

e u r o p e a n

CONNEXTION

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Editorial note



Mr. Corantis, Ambassador of Greece to Belgium, has very kindly offered his support for helping us in the organization of the EU Hitachi Science and Technology Forum in

Athens next year and for presenting it to the Greek Authorities. We can expect to have the Forum opened by a senior Greek official.

Than Lam Nguyen is actively preparing the November meeting of the 2005 Forum Working Group. Recently, Dr. Konidaris confirmed he would be the general moderator of the Athens Forum. The preparation of our next year Forum is then well under way.

We have sent out the Forum 2004 summary to many recipients, in particular to Commission officials. For most of them the Forum summary is very well received and considered a useful reference tool. The summary was also sent out to members of the European Parliament selected committees. It will serve as an introduction to many new members of Parliament, following the EU general elections this past June. I call on you to contribute to the constant updating of the mailing list.

Again, it is good working together with you all.

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The future of cities

James Woudhuysen

Physics graduate; Professor of Forecasting and Innovation at De Montfort University, Leicester, UK. Columnist, IT Week; co-author, Why is construction so backward? (Wiley, 2004) Helped install Britain's first computer-controlled car park, 1968. Consulting: BAA, BP, BT, Ford, Hewlett-Packard, Microsoft, Mars, London Underground, Nokia, Renault Industries, Yamaha Motor.

Between 2000 and 2030, the world's urban population is set to grow from 2.86 to 4.98 billion.¹ Cities are where most of the world's transport infrastructure is concentrated; cities are still the places where the world still holds its ever more massive Olympic Games. Yet there are greater fears about the future of cities than ever before.

Society's pessimists have long regarded urbanisation as a source of environmental problems, and, in the Third World, of over-population. But today there are three rather new sources of worry. First, the globalization of broadband telecommunications makes some commentators believe that we could be moving into a more decentralized, local world, in which travel becomes rare and urban settlement the dubious privilege of the poor.

Second, the terrorist's preference for bringing death and destruction to built-up areas has made many governments pause. Quite a few administrations may now locate major national facilities – civil service headquarters, power stations, military facilities – away from population centres.

The third source of anxiety about cities, however, is more immediate than the challenge posed by broadband, and more predictable than the challenge posed by Al Qaeda. It surrounds the economics of urbanization.

The International Monetary Fund observes that in Australia, Ireland, Spain and the UK, the price of housing has gone up by 50 per cent or more since 1997.² In Japan mortgage loans as a fraction of GDP have moved from 5.6 per cent in 1970 to 36.5 per cent in 2003.³ Yet across the industrialized world since the mid 1990s, house prices have continued to rise, while economic activity – in terms of both output per head and in terms of consumption – has weakened by comparison.⁴

It is a sign of the times that the IMF believes that, while housing is 'the quintessential nontradable asset', the boom in prices for it is an internationally synchronized phenomenon.⁵ Indeed, the Fund has discovered what it calls 'the global

housing factor', which captures 'global shocks' to housing markets and which explains 25 per cent of house price movements. Most ominously of all, it warns: 'just as the upswing in house prices has been mostly a global phenomenon, it is likely that any downturn would also be highly synchronized, with corresponding implications for global economic activity.'⁶

Clearly housing has emerged as a major source of concern on the part of economists. Yet the city is not just a site for nervous householders and housing tenants, or for manipulative local governments. Cities are also destinations for the rural poor (South Asia, the Middle East, Africa), destinations for international migrants, and – especially in the Asia-Pacific region – sites for the creation of wealth. City-based economic activities account for more than 50 per cent of GDP in all countries, and up to 80 per cent of GDP in the more urbanized nations of Latin America and Europe.⁷

Foreign Direct Investment (FDI) and Research & Development (R&D) tend to cluster around cities. Yet the striking thing about the firms that build the world's cities is that they are weak in both FDI and R&D.⁸ The international construction industry is not very international, and not really an industry.⁹ With the exception of some Japanese factories, nearly all the world's homes and workplaces are built in the mud and the rain – built on-site, by local firms.

Organised with the help of the new telecommunications, China's factories will change all that. While Western politicians now attack local construction firms for their house prices and backward techniques, they are also looking abroad for suppliers, and coquetting with mass production technology.¹⁰ Chinese costs, and Chinese capabilities in turning Western electronic designs and blueprints into finished products, promise a radical improvement in how we go about building cities.

Uniquely, we may now be able to master the massive challenge of global urbanization with the help of a new kind of construction industry: global, and based on modern production lines, Internet Protocols, robots, and the most advanced kinds of machinery.

It's about time.



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www.hitachiforum.com

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The Hitachi Corporate Office, Europe welcomes and encourages your comments and ideas.

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New Chief Executive for Europe

As Mr. Hiroaki Nakanishi has been appointed as the head of an organization in the Hitachi Group Headquarters, which responsible for Hitachi's globalization as a group, he had to relinquish his position of Chief Executive for Europe. Sir Stephen Gomersall has been appointed to replace him in this function.

"To be part of one of the world's great technology companies is the fulfillment of a personal dream" said Sir Stephen Gomersall. He joined Hitachi on 4th October 2004 as new Chief Executive for Europe, following 14 years as a diplomat in Japan.

As Hitachi's senior regional representative, Sir Stephen will have three main areas of responsibility:

- relationships with each government and various regional communities, important customers and strategic alliance partners
- Group-wide regional strategy and positioning in European markets
- a governance role for areas including IT strategy, brand, finance, legal and export control.

Sir Stephen's role will cover not only the EU countries but also Russia and other CIS countries, the Middle East and Africa.

His background is 30 years of diplomacy in Europe, the US and Japan, where he spent 14 years in total, serving as ambassador since July 1999. Graduated from Cambridge University (UK) and Stanford University (California), he speaks fluently Japanese and French.

Hitachi in Europe is a diverse group of specialized businesses. And how they work more effectively together is one of the keys to Hitachi's future success. Alexandre Dumas' Three Musketeers had the slogan "all for one and one for all". It will be Hitachi's motto with Sir Stephen as Chief Executive for Europe.

1 UN-Habitat (UN Human Settlements Programme), *State of the World's Cities 2004/2005: Globalization and Urban Culture*, available on www.earthscan.co.uk/asp/bookdetails.asp?key=5002

2 International Monetary Fund, *World Economic Outlook: The Global Demographic Transition*, September 2004, Chapter 2, p72 and on www.imf.org/external/pubs/ft/weo/2004/02/index.htm

3 Ibid, Table 2.1, p73.

4 Ibid, p78 and Table 2.3, p79.

5 Ibid, pp79 and 84.

6 Ibid, p89.

7 UN-Habitat, *State of the World's Cities 2004/2005: Globalization and Urban Culture*, ibid.

8 For the poor performance in R&D, see David Pearce, *The Social and Economic Value of Construction*, May 2004, Table 7.2, 'Construction R&D as a proportion of construction output 1999', p52, available on www.ncrisp.org.uk/Articles/ShowNewsArticle.asp?Src=A0000025.xml

9 James Woudhuysen and Ian Abley, *Why is construction so backward?*, Wiley, 2004.

10 For the exasperation felt by the UK's Deputy Prime Minister, see Roger Blitz and Maija Pesola, 'Prescott lambasts housebuilders over cost of "affordable" homes', *Financial Times*, 23 September 2004, and Roger Blitz, 'Continental builders to bid for contracts', *Financial Times*, 29 September 2004.