

World Focus

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VIEWPOINT

The Globalization of Employment Issues

Once again this year the *sakura* cherry trees were in full bloom in Tokyo as Japan started its new business year on April 1. On the global scene, the economic picture as a whole seems brighter and more spring-like than it was a year ago. But here in Japan we are still in the grip of winter when it comes to employment. The start of the new business year is supposed to be a time for young people fresh out of school to start their first jobs full of hope. But this year as many as one new grad in five has yet to land a job.

Employment difficulties are of course not limited to Japan; jobs have become a major political issue around the world. Today, as the waves of globalization send people, goods, money, and information flowing freely across borders, domestic labor markets can no longer operate in isolation. Creating and maintaining jobs has long been a race to stay a step ahead of the competition, but the pace of this race has become increasingly more frenetic with the progress of globalization.

The underlying basis of economic activity is the work that people do in order to make a living. Following the Industrial Revolution, as the center of industry shifted from farming (primary industry) to manufacturing

(secondary) and then to services (tertiary), the structure of employment also changed. China is said to have several million unemployed university graduates, but it has substantial growth for employment in the tertiary sector, which still accounts for only about 40% of the economy. It is a different story in the mature economies of Japan and the West, however, where services already account for more than two-thirds of the economy. In countries like these there is relatively little labor-intensive industry, and it is difficult to create a steady stream of high-paying new jobs in large numbers.

In many European countries unemployment rates have historically been running at chronically high levels around 10%, and now the United States also has a jobless rate of almost 10%. The Obama administration is desperately trying to improve the situation with its Green New Deal policies and its drive to create 2 million jobs by doubling exports over the next five years. We should be grateful that technological progress has freed human beings from the sort of machine-like labor portrayed by Charlie Chaplin in his film *Modern Times*. But the downside is that major increases in productivity resulting from technologi-

cal advances also mean fewer jobs.

Employment is a political issue in every country around the world, and the quest for short-term fixes tends to push countries toward protectionist measures to save domestic jobs. But there is no true quick cure for employment ills. Symptomatic treatments cannot be sustained; the real need is for patient measures that will work slowly and steadily over the long term.

The question is how to increase added value and improve our competitive edge internationally. And the answer ultimately comes down to the development of human resources—in other words, education. In this context I find it very sad to see many of Japan's university students having to devote so much of their time during their precious school years to job-hunting activities. Over the long run I fear this will make it harder for Japan to keep up with its rivals in the international race.

■ Akio Okawara, April 9, 2010

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GLOBAL NETWORK

This column presents selected topics and trends viewed from the perspective of members of the Sumitomo Corporation Group working on the front lines of its global business network.

Morocco: Promoting renewable energy

Since last year Morocco has been moving ahead with the creation of policies and organizations aimed at establishing itself as a leader in the fields of the environment and renewable energy. In November the minister of energy announced the launch of an ambitious, large-scale solar energy power generation project, accompanied by the establishment of two new agencies: the Agency for Solar Energy and the Agency for Promoting Renewable Energy and Energy Efficiency Development.

In December last year, the prime minister and other concerned cabinet members assembled and announced the draft of a charter for the environment and sustained development. This proposed “National Environmental Charter” sets forth the government’s basic principles for environmental protection, its thinking regarding environmental rights and obligations, and the importance of sustainable development. The government is aiming to finalize this charter by Earth Day, April 22, this year. It is expected that under this charter regional observatories will be set up around the country and that environmental regulations will be tightened.

The new project involves installation of equipment to generate 2,000 megawatts using solar heat and light, equivalent to 38% of the country’s current generation capac-

ity. It is to be completed by 2019 on an area of 10,000 hectares at a total cost of about \$9 billion. It will save Morocco the equivalent of 1 million barrels of oil (some \$500 million at current prices) annually and reduce the country’s emissions of carbon dioxide by 3.7 million tons a year. By 2020 Morocco expects renewable energy sources to account for 42% of its total power generation, consisting of 14% each from solar, wind, and hydroelectric power.

Morocco has already received more than \$2 billion in financial support for its environmental and energy-related initiatives, particularly the solar energy drive, from institutions including the World Bank, the African Development Bank, and the International Finance Corporation. In addition, Japan and a number of Western countries have extended offers of assistance. Of particular interest is the Desertec Industrial Initiative being led by a German corporation, which involves a planned investment of €400 billion in solar thermal power generation facilities in Africa, mainly in the Maghreb, aiming to meet 15% of Europe’s electric power demand by 2050.

■ *Masaaki Murase, Algiers*

Singapore: Attracting visitors with integrated resorts

On February 14 Singapore’s first casino, part of Resort World Sentosa, opened its doors. It drew as many as 150,000 guests, with waits of up to two hours for admission, in its first week of operation, which corresponded to the Chinese New Year holiday break. The city-state’s second casino, at Marina Bay Sands,

is scheduled to open on April 27.

Two reasons for the Singaporean government’s decision to allow casinos to operate are the revenues and employment they are expected to generate. Together the two casinos are seen creating as many as 20,000 new jobs. Casinos are tourist facilities that can operate 24 hours a day, and it is hoped that they will lead to longer stays by visitors. Increased drawing power should also improve the profitability of hotels and restaurants and contribute to higher real estate values. We should also note that the development of integrated resorts including casinos is in keeping with the country’s strategy of turning Singapore into a major regional hub.

Ever since its foundation in 1819, Singapore has prospered as a trading center for Southeast Asia. It now occupies a leading position within Asia as a center for finance, transportation, and communication, and in recent years it has been strengthening its edge as a site for companies’ regional headquarters. As part of the country’s “hub” strategy, it is crucial to attract people, and the Singapore Tourism Board has set a target of 17 million visitor arrivals in 2015 (compared with 9.68 million in 2009), focusing its medium-term planning on the three fields of conventions, leisure, and services (education and healthcare). The two new resorts, in addition to casinos, will offer entertainment facilities (such as Universal Studios Singapore, the Sands SkyPark at an elevation of 200 meters, an aquarium, and theaters), large-scale hotels, and convention facilities, serving to meet a variety of needs, whether involving family trips, business, or international conferences.

The government's piloting is likely to become even more important for the sake of Singapore's ongoing growth in the period ahead.

■ *Shinya Matsuzawa, Singapore*

Peru: An increasingly attractive investment target

In addition to its tourist attractions, such as the famous Machu Picchu remains, Peru has various features that make it an attractive place to do business. It is the third-largest country in Latin America, behind Brazil and Argentina, and is endowed with mineral and other natural resources, such as copper, gold, silver, zinc, lead, natural gas, and iron ore, particularly in the mountainous region known as the Sierra.

For the five years through 2008, Peru recorded economic growth of 5%–10% a year, and in 2009, while reeling from the shock triggered by the collapse of Lehman Brothers, it managed to achieve a growth rate of 0.9%, the third-highest figure in South America. This year the rate is expected to reach around 5%, second only to Brazil. Last year Standard & Poor's gave it a credit rating of BBB–, the same as Brazil; the only South American country with a higher rating is Chile.

One of the forces powering Peru's economic growth is its active promotion of foreign trade and investment, which it has pursued through the conclusion of agreements on investment, trade, and other areas of cooperation with numerous partners. Peru has concluded bilateral investment treaties with more than 30 countries, including one with Japan, which went into effect last November. And it has also entered into free trade agreements or broader economic partnership agreements with countries including the United States, Canada, and

China. Negotiations are now underway on an EPA between Peru and Japan.

The system of "stabilization agreements" has contributed significantly to Peru's success in attracting foreign investment. Though the details differ depending on the industry, the agreements offer companies of all sorts a guarantee that existing legal provisions will continue to apply to their activities for a set period of time (5–10 years) provided they invest a minimum amount (\$5 million or \$10 million depending on the industry). The stabilization period can be extended to 15 years in the field of mining if a company invests \$50 million or more.

Resource-rich Peru is stable politically and economically, and the investment climate is good. The question now is how Japanese companies will take advantage of the opportunities that this country offers.

■ *Takashi Nakabayashi, Lima*

Takamatsu, Japan: Aiming to build a creative city

The city of Takamatsu is located near the center of Kagawa Prefecture, which occupies the northeastern part of Shikoku, one of Japan's four main islands. The city, which faces the Seto Inland Sea, has prospered since the thirteenth century as the gateway to Shikoku, and it offers residents a well-balanced, harmonious mix of attractions, including its lively central district, its distinctive islands, and its idyllic rural scenery.

Shikoku is now connected to the main island of Honshu by three bridges; the first of these, the Seto-Ohashi Bridge, which opened to traffic in 1988, links the city of Sakaide, just to the west of Takamatsu, with Kurashiki in Okayama Prefecture on the other side of the Seto Inland Sea. Since March last year, passenger cars

equipped with electronic toll collection devices have been able to cross the bridge for as little as ¥1,000 on weekends and holidays, a big discount from the usual bridge toll of ¥3,500. This has contributed to a rise in the number of tourists visiting Takamatsu, which has also gotten a boost from the drama series set in Shikoku being aired this year on NHK, Japan's public broadcasting network.

Takamatsu's Central Shopping Mall boasts Japan's longest arcade, extending for a total distance of 2.7 kilometers. At its core is the Marugamemachi shopping area, where local residents established a corporation 11 years ago in a concerted drive to revitalize their district; this has now become a model for local initiative in other parts of Japan. Takamatsu is also promoting the use of bicycles by setting up parking lots for them and offering bikes for rent.

In March this year the city hosted the Takamatsu International Piano Competition, and from July through October the Setouchi International Art Festival will be held in the area around Takamatsu's port and on seven islands in the Seto Inland Sea. This event will feature works of modern art by up-and-coming artists displayed in the natural and historical setting of this area. It will also include an international symposium and will tie in with the Isamu Noguchi Garden Museum in Takamatsu, the former site of the atelier of the internationally famous sculptor Isamu Noguchi, and with the Chichu Art Museum on the island of Naoshima, designed by the renowned architect Tadao Ando. Takamatsu promises to continue being a city to keep an eye on.

■ *Shigeru Sonehara, Takamatsu*

WORLD OPINION

Less water in the Mekong means more trouble

Late in February a US research firm published a report suggesting the falling water level of the Northern Mekong River resulting from a severe drought posed a threat to millions of people. The drought in southern China has caused the river to fall to the lowest level in 20 years, stranding cargo ships and hurting the livelihoods of impoverished people in the downstream areas of Cambodia and Vietnam by causing reduced catches of fish and other problems. In recent years pollution and low water levels during the dry season have become a serious concern; these are attributed in part to the competition among countries along the river to build dams for hydroelectric power and other purposes. The research firm noted the fear that water and food security issues might heighten political tensions among the countries of the Mekong Basin.

On February 28 a story in the Vietnamese daily *Thanh Nien* declared, "The fertile Mekong Delta is beginning to dry up because of hydroelectric power dams constructed upstream." And on March 4 newspapers in Thailand reported on the serious effects of insufficient water flow in the Mekong, noting suggestions that the retention of water behind dams in China's Yunnan Province was one cause.

Chinese experts have asserted that such claims are baseless, retorting that China's dams retain no water during the dry season—instead, they say, by releasing some of the water accumulated during the wet season, the dams are increasing the dry sea-

son flow by 35%. On March 11 the Chinese embassy in Bangkok held a press conference at which officials declared that the current low levels resulted from drought conditions in northern Thailand and Laos and noted that Yunnan in China was also suffering its worst drought in 60 years. The Chinese asserted their dams were being operated with ample consideration for the interests of the downstream countries.

On March 25 the Thai government revealed that China had agreed to provide information on the volume of water released from its dams to Thailand and other midstream and downstream countries. The Chinese government reportedly sent a letter promising to supply information concerning the operation of its dams through the end of the dry season to the Mekong River Commission, whose members are Cambodia, Laos, Thailand, and Vietnam. Thailand is scheduled to host a summit meeting among the four Mekong River Commission countries early in April, and it is planned also to seek the attendance of nonmember China, which will be asked to take measures to improve the situation.

■ *Toru Fujita, March 31, 2010*

US Congress enacts health insurance reform

On March 23 President Barack Obama signed a health insurance reform law that will provide coverage for more than 32 million uninsured US residents over the next 10 years. There are said to be more than 40 million people in the United States without health insurance, and many people have been driven to bankruptcy by their healthcare bills. Ever since Obama's inauguration,

his administration has focused on health insurance reform as its top domestic agenda item. In an editorial on March 23, the *Washington Post* noted that passage of the reform was "a major political victory" for President Obama, but it went on to caution that over the longer term the key question was "whether reform . . . slows the rate of growth of health-care costs."

The debate over health insurance reform split US opinion in two. In response to strong opposition to the proposed legislation, more than 30 Democratic members of the House of Representatives joined the Republicans in voting against it in the final count on March 21, with the result that it was passed by a narrow margin of 219–212.

As enacted, the reform does not include the creation of a public health insurance option, as President Obama, House of Representatives Speaker Nancy Pelosi, and other members of the Democratic leadership had hoped. The new law thus falls short of directly implementing universal coverage, but it is still a historic achievement in that it creates a system that makes health insurance mandatory for all Americans. The law is expected to raise the percentage with coverage from the current 83% to 95%, a substantial increase.

However, the new system will require spending on the order of \$940 billion over the next 10 years, a prospect that is generating major concern among conservatives. In a March 21 editorial, the *Wall Street Journal* declared, "As for the politics, the first verdict arrives in November," when voters go to the polls for midterm congressional elections.

■ *Masahiko Adachi, April 8, 2010*

ECONOMIC TRENDS

Movement toward recovery can be seen across a wide range of industries in Japan, with increased exports fueling growth in capital investment. But the rise in production activity has been losing momentum, and the pace of recovery in business sentiment is expected to remain slow.

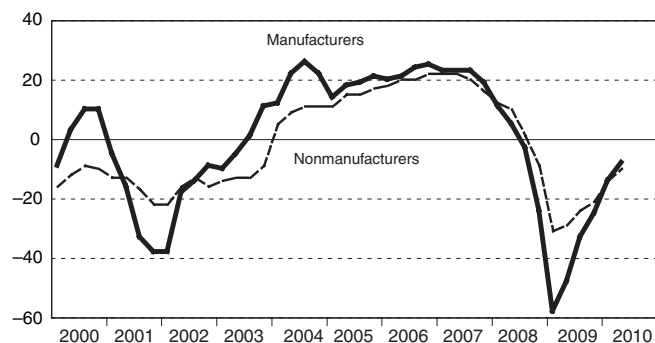
According to the Bank of Japan's March *tankan* survey of short-term business sentiment, released on April 1, the diffusion index for current conditions at major manufacturers, which was -25 in the previous survey (December 2009), rose 11 points to -14. The figure for major nonmanufacturers was also -14, rising for the fourth straight quarter. Positive figures were seen in the chemical and nonferrous metals industries, and the margin of improvement was large in the automobile industry, which has been enjoying strong domestic sales. Improved sentiment was also seen in a wide range of nonmanufacturing industries, including services for individuals, accommodations and eating and drinking places, and retailing. These results indicate that the reach of the upturn is spreading.

In the United States, the economy has been improving, particularly in the manufacturing sector, thanks to progress in trimming inventories. According to figures released by Autodata Corporation on April 1, new car sales in March were up 13.6% from February, running at an annualized pace of 11.77 million vehicles. This reflected the effect of manufacturers' incentive programs, and it was the highest figure seen since September 2008, the month of the Lehman shock, with the sole exception of August 2009, when sales surged in response to the government's "cash for clunkers" rebate program. Also, the index of industrial production for February was up 0.1% from January, the eighth straight monthly advance, and the ISM index of business conditions in the manufacturing sector came to 59.6, the highest figure in 68 months.

In the euro area, countries have been supporting their economies with fiscal stimulus since the time of the Lehman shock. In Greece and other Southern European countries, however, fiscal deficits have swollen to critical proportions, and belt-tightening measures they will need to adopt henceforth are liable to prolong their economic slumps. The leaders of the euro area countries held a meeting on March 25 and announced a support plan for Greece, consisting of bilateral loans and syndicated financing from the International Monetary Fund. Implementation, however, requires the unanimous

Business Sentiment at Major Japanese Corporations

(diffusion index, favorable-unfavorable)



Source: Bank of Japan quarterly *tankan* surveys.

Note: Figures for June 2010 (end of graph) represent forecasts as of the March 2010 survey.

agreement of all the euro area members. The announcement thus failed to fully alleviate the apprehension, and on April 6 the interest rate on Greece's 10-year government bonds rose above 7% once again.

In China, the domestic-demand-led recovery is continuing, powered by government stimulus measures, and exports are also increasing, with the result that the economy is achieving balanced growth.

On March 4, Malaysia's central bank hiked its benchmark interest rate for the first time in four years, raising it from 2.0% to 2.25%. Though inflationary pressure is not particularly strong—the year-on-year rate of increase in consumer prices was a modest 1.2% in February—the bank decided to "normalize" its monetary policy on the grounds that the economy had clearly shifted to a recovery phase. The bank's annual report, released in late March, predicted a growth rate of 4.5%–5.5% for 2010 (upgraded from the 2.0%–3.0% growth outlook it released last October), but the bank also indicated that it would continue to pursue an accommodative policy to help support the economy in the face of the possible disequilibrium from slow recovery in the global economy. The Malaysian monetary authorities' policy stance is shared by other Southeast Asian countries, and there is a strong likelihood that they will continue to pursue policies aimed at supporting growth even as they keep an eye out for a rise in inflationary pressures.

■ Soichi Okuda and Ayako Tanabe, April 8, 2010

INDUSTRY TOPICS

Digital signage draws many eyes

Digital signage is the general term for electronic displays set up in locations outside of the home for exclusive use in displaying information of various sorts. It requires a location, a display, a system, a network, and content. For example, if a retail business wants to set up digital signage mainly for the purpose of advertising its house-brand products inside its stores, it provides the location (stores) and the content (product information), and it generally has an outside party supply the other elements.

Electronic displays of this sort started popping up as early as 1990 or so. They were seen in the form of small monitors in trains, one example being the “Train Channel” produced by East Japan Marketing & Communications, Inc., a subsidiary of East Japan Railway Co., and also in large-scale displays in urban spaces where many people gather, such as the one attached to the outside of Studio Alta in Tokyo’s bustling Shinjuku district. In recent years, though, digital signage has been appearing in all sorts of locations, including public and commercial facilities, streets, and airports.

One factor behind the spread of digital signage is the improvement of the infrastructure functions—the displays and the networks. Another is the lowering of the costs for these elements. An additional factor that bears noting is the growing recognition among users of the distinctive value of this medium, which offers advantages not seen in other types of advertising. For example, traditional forms of outdoor advertising, notably signs and posters, can only display a limited amount of information, and the content cannot be changed flexibly. Digital signage is not subject to such constraints. It has thus been attracting attention as a highly valuable medium that combines the strengths of

mass media, which can convey large amounts of information, and local media, which targets information at specific audiences.

Moves to further enhance the value of digital signage include the addition of interactive capabilities, which will make it possible for displays to be used not just to convey information about products and local districts to viewers but also for searches by viewers. Such advances are expected to power further growth in this field. The digital signage market has been expanding: Its estimated annual volume came to ¥56.9 billion in fiscal 2009 (April 2009 to March 2010), up from ¥53.6 billion in 2007 and ¥55.3 billion in 2008, and the Yano Research Institute has projected that it will grow to ¥80.9 billion by 2014. Meanwhile, the association of the digital signage industry is pursuing the ambitious target of developing this into a ¥1 trillion industry by constructing a huge digital signage network linking all the commercial and public facilities where the devices are installed and supplementing it with tie-ups to mobile phones and other links to enhance the appeal of advertising.

Digital signage is now drawing attention as a distinctive medium, not just from retailers and others providing the locations for the displays but also from businesses in various related fields, including advertisers, systems companies, and display manufacturers. We can expect to see it achieve substantial growth in the years ahead.

■ Yasukatsu Takei, April 9, 2010

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