

MESSAGE FROM THE RESEARCH DIRECTOR



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The global economy was hit hard by the COVID-19 shock in 2020. The pandemic restricted face-to-face communication and constrained the movements of people and goods, thereby suppressing economic activities globally. As a result, the International Monetary Fund (IMF) estimates that the global economy (real GDP) contracted by -3.5% in 2020.

Efforts toward economic recovery from the COVID-19 crisis have been underway in each country. However, the level of recovery varies substantially across countries, depending on the infection rate and the government's choice of policies. In China, for example, the economy made a swift V-shaped recovery due to the thorough restrictions on mobility imposed immediately after the outbreak of COVID-19.

Along with the approval and roll-out of COVID-19 vaccines, economic stimulus measures have been implemented in many, mainly advanced, economies. As a result, positive signs began to emerge, and the IMF expects (as of October 2021) the world economy to grow by +5.9% in 2021 (up 0.7 percentage point from last year's forecast), and a further +4.9% in 2022. However, the significant difference in the vaccination rates between advanced and many emerging market economies has given rise to a new problem: that of vaccine supply disparity among countries and regions.

Japan's economy contracted by -4.5% in 2020 (as of December 2021). In the face of the pandemic, the government declared a state of emergency four times, but with serious efforts to maintain communication using information and communication technologies (ICTs) and economic activities by implementing a workplace vaccination program, the economy is now recovering, albeit gradually. The Tokyo Olympics and Paralympics held as a celebration of peace were an additional beam of hope. Currently, the COVID-19 infection rate keeps fluctuating, but it will eventually stabilize and subside. Therefore, it is necessary to analyze the current situation carefully and to prepare for the post-pandemic future.

The 2025 World Expo will be held in Osaka (Expo 2025 Osaka, Kansai). As part of it, Osaka and Kansai are expected to suggest ideas as to what the ideal future society should be. I believe that the promotion of digitalization will be a key theme. However, while digitalization is certainly inevitable and necessary, I am convinced that, rather than relying solely on digital technologies, making proper use of both digital and analog technologies will lead to an even more remarkable cultural progress. Expo 2025 Osaka will be a big event for Kansai, and the question of how digital technologies should be utilized in the future will be central. In that sense, the Expo will serve as a platform for

analyzing the new lifestyles that appeared during the pandemic.

Remote work has become increasingly prevalent with the spread of the COVID-19, and it is here to stay. Making good use of office work and remote work will expand the possibilities for flexible workstyles. Such a change in workstyles might rectify the overconcentration of economic activity in Tokyo. As telework has already become widespread, an increasing number of people are moving out of Tokyo to areas offering more favorable living conditions.

Osaka is implementing a smart city project called “Umekita Phase 2”, scheduled to open in 2024, in which the IoT (Internet of Things) will be utilized for medical care, education, and other purposes. The project embodies the environment needed for the Kansai economy to move toward a new development paradigm. Kansai is an economically diverse region attracting people who work in all sectors of the economy – not only in secondary and tertiary industries, but even in primary ones, such as agriculture. In order to make the most of this diverse environment, we would like to attract young people who can shape the future of Kansai and contribute to its dynamic growth.

In consideration of this, the *Kansai and the Asia Pacific Economic Outlook: 2021–22* consists of two main parts: “Part I: The Asia-Pacific Region: Current Politico-Economic Situation and Challenges” and “Part II: The COVID-19 Pandemic and Kansai’s Economic Adjustment Process.” In Part I, we address the recovery and adjustment of the Asia-Pacific region from the COVID-19 pandemic in 2021. We present various analyses that serve as stepping stones toward understanding the situation of post-pandemic Asia. These feature both national and international-level analyses, including the changing international trade order, and the issue of China’s overseas lending.

In Part II, we analyze the impact of the COVID-19 pandemic in Kansai and the adjustment process by households and companies. We address issues such as population movement and medical supply systems, and we consider sustainable inbound strategies with a view to the post-pandemic future. We explain the current state of the tourism industry and challenges it is facing, including heightened expectations of DMOs (Destination Management/Marketing Organizations). As an extension of last year’s issue, we have added an additional Part III, which summarizes the dynamics of the COVID-19 pandemic in Japan and other major countries.

Similar to past years, this year’s *Economic Outlook* incorporates various perspectives on how to build a better future for everyone. I sincerely hope that this publication will be of use to all those who are passionate about the economic development of the Asia-Pacific and Kansai regions.

The Asia Pacific Institute of Research (APIR) will celebrate its 11th anniversary this year. We unwaveringly strive to translate our research findings into practice, and to serve as a front-runner contributing to the economic development of the Asia-Pacific region, including Japan and Kansai.

In closing, I would like to express my sincere gratitude to everyone who has contributed to the publication of this report.

