

World Focus

No. 49, May 2010

VIEWPOINT

From Expo '70 Osaka to Expo 2010 Shanghai

On May 1 Expo 2010 Shanghai China opened its gates. Seeing the excitement in Shanghai, people of my age, born in the post-World War II baby boom, are reminded of the similar excitement in Japan at the time of Expo '70 in Osaka, exactly 40 years ago. In fiscal 1970, the year the Osaka Expo was held, Japan's economy grew by 8.2% in real terms. This sounds high, but it actually represented a slump from the double-digit figures of the previous four years, when the country had been experiencing a prolonged boom. Furthermore, consumer prices climbed 7.3%, feeding fears of stagflation. Pollution was bad and getting worse. And the exchange rate was still set at ¥360 to the dollar. In these and many other respects the Japan of those days was greatly different from the Japan of today.

One of the top global news stories of 1970 was China's rising international profile. It was that year that China successfully launched its first satellite into orbit. It also conducted hydrogen bomb testing, established diplomatic relations with Canada and Italy, and pushed for admission into the United Nations (it became a member the following year). On the economic front, however, it was still only a minor presence.

The Chinese economy started developing at a dramatic clip after the government adopted its reform and open-door policies in 1978, and this year China is poised to overtake Japan and become the world's second-largest economy. In a book published in Japanese last year with the title *China As No. 1*, Kwan Chi Hung, senior fellow, Nomura Institute of Capital Markets Research, noted that even though China was about to surpass Japan in terms of its gross domestic product, in per capita terms it was only about a tenth of Japan's level. In Kwan's view, China is still in the developing stage and continues to be about 40 years behind Japan, meaning that it still has tremendous room for growth.

The nature of international exhibitions has changed over the years, but Expo 2010 Shanghai is a festival celebrating China's rising status, offering a stage for the display of advanced technologies aimed at creation of a low-carbon society and also for exhibits featuring ideas for a better life in the form of new products and services.

In recent years the sustainability of China's rapid growth has come under continued questioning. Most observers have judged that the economy would maintain its mo-

mentum through the Beijing Olympics in 2008 and this year's Shanghai Expo, but people are wondering what sort of course it will follow once the exposition is over. It is generally recognized that China must switch from export-led to domestically powered growth, and it is hoped that the Shanghai Expo will help promote this transformation.

Expo '70 in Osaka promoted the growth of consumer spending in Japan, particularly in the field of leisure, and Expo 2010 in Shanghai, featuring the theme "Better City, Better Life," may promote the improvement of urban environments and people's lives across China. Here in Japan, the population is shrinking and aging, and domestic demand alone cannot keep the economy advancing. This makes us all the more keen to see the Chinese economy keep expanding, in hopes that our neighbor's success as the global growth center will assist our own economic prospects.

■ Akio Okawara, May 7, 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.

Thailand: Troubles in the land of smiles

The political scene in Thailand has been troubled ever since April last year, when protestors from the United Front for Democracy against Dictatorship (UDD) broke into the venue for a summit of the Association of Southeast Asian Nations, forcing the event to be canceled at the last minute. Since then the front, made up of supporters of former Prime Minister Thaksin Shinawatra, has been conducting a campaign against the current administration, demanding that the prime minister step down and new elections be called. In April this year over 20 people, including a Japanese cameraman, died in a violent clash between demonstrators and security forces.

The face-off dates back to September 2006, when Thaksin was ousted in a military coup. Late in 2007, pro-Thaksin forces won an election and formed a government, but the following year the anti-Thaksin Peoples' Alliance for Democracy staged a major protest campaign, occupying Bangkok's Suvarnabhumi International Airport; in December the government was removed from power and a new administration was formed under Abhisit Vejjajiva, leader of the Democrat Party.

The current round of protests differs substantially from earlier ones in that it has had a major impact on

ordinary citizens' lives: UDD demonstrators have occupied part of the central commercial district in Bangkok, and even bombing incidents have taken place. Meanwhile, members of the anti-Thaksin PAD have conducted rallies and other activities in support of Prime Minister Abhisit.

The Abhisit administration has been looking for a way to defuse the situation, and it has responded to the opposition demands with an offer to call a lower house election in November, along with a pledge to tackle social inequities and disparities.

The members of both PAD and UDD are advocating democracy under a constitutional monarchy. For the sake of Thailand's future, we can only hope both sides will avoid physical clashes and that efforts to reach a peaceful settlement through dialogue will continue, even if the process takes time.

■ *Yasuo Kuroda, Bangkok*

Tianjin: One of China's top growth centers

Tianjin, with a population of 12 million, is one of China's biggest cities, and, like Beijing, Shanghai, and Chongqing, it is a "direct-controlled municipality," meaning that it has a status equivalent to that of a province. Facing the Bohai Bay, it is the biggest port in northern China, and it is also a hub for land-based transportation. It has been linked with Beijing by a high-speed rail link, which travels at up to 350 kilometers an hour and makes the trip in just 30 minutes. A similar rail link to Shanghai is now under construction. The network of roads is also well developed, with three expressways running between Tianjin and Beijing.

Last year Tianjin's economy grew by 16.5%, one of the highest rates anywhere in China. The main engine of the city's growth is the Tianjin Binhai New Area, which was designated a national-level economic zone in 2006, and where development has been progressing rapidly. Binhai covers an area of 2,280 square kilometers, almost twice that of Shanghai's Pudong New Area, and it is the site of grand plans for construction not just of manufacturing plants but also of financial and logistics facilities, residences, and more. In the field of manufacturing the focus is on such industries as electronics, automobiles, aerospace, biotechnology, and pharmaceuticals. Companies that have set up operations include Motorola, Samsung, and Toyota. In addition, the new area is actively encouraging the entry of tertiary industry, including financial institutions, securities firms, and an exchange.

Tianjin is also working intensively on policies for the environment and energy saving. In cooperation with the government of Singapore, it is now undertaking construction of the Sino-Singapore Tianjin Eco-city within the Binhai New Area. The aim is to build a city that uses resources sparingly and recycles intensively, taking full advantage of renewable energy sources, including solar, geothermal, and wind power, with a population of 350,000 by 2020.

Tianjin is the location of 37 universities, vocational colleges, and other institutions of higher education. Nankai University and Tianjin University have both been designated as key national universities; the former, in particular, is well known as the alma mater of Premier Zhou Enlai.

The city is also expanding rapidly as a consumer market, and Japanese retailers have been eagerly setting up shops here. Isetan, Uniqlo, and 7-Eleven have already opened their doors, and the Aeon Group is planning to open a huge shopping mall in Binhai. Further major development can be expected in the period ahead.

■ *Koichiro Asada, Tianjin*

Iraq: Working to restore agricultural production

Iraq is blessed with fertile soil and an ample supply of water, and until the 1970s it was the biggest agricultural producer in the Middle East. The war with Iran, however, devastated some of the country's farmland, and the US military incursion starting in 2003 destroyed much of its basic infrastructure. In particular, with limits on the supply of electric power, the irrigation system that had been created to tap the water flowing in the Tigris and Euphrates, Iraq's two great rivers, ceased to operate properly.

Meanwhile, the amount of water flowing in the two great rivers, which had moistened the Fertile Crescent, has sharply decreased. The government of Turkey, where the Euphrates has its source, has undertaken a major dam construction project, and Syria, through which the river flows before reaching Iraq, has put up a huge dam of its own to create a reservoir. Iran, through which the Tigris flows, is seeking to similarly tap the flow in order to cope with its chronic shortage of water.

The area under cultivation, which formerly accounted for 13% of Iraq's land, has shrunk steadily, and now the area that produces grain steadily is said to be a mere 0.6% of the total. Lack of water, insects, salinity, and various other factors have caused grain production to fall

sharply. The annual harvest of wheat, which amounted to 2.5 million tons from 2000 through 2007, was only 1 million tons in 2009, and 4 million tons had to be imported to meet domestic demand. The production of dates, in which Iraq led the world with an annual crop of 33 million tons in the 1950s, has fallen to 9 million tons. And the share of agriculture in Iraq's gross domestic product has slipped to 5%.

The authorities in Iraq are working to restore agricultural production with measures including infrastructure improvements and support for use of greenhouses, but the lack of adequate subsidies makes it impossible for domestic growers to compete with imports from neighboring countries. Protecting agriculture is likely to be one of the key issues for the country's new administration to consider.

■ *Mikio Hayashi, Baghdad*

Sapporo, Japan: Mid-summer marathon

It was in June 2008 that I was transferred from Ho Chi Minh City in Vietnam, where it is always summer, to Sapporo, capital of Japan's northernmost prefecture, Hokkaido, where the winters are long and frigid. And since around that time, the island prefecture's economy has been facing wintry conditions as well, hit by sharp cuts in public works outlays and the impact of the Lehman shock. Tourism is seen as the key to recovery from this slump. It brings more than ¥1 trillion in annual spending to Hokkaido, and the production it generates is equivalent to about 10% of the island's total gross domestic product.

Winter is always followed by spring and summer. This year Hokkaido's tourism is showing signs of picking up, and pale rays of sun are beginning to shine on the island's

winter-bound economy. In January the number of non-Japanese arrivals at Hokkaido's airports was 42,000, about the same as last year, but in February the figure is estimated to have jumped, thanks in part to Chinese New Year holiday travel, and it is hoped that the opening of a new international terminal this March at Sapporo's New Chitose Airport will lead to further growth in the numbers of visitors, particularly from China and Russia.

Hokkaido's summer season is truly splendid. One of the attractions is Odori Park, which extends for 1.5 kilometers from east to west across the center of Sapporo: In the summer this entire park becomes a beer garden, with men and women, both young and not so young, hoisting mugs of brew while enjoying the green setting. Another major attraction is the Sapporo Marathon, the only full marathon held in August in Japan. The race has been held annually since 1987, but last year the course was changed to one that makes the rounds of the city's most famous spots, starting at Nakajima Park and passing the Toyohira River, Sapporo Station, Hokkaido University, and the former Hokkaido Government Office (nicknamed Akarenga, or "Red Bricks") before reaching the finish line at Odori Park.

According to the Hokkaido Shimbun Press, the newspaper publisher that organizes the marathon, the number of participants from outside the prefecture increased substantially last year, thanks both to the attractive new course and to the extension of the time limit for completing the race from four hours to five. This year a record 8,200 entrants are expected. This event is held during Hokkaido's best season, and it is hoped that the tourism and shopping by participants and other visitors will give a further boost to the local economy.

■ *Yoshio Taketomi, Sapporo*

WORLD OPINION

The US tea party movement and public mistrust of Washington

April 15 is the deadline for Americans to file their income tax returns, and this year significant numbers of them marked the occasion by taking part in “tea party” protest gatherings around the country.

These protests represent a grassroots movement by people who oppose the stimulus measures that President Barack Obama’s administration has implemented, along with the resulting growth in the national debt, and who also take a dim view of the government’s rescue of bankrupt enterprises and the adoption of healthcare reform making coverage compulsory for all. They see these developments as signs of the “socialization of America” and of higher taxes to come, and they feel their individual rights are being endangered.

The tea party movement takes its name from the 1773 Boston Tea Party, when colonists protesting a heavy tax on tea imposed by the British government boarded an East India Company ship and dumped its cargo of tea into Boston Harbor. The current round of tea parties serves as a reminder that the spirit of rebellion against taxation and incursions on individual freedom by the government is part of the national character imprinted on Americans’ genes.

According to a recent survey, almost half of the supporters of the tea party movement are independents or Democrats—a surprising finding, which shows that the movement has struck a chord across a broad range of the public. Mistrust of Washington has reached the highest level on

record in the United States, and in this context the tea party movement seems to be emerging as a substantial third force on the American political scene.

Ordinarily when there is a change of party in the White House, the new ruling party loses seats in the congressional elections midway through the president’s first term. The Republicans in Congress have lost ground in the previous two elections; the degree to which they can garner support from the tea party movement will be a major determinant of their performance in the voting this November.

■ *Ryota Yoshimura, Washington, April 28, 2010*

Korean companies win international recognition

This year Japanese newspapers and magazines have been carrying special sections and various other reports about the rapid advances being made by South Korean companies, sounding warning bells for Japanese businesses. On March 4 the *Nikkei*, Japan’s leading business daily, printed an editorial titled “Learn from Korean Enterprises on the Rise Globally,” declaring, “Particularly in the electric equipment and electronics industries, [Korean firms] are widening their competitive edge while Japanese companies stagnate.” The *Nikkei* attributed the Koreans’ success not only to the weakness of their country’s currency, the won, but also to their bold and speedy management decisions, including active investment even under recessionary conditions, their sales strategies focusing intensively on high-value-added products, and

their slow but steady overseas strategies targeting not just developed countries but also the markets of emerging and developing countries.

The *Financial Times*, which has often carried reports critical of South Korea, printed a story on February 24 titled “South Korea is no longer the underdog,” noting that Samsung Electronics overtook Hewlett-Packard last year to become the world’s top-selling technology company, that Hyundai Motor is the world’s fastest-growing auto manufacturer, and that a consortium led by Korea Electric Power Corp. recently won a major nuclear power contract in the United Arab Emirates.

Back when Apple first came out with the iPhone, more than 90% of its touchscreen parts were made in Japan, but now they come almost entirely from Taiwan and China. And its new iPad uses considerable numbers of products from Korean manufacturers, including liquid crystal display panels from LG Display and NAND flash memory parts from Samsung Electronics.

On March 23 the Korean daily *Chosun Ilbo* carried an editorial titled “Korea Can’t Be Complacent in Its Rivalry with Japan,” noting, “Koreans should be proud of that feat [winning the UAE nuclear power contract, along with other successes], but the nation still lags behind Japan in many areas.” The paper observed, “Most of the core components that go into Korean export products are made in Japan,” and it continued, “The gap is even greater when it comes to basic science, which forms the basis of a country’s technological strength,” concluding with the counsel, “Korea still has a lot to learn from Japan.”

■ *Toru Fujita, April 23, 2010*

ECONOMIC TRENDS

The upturn in the Japanese economy has been continuing, supported by growth in exports, particularly to other Asian countries, and government stimulus measures. The pace of the advance is gradual, however, and it remains to be seen whether the recent improvements in corporate performance and the employment situation will translate into a sustained expansion in capital investment and consumer spending.

Japan's Asia-bound exports surged by 58.2% year on year in January–March, powering overall export growth of 43.3% to a total of ¥16.0 trillion. Looking at the figures for fiscal 2009 as a whole (April 2009 through March 2010), we find that exports to Asia accounted for more than half the total for the first time ever, a reflection of the relative sluggishness in the recovery of exports to Europe and North America. In another first, China overtook the United States to become Japan's biggest export destination.

In the United States, the pickup has been taking clear shape in the corporate sector, but the pace of improvement in the household sector has been slow. The performance of US corporations bottomed out in October–December 2008, and business sentiment has definitely improved. New orders for nondefense capital goods (excluding aircraft), which are considered a leading indicator of capital investment, have been rising in year-on-year terms since July–September 2009, and in January–March this year they were up 9.4%; this suggests that capital investment is likely to keep expanding in the period ahead.

The euro area, by contrast, continues to stagnate. Exports have been running higher than year-earlier levels since January, powered by expansion in other economies, but domestic demand remains weak, and unemployment is stuck at a high level (10% in February). Retail sales were down from the previous month in January and again in February. And the decline in the construction industry is unabated, with production in February down 3.3% from January and 15.2% from a year before.

In China, the domestic-demand-led recovery is continuing. Real gross domestic product grew by 11.9% year on year in January–March. The growth of investment in fixed assets remained rapid, and personal consumption expanded at an accelerated pace, demonstrating that the government's stimulus measures have had an impact not just in the form of public works but also in the area of consumption trends in the household

The IMF's World Economic Outlook, April 2010

(annual growth, %)

	2008	2009	2010	2011
World	3.0	-0.6	4.2	4.3
Advanced economies	0.5	-3.2	2.3	2.4
Japan	-1.2	-5.2	1.9	2.0
United States	0.4	-2.4	3.1	2.6
Euro area	0.6	-4.1	1.0	1.5
Britain	0.5	-4.9	1.3	2.5
Other	1.7	-1.1	3.7	3.9
Asian NIEs	1.8	-0.9	5.2	4.9
Emerging and developing economies	6.1	2.4	6.3	6.5
Developing Asia	7.9	6.6	8.7	8.7
China	9.6	8.7	10.0	9.9
India	7.3	5.7	8.8	8.4
ASEAN-5	4.7	1.7	5.4	5.6
Africa	5.5	2.1	4.7	5.9
Central and eastern Europe	3.0	-3.7	2.8	3.4
Commonwealth of Independent States	5.5	-6.6	4.0	3.6
Russia	5.6	-7.9	4.0	3.3
Middle East	5.1	2.4	4.5	4.8
Western Hemisphere	4.3	-1.8	4.0	4.0
Brazil	5.1	-0.2	5.5	4.1

Source: International Monetary Fund, World Economic Outlook, April 2010. Notes: Figures for 2010 and 2011 are projections. The assumed price of oil based on future markets (simple average of the prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil) is \$61.8 a barrel in 2009, \$80.0 in 2010, and \$83.0 in 2011.

sector. Recently, on top of concerns about economic overheating, there is increasing fear of asset inflation, with land prices rising to even higher levels.

Brazil's economy recovered relatively quickly from the global downturn, and it has been registering positive growth on a quarterly basis ever since April–June 2009. Consumer sentiment bottomed out at an early stage, and consumer spending has been showing clear signs of recovery. Thanks to the pickup in domestic demand and rising prices for resources, production levels have been rising in both manufacturing and mining, and industrial production in February was up 18.4% from a year earlier. On April 28 Brazil's central bank shifted its policy stance toward tightening and raised its benchmark Selic interest rate to 9.5%.

According to the latest World Economic Outlook released by the International Monetary Fund on April 21, the world economy is seen as growing by 4.2% in 2010. This is an upgrading of the 3.9% outlook it released in January. While the forecast for growth in the advanced economies is a modest 2.3%, the emerging and developing economies are expected to expand at a rapid 6.3% clip; the IMF outlook thus highlights the regional differences in economic resilience.

■ *Fumio Oi and Ayako Tanabe, May 6, 2010*

INDUSTRY TOPICS

The Promise of Wireless Healthcare

The Apple iPad is due to go on sale in Japan toward the end of May and is already attracting lots of attention. Meanwhile, this year smartphones are building their presence on the market in Japan with the introduction of new models. The spread of these devices, in turn, is brightening the prospects for “mobile healthcare,” which refers to the provision of healthcare-related content of various sorts via mobile phones and other wireless equipment. The introduction of mandatory checks for metabolic syndrome in Japan in 2008 has helped power the growth of this market, which now gives consumers access to a wide variety of applications on easy-to-use devices. According to a study by the research firm Seed Planning, Inc., the market started out in fiscal 2007 (April 2007 to March 2008) with a scale of just ¥8 billion, but by 2012 it can be expected to grow 20-fold and reach the ¥160 billion mark.

Among the healthcare-related products and services already available is one that allows users to link their mobile phones to their scales and other measuring devices for consolidated local tracking of their weight, body fat, sleeping hours, and other personal health data. Another has users take photos of their meals with their phone cameras and email them to a center where they are reviewed by dieticians, who periodically mail back advice about their diet. Mobile phones are handy for personal health management for a number of reasons. People always carry them around anyway, and they can be set to automatically receive updates from measuring devices with communication capabilities. Also, they can show data in graphical form, making it easier for users to track their health indicators visually. The number of people using healthcare-related products and services on their handsets is expected to keep growing.

In the United States, meanwhile, where smartphones have come into wide use, the market has been spreading from personal health management to the field of medical care. Almost 1,000 applications are available for the everyday sharing of medical information with doctors and other medical practitioners. And progress is being made toward commercialization of a wearable device for people with heart disease or diabetes that will sense the signs of an attack or seizure before it occurs and, via the user’s cellphone, will send an emergency message to a medical institution. A big market is already taking shape in the United States for wireless healthcare of various types, including telemedicine and diagnostic support. According to estimates by McKinsey & Company, Inc., this market will amount to \$20 billion in the United States and \$50 billion globally this year.

Mobile healthcare in Japan is currently limited to the field of personal health management, and the development of a full-fledged wireless healthcare market as seen in the United States seems like a remote prospect. A number of substantial hurdles lie in the way of development of such a market, including existing legislation concerning pharmaceutical affairs and provisions for the protection of individual information, as well as limitations in the existing wireless network and other types of infrastructure.

Even so, given the potential benefits of wireless healthcare, including not only improved health but also more accurate and speedy diagnosis and more effective care and lifesaving services, surely there is need for such products and services in Japan as well. If and when the obstacles are removed, we may see explosive growth in this market.

■ Mikiko Tate, April 26, 2010

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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.

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