of Abu Dhabi
- Industrialization using domestic and foreign capital: Saudi Arabia's National Industrial Cluster Development Program
- Attracting knowledge-intensive, research-and-development-oriented industries: King Abdullah University of Science and Technology in Saudi Arabia; Masdar City in Abu Dhabi; Education City in Qatar
- Developing the service sector: Qatar Financial Center; Bahrain Logistics Zone; Dubai Media City

Dubai continues to be a key hub for people, goods, and money. The volume of passenger and freight traffic at its international airport is still growing, reflecting the liveliness of the movement of people and goods in the Middle East. In addition, the port of Jebel Ali, the Jebel Ali Free Zone, and the Dubai International Financial Center will continue to play important roles as regional hubs.

Persistent risks: Pandemics, terrorism

Influenza: According to the World Health Organization, the H1N1 strain of swine influenza has spread to more than 200 countries and caused close to 10,000 deaths. Meanwhile, the H5N1 strain of avian influenza is continuing to spread. So far a total of 444 cases of human infection have been reported worldwide, including 262 deaths.

The World Bank, in a September 2008 report, estimated that a pandemic outbreak of avian influenza could, in the worst-case scenario, cause 71 million deaths and economic losses of $3 trillion, equivalent to a 4.8% contraction of gross domestic product worldwide.

Terrorism, piracy: Cyberterrorism,

meaning electronic attacks on core systems (telecommunications, finance, aviation, railways, power, gas, and water supplies, government and administrative services, healthcare, etc.), holds the potential of causing chaos in everyday life and social and economic activities. The existence of dangerous Internet domains in China and Hong Kong has been pointed out for some time, and with the spread of technology, online criminal activity also seems to be on the rise in other developing countries, notably in Eastern Europe and Southeast Asia.

Another concern is the safety of the so-called global choke points through which most of the world's oil supply is transported. If any of these were closed by terrorism, piracy, or accidents, the flow of oil would be temporarily cut off, and this would have a serious impact on the global economy.

■ *International Affairs Team*

Human Cases of H5N1 Influenza

(number of cases reported to WHO)

	2003	2004	2005	2006	2007	2008	2009	total	(deaths)
World	4	46	98	115	88	44	49	444	(262)
Asia									
Azerbaijan	0	0	0	8	0	0	0	8	(5)
Bangladesh	0	0	0	0	0	1	0	1	(0)
Cambodia	0	0	4	2	1	1	0	8	(7)
China	1	0	8	13	5	4	7	38	(25)
Indonesia	0	0	20	55	42	24	0	141	(115)
Laos	0	0	0	0	2	0	0	2	(2)
Myanmar	0	0	0	0	1	0	0	1	(0)
Pakistan	0	0	0	0	3	0	0	3	(1)
Thailand	0	17	5	3	0	0	0	25	(17)
Vietnam	3	29	61	0	8	6	4	111	(56)
Middle East									
Iraq	0	0	0	3	0	0	0	3	(2)
Turkey	0	0	0	12	0	0	0	12	(4)
Africa									
Djibouti	0	0	0	1	0	0	0	1	(0)
Egypt	0	0	0	18	25	8	38	89	(27)
Nigeria	0	0	0	0	1	0	0	1	(1)

Source: World Health Organization (November 27, 2009).

Key Global Oil Transit Choke Points

Choke point	Primary destination	Oil flow (million barrels/day)
Strait of Hormuz	Europe, Japan, US	17.0
Strait of Malacca	Japan, China, ASEAN	15.0
Suez Canal	Europe, US	4.5
Strait of Bab el-Mandab	Europe, US	3.3
Sumed Pipeline	Europe, US	2.5
Strait of Bosphorus	Europe	1.7
Drujba Pipeline	Europe	1.4
Baltic Pipeline	Europe	1.3

Source: Sumitomo Shoji Research Institute, based on International Energy Agency, *World Economic Outlook 2009*.

Sumitomo Shoji Research Institute, Inc.
1-8-11 Harumi, Chuo-ku, Tokyo 104-6136, Japan
Tel: +81-3-5166-3181 Fax: +81-3-5166-6201 E-mail: econo@sumitomocorp.co.jp

World Focus is a monthly publication of Sumitomo Shoji Research Institute, Inc., a member of the Sumitomo Corporation Group, with reports on economic and market trends in Japan and other countries around the world. *World Focus* is also available on the Internet (http://www.sumitomocorp.co.jp/english/special/wf/). If you have any questions or suggestions concerning this publication, please do not hesitate to contact us.