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Underestimating Asia

Sept. 20, 2002 – Back in 1986, I was working as a journalist for a Hong Kong business magazine. During a trip to Beijing, I ran across a couple of Americans celebrating in the bar of the posh Shangri-La Hotel. They worked at a Midwest company that made printing presses. The company had just introduced a new line of computerized presses, and the two sales executives had come to China to sell their older line. China was just opening

to the West then and was still very poor. They thought the older, less expensive presses would appeal to Chinese companies. They were wrong. So why were they celebrating? The Chinese had purchased several of their top-of-the-line, computerized presses.

This incident came to mind because of all the RFID news out of Asia recently. With the exception of Omron, Asia has not been a big force in RFID. And the region still labors under the misconception that it is little more than a place where Western companies come to reduce their manufacturing costs. Even Japan still gets derided as an imitator. No one will say it, but I think there are many businesspeople in the United States who feel Japan's decade long economic slump is a sign that the country's economic system, if not its business acumen, is inferior to America's.

The auto-identification industry might do well to recall the history of the automobile industry. In the 1960s and early 1970s, executives at the Big Three automakers in America used to joke that if you scraped the paint off a Japanese car, you would find aluminum from Coke cans underneath. By the end of the 1970s, the folks in Detroit weren't laughing any more.

I spent eight years in Asia, from 1984 to 1992. Those were boom times for the region. I traveled widely, and what I found almost everywhere I went were people comfortable with technology, people eager adopt what was new, people hungry for the latest, greatest gizmo. I would come back to the U.S. and tell friends that Asian companies were modernizing their IT systems very quickly. Many seemed unable to comprehend that people who still practiced customs like bowing could do their accounting on anything other than an abacus.

Asian's have jumped all over RFID for mobile commerce. In Hong Kong, the subway system's payment cards were more advanced in 1986 than New York's is today. But the Mass Transit Railway System didn't stop there. It has introduced a contactless

smart card for payments. Japan's largest ticket company and phone company has plans to introduce a sophisticated e-ticketing system (see Japan Gets New Digital Ticket System).

The news this week that Japan's Nippon Telegraph and Telephone, the world's largest telecommunications company, has joined the Auto-ID Center is a sign that the region is waking up to the potential of tracking goods using low-cost RFID. People in the U.S. seem to assume that the U.S. will lead the transformation to RFID-powered supply chains the way they led the Internet revolution. That may be a mistake.

Asia is behind in the auto-ID industry. Many companies don't have the sophisticated bar code infrastructure that exists in most of the United States and Europe. That may be an advantage. Just as the Chinese went from antiquated presses to the most modern, they may be able to make the jump to RFID more quickly because they don't have a lot of legacy system.

Asia also dominates the world of electronics manufacturing. Much of the semiconductor industry, which produced the microchips for RFID tags, is shifting to the region. Oh, and Asia makes a lot of the goods that need to be tagged as they come off the manufacturing line. I, for one, won't be surprised if Asia is dominating the RFID industry in five years.

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