

Setting Sights on Joining ‘Water Majors’

Global Water Crisis Calls for Japanese Technologies

By Hiroshi OKABE

The Japanese government has been making all-out efforts to help build “water resource businesses” involving water purification and water/sewerage operations, among others. Large corporations engaging in water-related businesses such as Suez and Beoria, both of France, and Thames Water of Britain are known as “water majors,” managing national water/sewerage services in developing countries. Despite its superb seawater desalination, water conservation and other water-related technologies, however, Japan has been lagging behind in international business competition. At the helm of the government thrust, the Ministry of Economy, Trade and Industry (METI) is pursuing a policy of developing “Japanese majors” in the belief that water resource business is a promising growth area.

Earth is sometimes called the “planet of water.” The fact is, however, the planet is considered to be in a serious crisis over water resources. An estimate holds that 1.4 billion kiloliters of water exist on Earth. With 98% of the total being seawater, however, only 2% is freshwater easy to use in agriculture, industry and other areas. On the other hand, demand for water has been sharply increasing, spurred by global population growth and the economic expansion of developing countries. Subsequent water shortages have been further compounded by desertification spreading in the wake of global warming. A report issued by the World Economic Forum during its annual meeting in January 2009 in Davos, Switzerland, warned of a “chilling” prospect that water will be on the verge of drying up in 20 years if the world continues to use water in the same way as today.

Water shortages are particularly severe in China and other parts of Asia whose economies still continue to grow. Since the 1990s, the Yellow River, the second longest river in China, has often dwindled at its mouth to a trickle, failing to reach the sea. As much as 80% of Chinese cities suffer from water shortages. In view of the regional water shortages, the Japanese government earmarked about 5 billion yen in the supplementary budget for fiscal 2009 to conduct surveys and demonstration studies, with an eye to developing a business model ranging from sewage treatment to water supply in Asia. In January 2009, a “Water Security Strategy Organization” was founded, comprising supra-partisan Diet members, academics and business leaders. The organization has been enlisting support from not only the government but also business and research institutes to make an international contribution to helping solve water problems.

METI estimates that as demand for drinking water and industrial water increases globally on the force of newly developing economies, the water resource-related market will be worth 100 trillion yen in 2025. Japanese companies have state-of-the-art



technologies in filtering wastewater into drinkable water and reducing water use. They also excel in desalinating seawater. METI believes Japan will be highly competitive in the fast growing global water market, thus targeting for the development of “made-in-Japan water majors” within three years.

Japan has a track record of aid in building water/sewerage systems in developing countries with its official development assistance (ODA). What METI is seeking to develop are integrated water resource companies capable of managing an array of related businesses ranging from construction of water facilities to their day-to-day operation.

Japan Inc. in Red for First Time in 7 Years

Automakers, Electronics Firms Battered Across Board

The combined after-tax business results of companies listed on the First Section of the Tokyo Stock Exchange fell into the red in the 2008 fiscal year ended March 31, 2009, for the first time in seven years. Leading export-oriented industries, the most lucrative earners in the Japanese economy until fiscal 2007, have been battered across the board by the global economic downturn. Also weighing heavily on their profitability were restructuring-related expenses and appraisal losses on shareholdings. Most automakers, home electronics manufacturers and steelmakers anticipate net losses in the current 2009 business year as well. Economists paint a gloomy outlook that business performance will con-

tinue to stagnate in an "L shape" for the present.

Among firms registering dismal business results, Toyota Motor Corp was distinguished. Japan's top automaker posted an operating loss of 460 billion yen for fiscal 2008, a dramatic turnaround from the 2,270 billion yen profit in fiscal 2007. The company anticipates an even bigger operating loss of 850 billion yen for fiscal 2009. In addition to Toyota, most other leading Japanese companies such as Hitachi Ltd., Sony Corp., Panasonic Corp. and Toshiba Corp. fell into the red, posting huge losses. Firms listed on the First Section of the Tokyo Stock Exchange saw their combined earnings evaporate to the

tune of some 20 trillion yen in a year.

The government has introduced an aid program to help struggling nonfinancial firms boost their capital base by using taxpayer money. An applicant for the recapitalization scheme must have 5,000 or more employees in Japan and submit a business restructuring plan with the prospect of getting back on track in three years. Under the program, the government-backed Development Bank of Japan injects money into qualified applicants in return for new shares. Elpida Memory Inc., Japan's only maker of DRAM chips, which has been suffering from chip price declines, and other companies are expected to apply for the program.

Biggest-ever Stimulus Package Worth 3% of GDP

Featuring Incentives to Buy Energy-saving Products

Japan adopted a fresh stimulus package in April in another effort to pull the nation out of the current recession. Actual fiscal spending will be the largest-ever 15.4 trillion yen, equivalent to about 3% of gross domestic product (GDP). The total size of the stimulus, which includes tax cuts and credit guarantees for embattled businesses, has swollen to 56.8 trillion yen, also the largest ever.

The main features of the package include incentives to spur the purchase of eco-friendly vehicles and home electric appliances. One incentive gives buyers of energy-efficient home electric appliances "eco-points" that can be traded later for other goods and services. Another program subsidizes the replacement of vehicles in use for 13 years or longer with more eco-friendly models such as hybrid cars, granting 250,000 yen per unit. The incentives are planned to bolster Japan's electronics and auto industries and thus help prevent the economy from deteriorating further, as well as step up efforts to fight against global warming.

The package also provides for an incentive to counter the falling birthrate by giving cash allowances to households having preschool children. It sets aside 6 trillion yen under the government's growth strategy designed to help develop promising next-generation industries such as those related to health care and the environment. Also included is a gift tax cut for taxpayers who purchase or refurbish their homes with funds provided by their parents. This aims to promote money transfer from older to younger generations.

The government is planning to float additional new bonds worth 10.8 trillion yen for the new package, bringing the total amount of new bond issuance in fiscal 2009 to a record high of more than 44 trillion yen. It is widely expected that borrowing through the new bond issues will account for 43% of the fiscal year's



In the "eco points" system that is allotted the points to the energy-efficient home electric appliances and that can be traded later for other goods and services, the government examines the expansion of the goods and services which can use the point.

total revenue – the worst debt level since the end of World War II – and will exceed tax revenue for the first time, sending Japan plunging into a fiscal emergency.

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