

## Celebrate with Tokyo

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Many in Tokyo erupted with delight and excitement following the recent news of the city's selection as host to the 2020 Summer Olympic Games. Following a failed bid in 2016, Tokyo edged out rivals Istanbul and Madrid on its way to becoming the first Asian city to host the Games for a second time.

When Tokyo hosted the Olympic Games in 1964, the event was instrumental to Japan's economic development and reconstruction. It also served as a platform for Japan to re-introduce itself on the global stage (Its new bullet train debuted the week before the event, showcasing its technological capabilities). Almost 50 years later, the "Shinkansen" train continues to operate at the world's highest levels of safety and reliability.

Tokyo's success comes as Japan's economy is showing signs that "Abenomics" is starting to work. On the day after the Olympic committee announcement, second quarter GDP growth was revised up to 3.8%, from 2.6% — with better-than-expected domestic capital expenditure as the driver of the revision. Other statistics show that deflation is easing while wages are improving.

Tokyo's Olympic bid was characterized by its mostly low budget appeal, with plans to refurbish existing facilities rather than to build completely new ones. Infrastructure for transportation and accommodations are already well-established in the city. Therefore, though there may be a positive impact on sentiment, the direct economic impact from the Olympics appears likely to be limited. Tokyo's own assessment is for an economic boost of roughly US\$30 billion, which is only 0.5% of GDP. However, I believe the long-term impact the Games may leave on Japanese tourism should not be ignored.

Last year, overseas tourists to Japan totaled roughly 8.4 million people. Though that number is one of the highest in history, it's a far cry from the 58 million visitors to China or 67 million visitors to the U.S. Tourism's contribution to GDP for Japan was only 2.1% in 2012, while France and Italy boasted a contribution of 3.8% and 4.1% respectively. Despite having rich tourism resources, Japan's inbound tourism has been hampered by a lack of effective promotional strategies and the perception that it is an expensive place to visit. In reality, Japan's prolonged deflation and, more recently, the weakened yen, have brought Japan travel costs down to levels comparable to vacation destinations like Hong Kong and Singapore.

As middle class incomes in Asia rise, the region's tourism industry seems likely to experience long-term growth. The media attention that the Games will attract could serve as the catalyst to elevate Tokyo and Japan in the mix of potential holiday destinations. Given the already established infrastructure and relatively low base, a tourism boost could have a profound impact on Japan's economy. Tokyo already reigns as the world's gastronomy capital as defined by its world-leading total of 323 Michelin Stars. All it needs is more people to come eat.

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