

Information City

By Yuji Iida

One of the large-scale urban development projects being promoted by the Ministry of International Trade and Industry (MITI) is the concept of a futuristic information city, in which the sophisticated information systems that are expected to be a feature of the society of the future are introduced at an early stage to provide the advanced urban functions necessary in an age of internationalization and increasing reliance on such systems. The ministry has been considering the establishment of such a city in the waterfront area facing Tokyo Bay, which it has designated as one of its model districts.

Futuristic concept

Promotion of the futuristic information city concept will have three results:

(1) Function-centered urban development, which will bring forth new social and economic trends.

(2) The integration of the home, industry and society through the introduction of advanced information systems.

(3) The expansion of domestic demand and the shift of industry from an export-led to a domestic demand-led structure through the concentration of private-sector financial and technological power.

To consider the futuristic information city concept from a wide perspective, including technological and organizational aspects and demand, MITI established in November 1986 a special investigative committee consisting of representatives from the academic world, local governments and industry. In June 1987 the committee issued an interim report, on the basis of which it set up subcommittees to discuss eight model districts, including the waterfront area facing Tokyo Bay and sites in Hiroshima, Kawasaki, Makuhari in Chiba Prefecture, Nagoya, Osaka and Sendai. Each subcommittee is now carrying out a detailed feasibility study on its district, covering such aspects of development as cost and demand.

While the investigative committee engages in research on the promotion of the concept, actual urban development requires that the people and organizations concerned coordinate their views and

reach a consensus. For this purpose, MITI established in October 1987 a special consultative committee consisting of representatives from private enterprises and local governments concerned.

The waterfront area facing Tokyo Bay is being developed according to the following three concepts, with the aim of building an ultramodern city for the 21st century.

First, through Tokyo Teleport and the Tokyo International Convention Park, the district will become an international center of information and exchange, linking Tokyo with other cities around the world. Second, the district will become a comfortable, energetic residential city, in which people with diverse values can enjoy active and pleasant urban lifestyles. Third, the district will develop as an integrated subcenter of Tokyo located by the sea, in which people can enjoy both working and living in a pleasant environment that makes full use of the attractions of the waterfront and has abundant greenery.

Whereas the existing center and subcenters of Tokyo lean heavily toward business and administrative functions, the aim with the waterfront area is to build a balanced futuristic city in which the emphasis is on enabling people to enjoy their lives there.

On the work side, the city will feature a sophisticated business district that will attract people and information from around the world. On the residential side, it will provide high-rise condominium buildings in which residents can lead comfortable, convenient lives and enjoy magnificent views of the waterfront and greenery. And on the leisure side, the city will have scenic plazas and parks, colorful shopping malls, tennis courts and art galleries, and people will be able to enjoy windsurfing and other marine sports.

The district should also feature various urban functions befitting a city of the next century. Among them will be certain functions, such as an area management system, an integrated software center and a fashion center, which would be difficult to install in the existing center of Tokyo, requiring instead an extensive district, such as the reclaimed waterfront area, that is being developed from scratch.

As a futuristic subcenter, the waterfront area must have pleasant residential and living environments. Moreover, enterprises that locate in the district will require a setup that enables them to operate their software, databases and other activities round the clock. To meet these needs, the district must have a system that supplies safe, comfortable and stable utilities at all times. The answer is the area management system, which will provide water, energy, waste disposal, security, information and other services in a comprehensive, integrated and efficient manner, supporting the city's functions for 24 hours a day.

Though the software industry is destined to become one of the leading industries in Japan in the 21st century, at present it is scattered among buildings in existing urban areas. Hence the need to create in the new futuristic city an integrated software center including reasonably priced office space, and promoting the joint use of training and other facilities. In this way, the center will contribute to developing the software business as an industry of the future, fostering outstanding software technicians, and spreading the industry to the provinces, thereby boosting local employment opportunities and regional development.

Culture and fashion

Tokyo must develop not only as a capital of international finance and a powerful economic center but also as an attractive city in which culture abounds. In this sense, one of the important functions of Tokyo will be its role as a fashion city.

There are two sides to a fashion city: expression and production. On the expression side, the city must be a place like Tokyo's Harajuku district today, which takes the lead in setting trends and attracts all kinds of people in search of something new and different to enjoy.

On the production side, Tokyo already is a city where new fashions are designed and made, but like the software business, the industry is scattered about existing urban areas. Moreover, since almost all the producers are small businesses, the production side, in contrast to the colorfulness of the expression side, has a rather

dark image. The lack of funds makes radical developments impossible. Hence the need for measures to turn Tokyo's fashion business into a dynamic industry of the future. The waterfront area should be developed as a fashion center capable of

helping Tokyo's small fashion companies to grow, developing human resources, responding to the trend toward internationalization, and enabling small fashion companies in the provinces to set up a bridgehead in the large Tokyo market. ■

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Financial Hub

By Makoto Hara

The Japanese government once prided itself on maintaining the most stringent foreign exchange controls in the world. That was a long time ago, when Japan was still catching up. Now, however, with the country playing a major role in the world's money and capital markets, Tokyo is emerging rapidly as an international financial center.

The Tokyo money and capital market consists of several markets, including the money market, the stock market, the bond market and the foreign exchange markets, as well as the futures and options markets related to them.

The Tokyo market has expanded rapidly in recent years. It is on a par with the New York market in terms of stock and bond trading volume. It also ranks with New York in stock market capitalization. The futures market is relatively young, but in terms of volume it is already a world-class market. The foreign exchange market is also one of the largest in the world.

Surpassing others

Thus the Tokyo market has grown as large as New York and London. Perhaps it will surpass them before long. Its total size is estimated at about \$4.5 trillion. The major component markets are compared with other international financial centers in the table. The question is how far the Tokyo market is internationalized, particularly from the standpoint of nonresidents.

One of the most important preconditions for the development of an international financial center, like New York, is the global availability of the currency of the country in which the center is located. In the case of the Tokyo market, however, the international use of the yen is still relatively limited. In the area of current

transactions, for example, about 40% of the nation's export trade and 13% of the import trade is settled in yen. The yen occupies a modest position in the foreign exchange reserves of foreign governments. In 1985, the Japanese currency accounted for an average 7% of these reserves. This share has remained almost unchanged ever since.

The yen plays a limited role in international bond markets too. The share of yen-denominated bonds now hovers around 8 to 9%, although in the past it has reached a peak of 14%. The yen's share in international bank lending has shrunk, from between 15 and 18% to between 5 and 6%.

These figures show clearly that the yen still has a long way to go before it achieves the status of a world currency. It is true that the yen is internationally used as the Euroyen, notably in the London market, but that is outside the Tokyo market. The role of the yen as an international currency in the Tokyo market is still limited.

The internationality of a currency reflects the international trust in it. That is clear enough. But it is also clear that it cannot enjoy international acceptance without efficient market development. The slow internationalization of the yen is due largely to the fact that some segments of the Tokyo market are not yet fully developed, though the market itself has expanded rapidly in quantitative terms. A case in point is the money market, where certain technical problems have yet to be resolved.

As noted earlier, the yen is not widely used as the settlement currency in foreign trade, particularly in import trade. One reason for this is the inconvenience of yen trade financing. It is five years since the banker's acceptance (BA) market was established, but trading is extremely thin because of procedural difficulties.

A variety of short-term financial assets can now be held in yen, but there are few instruments as attractive as U.S. Treasury bills (TB), certificates of deposit (CD) and commercial paper (CP). So there are practically no ways for nonresidents to make profitable short-term investments in yen. About the only way for them to make good use of yen is to invest in long-term securities such as bonds and stocks.

It is encouraging, therefore, that the money markets are now being reformed to improve or remove these shortcomings. Interest rate deregulation, in particular, is making rapid progress. Also, moves to reduce or eliminate institutional barriers are expected to make headway. So I believe it is very likely that the yen will be used at least as widely as the deutsche mark.

Example to follow

The British pound has long ceased to be a key international currency, yet the London market continues to thrive as an international financial center. In the Eurodollar market, favorable treatment is given to international transactions. London sets an example for Tokyo.

The Tokyo offshore market, established in December 1986, is where nonresidents raise and manage funds. It is now larger than even the International Banking Facility in New York and the Hong Kong market. The offshore market is an international market as it should be—a market where transactions can be conducted both in yen and foreign currencies. Tokyo can set the pace for internationalization if it follows London by removing the barriers that separate domestic and international transactions.

A wave of globalization is sweeping the world's money and capital markets. What is happening is the homogeniza-