

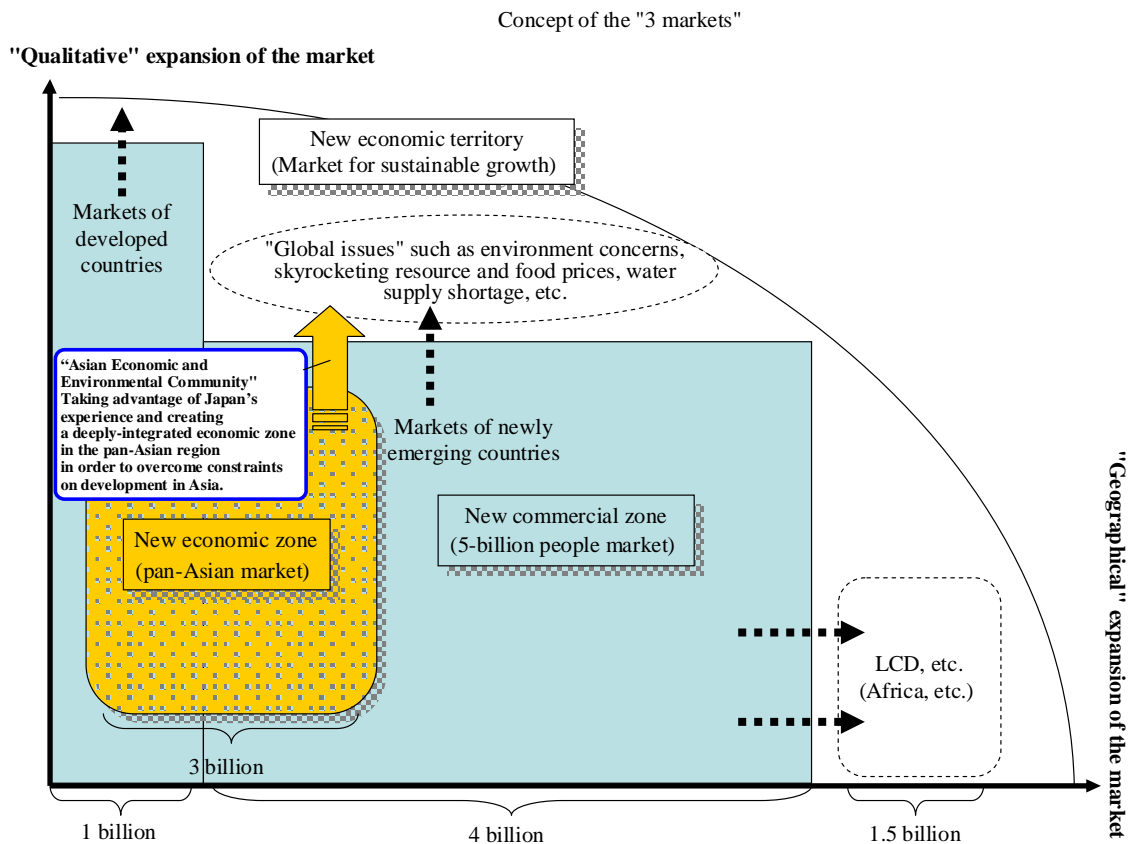
Introduction

The global economy is at a turning point since the U.S. economy, which led global economic growth and promoted economic development in emerging economies throughout the globalization process, is in the correction phase.

Japan should go beyond the flying geese pattern growth model in which it leads the development of Asia and develop a new “development strategy”¹ in which Japan, together with other countries, leads the sustainable development of the global economy, while continuing to be the hub of creativity.

The 2008 White Paper on International Economy and Trade discusses the national strategy to lead the “creation of 3 markets;” these markets provide the basis for further development of the global economy, and also provide “places” and “opportunities” for Japanese industries to develop new businesses. The three markets are as follows:

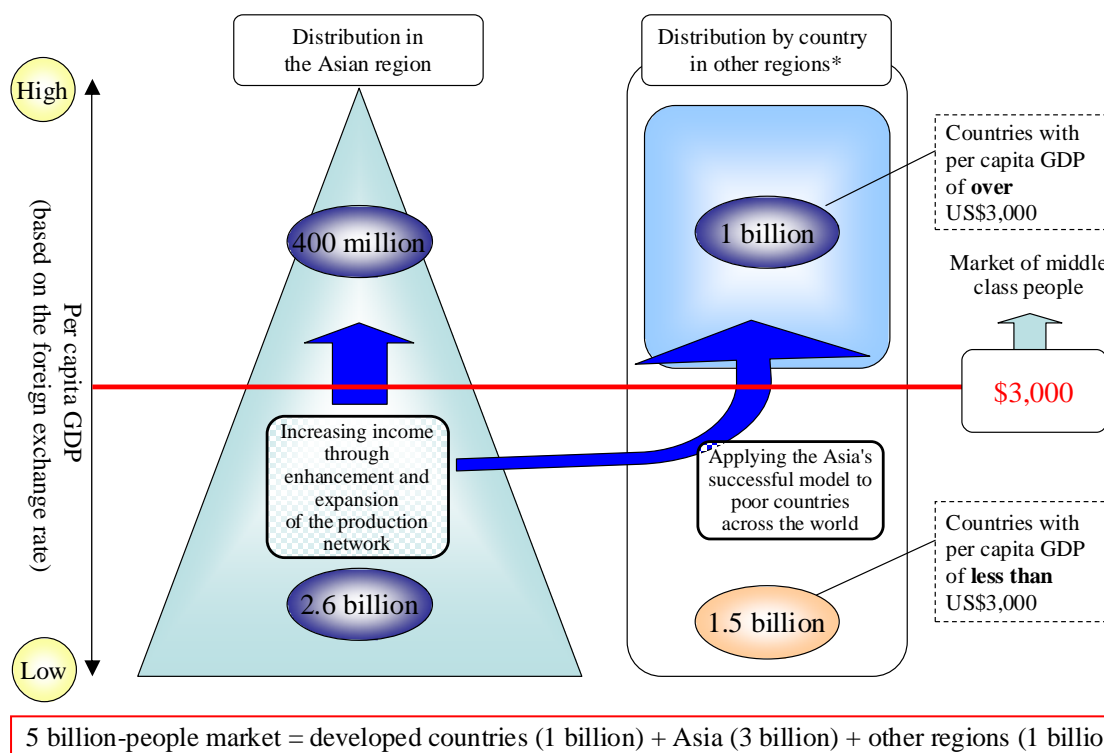
- (1) “5 billion-people market” as a driving force for the new positive circle of the global economy, brought about by the “positive effects” of globalization (new commercial zone)
- (2) “Pan-Asian market” as a basis to lead the development of the global economy (new economic zone)
- (3) “Market for sustainable development” as a new social structure to fight against global issues (new economic territory)



¹ The concept of “development” in this paper is based on GRID JIDAI GIJUTSU GA OKOSU SERVICE KAKUMEI (Kenichiro Aneo and Tomoji Sekiguchi (2006)) and the comments in various interviews by Professor Kenichiro Aneo.

The 5 billion-people market² is the basis for the development of the global economy and the market where Japanese industries further develop their businesses. Chapter 1 addresses the fact that the 5 billion-people market is becoming a driving force for the new positive circle of the global economy, in line with the rapid economic development of newly emerging countries. Chapter 1 also presents views on the relationship between the Japanese economy and this “new commercial zone.”

Image of the 5 billion-people market



* Excluding developed countries

Asia, including Japan, has great potential to develop as a consumer market with some common orientations and as an “knowledge-creating hub” in which the positive circle of management resources—people, goods, money, skills and knowledge—promotes innovation. Thus, the Asian “economic zone,” unified in terms of both demand and supply, is the pan-Asian market. Chapter 2 describes the evolution from the “East Asian Production Network” as the global “production center” to the pan-Asian market—a major “consumption center” and “knowledge-creating hubs.”

On the other hand, the recent development of newly emerging countries, together with the increase in global population raises “global issues” like climate change, price surge natural resource and food, water supply shortage around the world, etc., which need to be overcome for the sustainable development of the global economy. There are still many poor countries around the world, especially in Africa. Approximately 1 billion people live in absolute poverty³ across the world. Poverty can be

² (1) Asia, in which Japanese industries have built a production network through direct investment, etc. (ASEAN+6) and (2) countries and regions with per capita nominal GDP of over US\$3,000 (in the dollar terms) in 2006, including developed countries where people are likely to buy Japanese products, have a total population of approximately 5 billion (1 billion in developed countries and 4 billion in newly emerging countries, of which 3 billion in Asia alone). Refer to Section 3 of Chapter 1 for details.

³ People living on less than US\$1 per person per day (on a PPP basis).

considered as one of the global issues that must be overcome for the sustainable development of the global economy.

In order to promote innovation to solve these global issues, economic activities by various economic entities need to be accelerated. In doing so, it is important to create places and opportunities for these economic entities to converge their “knowledge” and “skills” in order to develop new solutions. It is necessary to develop a market for sustainable development, whose market structure will encourage the involvement and creativity of various economic entities to solve these issues. The market for sustainable development should be developed further into a “new economic territory” where existing Japanese companies with technologies and systems are able to find new business opportunities and are expected to aggressively develop this new market and contribute to the sustainable development of the global economy. Chapter 3 presents the possibilities of solving the aforementioned global issues by using the comprehensive power of technologies and systems owned by Japanese companies. Chapter 3 also describes the development of a market in which such possibilities are promoted.

The “Asian Economic and Environmental Community” is based on the initiative that Japan, as an “advanced country in tackling issues in Asia,” should play a leading role in solving common issues constraining the sustainable development of Asia, such as environmental and resource constraints, urbanization, and rapidly aging society; and promote the resulting technologies and social systems throughout the Asian region. This initiative provides the basis for Japan’s new development strategy. Chapter 4 discusses the development of a new global strategy to lead sustainable development.