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Priority Projects

Studies on East Asian Economic Integration

The current progress in industrial integration and in international networks of production in East Asia has been spurred by intense trade and investment conducted as natural activities of enterprises in this region. So in multilateral negotiations, each country's stance on liberalization of trade and investment has been rather moderate. However, this kind of economic integration was built by taking advantage of economic disparity among countries in the region, which is very different from the EU/NAFTA type of integration, so this may end up producing many problems related to institutional issues for liberalization which are difficult to solve through multilateral negotiation. On the other hand, the expansion of EU/NAFTA has put some countries in East Asia in a disadvantaged position in international trade and investment, and this has caused those countries to rush to bilateral FTAs.

In view of these circumstances, several study projects have been conducted (1) to study the status quo of East Asia's economic integration from the perspectives of *de jure* FTAs and *de facto* integration, (2) to investigate the impact and problems arising from full-fledged East Asia-wide economic integration, and (3) to provide a means of realizing integration. Two study projects which have been completed are "East Asia's Challenges (I): Economic Integration, Economic Reform, and Institutionalization" and "Repercussions of the East Asia FTA on the Japanese and Chinese Economies." Two additional study projects that are still ongoing are "East Asia's Challenges (II): East Asia's Integration and the Co-Development of Each Economy" and "Asian Regional Economic Integration from the Viewpoint of Spatial Economics."

East Asia's Challenges (I): Economic Integration, Economic Reform, and Institutionalization

Organizer: Daisuke Hiratsuka

We aimed to study three issues. First, we studied "in what sense East Asia has realized a *de facto* economic integration." We found that East Asia's *de facto* economic integration has been realized just in intermediate goods trade because the production networks with production bases located in different countries/cities have been integrated due to low transportation costs.

Second, this study discussed structural problems and structural reform. Existing trade and investment barriers, which create a behind-the-border issue, cause structural reform. We studied to what extent structural reform is progressing in Japan (in agriculture), Malaysia (in automobile industries), and the Philippines (in petrochemical industries). We see that the Philippines will withdraw from the petrochemical industry sooner or later.

Third, we discussed how to institutionalize regional cooperation in East Asia. With regionalization in trade, the costs and benefits extend beyond national boundaries. The unit of the nation is declining in its relative importance; meanwhile, unit of the region is increasing in importance. This raises needs for regional public goods. To put it differently, institutional integration and regional cooperation should be promoted for the *de facto* economic integration in East Asia.

Coresearchers: Makoto Anazawa (Otaru University of Commerce), Fukunari Kimura (Keio University), Yoichi Koike (Takushoku University), Nobukazu Taniguchi (University of Tokyo), Nobuaki Hamaguchi (Kobe University), Hikari Ishido (Chiba University); Ikuo Kuroiwa, Yurika Suzuki, Azusa Harashima, Chie Kashiwabara, Nobuhiro Horii, Sanae Suzuki, Maki Aoki, Akira Kajita

East Asia's Challenges (II): East Asia's Integration and Co-development of Each Economy

Organizer: Daisuke Hiratsuka

In recent years, FTAs have proliferated in East Asia. On one hand, this is expected to be a building block in East Asia's integration and East Asian community. On the other hand, due to the mess of different rules such as the rule of origin and liberalization lists (or exclusion lists), there is a possibility of the spaghetti (noodle) bowl syndrome occurring, which raises administration costs for the business sector. In addition, transportation by truck across borders entails complicated procedures and a large amount of time, resulting in high transportation costs. There are many issues that need to be resolved in East Asia to promote integration.

This study discusses what FTA arrangements are necessary so that benefits are equally distributed within the region and so that benefits reach the least-developed countries (LDCs) of East Asia, namely, Cambodia, Laos, Myanmar, and Vietnam. Furthermore, this study will examine whether industry will concentrate in a few countries and whether specialization will occur as regionalization of economies advances further. Our concerns extend to issues such as whether indigenous firms can find business opportunities or not, and how those LDCs can develop together in East Asia's economic integration.

Coresearchers: Ken Itakura (Nagoya City University), Fukunari Kimura (Keio University), Nobuaki Hamaguchi (Kobe University), Kazuhiko Yokota (International Centre for the Study of East Asian Development, Kitakyushu); Ikuo Kuroiwa

Repercussions of the East Asia FTA on the Japanese and Chinese Economies

Organizer: Chiharu Tamamura

In East Asia, de facto economic integration has been created through industrial clusters and production and marketing networks initiated by private companies. Entering into the new millennium, FTA negotiations at the bilateral and regional levels have been progressing toward deepening economic integration that is headed toward the final destination of the East Asia Free Trade Agreement (EAFTA). This study hypothesizes that strengthening the economic relations between the two economic giants in East Asia, Japan and China, will have much effect on the forming of EAFTA in the region. The study also focuses on the status quo of economic relations and the prospects for the coming years ahead in East Asia.

Findings of this research project are summarized as follows. First of all, we explain the theoretical meaning of the features expanding and deepening the network of production and marketing in East Asia. This leads to the development of three major aspects mentioned below. First, from the viewpoint of understanding the current economic situation in East Asia and the forecasted effect of FTA in the region, we focused on: (i) trade relations between ASEAN and China and the FTA issues in East Asia, and (ii) effects of EAFTA-incorporated nontariff barriers by a dynamic SCGE model. Second, from the viewpoint of division of labor and trade structure between Japan and China, we did (i) research on trade structure among Japan, China, and ASEAN and quantitative analyses of export competitiveness between Japan and China; and (ii) analyses on the division of labor by trade specialization index in eight major industries between two countries. Third, from the viewpoint of understanding policy implementation and institutional arrangements in China, we analyzed (i) FTA and the foreign investment policies in China, (ii) the impact of China's entry into WTO and the institutional framework toward economic integration in East Asia; and (iii) the process of and impediments to the Closer Economic Partnership Agreement (CEPA).

Coresearchers: Fukunari Kimura (Keio University), Koichi Ishikawa (Asia University); Yasuhiro Nimura, Toyojiro Maruya, Yasuo Onishi, Nobuhiro Okamoto, Dai Hakozaiki, So Umezaki, Takayuki Takeuchi, Takeshi Usami, Kumiko Sato

Asian Regional Economic Integration from the Viewpoint of Spatial Economics

Organizer: Masahisa Fujita

Since the beginning of the 1990s, spatial economics has been studied extensively as a cutting-edge field of economics. It explicitly incorporates "space," which was neglected by traditional economics, into its theory. The dramatic increase in research on spatial economics in the last decade coincided with the globalization and regional integration of the world economy, as represented by the formation of EU and NAFTA.

In East Asia, the evolution of de facto regional integration makes it apparent that traditional theories of international trade are no longer able to explain the actual trade and investment flows in this region. Spatial economics is indispensable for analyzing regional integration in East Asia because the existence of China, which has both abundant low-cost labor and a huge domestic market, requires a theory that incorporates the notion of increasing returns.

This research project aims to analyze regional integration in East Asia from the point of view of spatial economics, thus contributing both theoretically and empirically to studies of regional integration.

In 2005, as the first year of two-year study plan, we put emphases on collecting related information by interviewing various specialists in both the business community and academia. These interviews revealed that the corporate strategies of location decision differ significantly industry by industry and that economic relations in East Asia are changing rapidly due to the rise of China as an economic superpower.

A part of the achievements from the first year of study is published in *Asian Regional Economic Integration from the Viewpoint of Spatial Economics* (JRP Series No. 138).

Coresearchers: Nobuaki Hamaguchi (Kobe University), Toshitaka Gokan (Kyoto University), Yoshihiro Otsuji (Ministry of Economy, Trade and Industry); Satoru Kumagai, Akifumi Kuchiki, Toyojiro Maruya, Ikumo Isono

Prospects for Economic Relationships among Asian Countries

In recent years, Asian countries including China have been seeking a new framework through FTA. ASEAN and China intend to enter into FTAs by 2010, and it is assumed that South Asian countries will also join this tidal stream.

In this study, we have investigated the influence of the above-mentioned tendency on the economic relations between Asian countries and in particular between Japan and Asian countries, and we intend to overview how Japan will accommodate to this tendency. Research experts specializing in area studies attached importance to fact-finding inquiries carried out in field studies and in joint research with research institutions in China and other Asian countries.

The planned time period of this study is three years. We have published the result of our research activity focusing on the relationship between China and other Asian countries in *New developments in economic relations between China and ASEAN: Entering an era of mutual investment and FTAs* (in Japanese, IDE Research Series No. 549). In FY2005 (the third year), two research activities focusing on industry were completed and the results are to be published.

The Motorcycle Industry in Asia: Prospects for Local Capital Development in the Era of Trade Liberalization

Organizer: Yuri Sato

The purpose of this study was to demonstrate the differences in corporate growth and industrial development in each Asian country by viewing the motorcycle industry in each country. In analyzing the industry, we focused on the upgrading of capabilities of local companies, the relationship between local and Japanese companies, and the division of work between assembler and supplier companies. Our study covered Japan, Taiwan, China, India, Thailand, Indonesia, and Vietnam. Our major findings are as follows.

We refer to one country's experiences in industrialization and the technological assets of related industries as the "industrial resources" of the country. Countries which accumulated rich industrial resources have turned out competent local assemblers. Japan heads the list, while Taiwan, India, and China are catching up. Local companies in the latter three countries demonstrate different characteristic capabilities, reflecting the distinctive traits of their industrial resources and market conditions. In the countries with less accumulation of industrial resources, like Thailand, Indonesia, and Vietnam, Japanese assemblers have been a driving force in resource accumulation. Under the Japanese assemblers, local component suppliers have devoted their efforts to learning production technology for controlling quality and costs and have upgraded their manufacturing capabilities. We can see features shared in common with component suppliers in Japan as well. However, these suppliers hit the ceiling of capability upgrading due to very limited opportunities for building product development and design capabilities, since the Japanese assemblers grasp the details of component technology. Our study indicates that, in order to break the ceiling, the local suppliers need to seek their own growth strategy, i.e., to export or go overseas with their competence for motorcycle component manufacturing, or to diversify their business into a non-motorcycle industry, such as automobile components, which provides the suppliers with more room for product development.

The outcome of our study is to be published in a book entitled *The motorcycle industry in Asia: The rise of local companies and the dynamism of industrial development* (in Japanese, 2006).

Coresearchers: Jun Ohtahara (Toho Gakuen University); Moriki Ohara, Yukihito Sato, Shigeki Higashi, Mai Fujita, Yoshie Shimane

Evolution of International Division of Labor in East Asia: The Case of the Information Technology Hardware Industries

Organizer: Kenichi Imai

The development of international production networks in the electronics industry in East Asia has attracted wide attention. The accelerated growth of the industry in the region since the 1990s, however, has had an evidently different significance from the earlier experience, in which the agenda for East Asian industrializing economies was to absorb well-matured technologies. Our research compared the growth of the information technology hardware industries in five East Asian economies, i.e., the Republic of Korea, Taiwan, Singapore, Malaysia, and China, focusing mainly on the roles of local firms as agents of industrialization, with a view to specifying positions of each economy in the international production networks of the industries and identifying factors that explain the different positions of each economy. We took up as case studies the mobile handset industry in Korea, Taiwan, and China, and the personal computer and peripheral industries in Singapore and Malaysia.

Through our comparative study we identified unique development paths of the information technology hardware industries in the five East Asian economies and showed that

competition and cooperation among firms in the region generate dynamism that affects the formation of global industrial landscape. In Korea and Taiwan, major local firms have successfully upgraded their own technological prowess and become innovative players in the international market in terms of product design and/or business model, while they have been following contrasting growth strategies (Korea's OBM versus Taiwan's ODM). In China, fierce competition with major multinationals has been driving local firms to grope for ways toward technological upgrading, leading to further restructuring of corporate and industrial organizations. In contrast to these three economies, the development of the information technology hardware industries in Singapore and Malaysia has been largely driven by major multinationals. In these two countries, multinationals have been promoting technological upgrading by continuously enhancing the roles of their subsidiaries as regional research and development centers. Factors such as (1) path dependency in industrial development, (2) the influence of industrial policy, (3) the roles of domestic market, and (4) interfirm mobilization of human resources explain the diversity found in the paths of industrial development in these economies.

Coresearchers: Makoto Abe, Momoko Kawakami, Koichiro Kimura, Satoru Kumagai

Studies on the Development Perspectives of CLMV Countries

In the 1990s, ASEAN's membership was expanded through the entry of the four CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). This priority project is designed to study various issues that will be faced by these four underdeveloped countries in their efforts to participate in the regional economic cooperation scheme. These countries are all struggling toward industrial development and poverty reduction under the pressure of economic globalization. They are also undergoing a transition from centrally controlled economies to market economies.

In the fourth and last year of the project, FY2005, the one study below was carried out. In addition, the results of our studies on Laos and Myanmar, which were conducted in FY2004, were published under the title of *Laos: Transformation to a market economy under a single-party regime* (in Japanese, IDE Research Series No. 543) and *Myanmar's economy in transition: Market versus control* (in Japanese, IDE Research Series No. 546).

Prospect for Industrial Development of CLMV Countries

Organizer: Naoko Amakawa

This study is the last one in the four-year research project entitled "Studies on the Development Perspective of CLMV Countries." The reason why we focused on industrialization in FY2005 is as follows. These economies are transitional economies that are moving toward market economies, and they are also among the least developed economies and are struggling to reduce poverty. Concerning their low national income, poverty reduction cannot be reached without increasing national income. Consequently, CLMV countries must also struggle with universal economic problems such as limited resources and the need to create job opportunity. In addition, there are almost no papers or books that seriously study the industrialization of today's poor countries.

We acquired two results. First, there is no historical precedent where countries in the early stage of economic development, such as CLMV countries, have been capable of tackling industrialization under conditions such as the current global tide of liberalization of trade and investment. As a result, neither the successful experience of East Asian countries nor that of leading ASEAN countries is helpful to CLMV countries. Second, it is true that the

effect of foreign capital-led industrialization is strong when countries are in the early stage of development. However, in order to advance to the next stage of economic development, internal economic actors which succeed the technology from foreign investors are needed. Moreover, in order to fulfill the expanded demand, national companies should be developed.

This study analyzed the present conditions of CLMV countries from the start to the end. We only could present industrialization of today's least developed countries such as CLMV countries as an issue of development economics. We hope that economists specializing in development economics will tackle this point.

Coresearchers: Motoyoshi Suzuki (Suzuka International University), San Thein (Myanmar Sugarcane Enterprise, Ministry of Agriculture and Irrigation); Naomi Hatsukano, Toshihiro Kudo, Akie Ishida, Koji Kubo

Major Projects

Analysis of Current Affairs in Asia

Organizer: Shinichi Shigetomi

Research on political, economic, and social developments in the countries and regions of the Far East, East Asia, Southeast Asia, South Asia, and Central Asia was conducted by the Area Studies Center of the Institute. The results of the research project were published in the *Yearbook of Asian affairs, 2006* (in Japanese) which contains 28 reports concerning current analysis on Asian countries and regions and 4 on wider regional issues such as the current situation of Asian FTAs, ASEAN, the Asian policy of the US, and the impact of the oil price hike on the Asian economy.

Asia in 2005 was characterized by a stable political situation and economic growth. Political and economic integration at the regional level is now taking a shape. The first East Asian Summit symbolizes such a trend. Many countries are still active in making economic agreements, such as FTA and EPA.

China and India have increased in importance in this region. China has expanded its economy nearly 10 percent and has become a major economic partner for many Asian countries. India has shown 8 percent growth and has actively expanded its economic and political relationships in this region.

The outcomes of the research project have also been published in *Ajiken world trends* (monthly journal in Japanese).

Coresearchers: Suelo Suelo (Nanzan University), Koji Murata (Doshisha University), Shinichi Koibuchi (Asia University), Mariko Tanigaki (University of Tokyo), Ikuo Iwasaki (Takushoku University), Kumiko Mizuno (Japanese Embassy in East Timor), Mitsue Osada (Tsukuba Gakuin University), Kensaku Mamiya (Osaka University of Foreign Studies), Takeshi Yuasa (National Institute for Defense Studies), Masami Mizuno (Nihon University), Moon Ho-Il (Hitotsubashi University); Sadashi Fukuda, Yasuo Onishi, Michio Kimura, Kazuhisa Matsui, Satoru Okuda, Yuri Sato, Naoko Amakawa, Mayumi Murayama, Hideki Hiraizumi, Shigeki Higashi, Kenichi Imai, Nao Ishizaki, Norihiro Sasaki, Ikuko Okamoto, Tsuruyo Funatsu, Minoru Teramoto, Masashi Nakamura, Yurika Suzuki, Mai Fujita, Emi Kojin, Yoshie Shimane, Etsuyo Arai, Mami Yamaguchi, Haruka Matsumoto, Norihiko Yamada, Toshihiro Kudo, So Umezaki, Momoe Makino, Takayuki Takeuchi, Yuichi Watanabe, Hiroshi Ikegami, Akira Kajita, Kohei Shiino

Projections for the Asian Industrializing Region (PAIR) (IX)

Organizer: Mitsuru Toida

The Asian NIEs, ASEAN, and China attained high economic growth in the latter half of the 1980s and first half of the 1990s, while succeeding in the industrialization of their economies. Although the levels of industrialization differ by economy, these economies can be referred to as the “Asian industrializing region.”

We recognize the increasing importance of studying the Asian industrializing region from a worldwide perspective. In FY1991, we initiated a project entitled “Projections for the Asian Industrializing Region (PAIR).” Using macro-econometric models, the PAIR project aims to analyze the economic structure of the economies of the “Asian industrializing region” and to provide economic forecasts for the economies in the region. We have invited experts to join the project from research institutions in the various countries and areas of the Asian industrializing region as well as from developed economies.

One of the major objectives of the PAIR project is to conduct economic forecasts for the Asian NIEs, ASEAN, and China. We have released our annual forecast for East Asia to the press over the last 22 years.

In the beginning of the 21st century, various FTAs are being proposed in East Asia. We believe an econometrical analysis of these FTAs in East Asia makes an important contribution to understanding the Asian economies as well as to making our economic forecasts for them more accurate. We decided to set up a subproject in PAIR in order to construct a new econometric trade link model to evaluate various FTAs in East Asia. This new subproject was initiated in FY2004 and will be completed in FY2006.

Coresearchers: Yoshihisa Inada (Konan University), Koichi Ishikawa (Asia University), Kanemi Ban (Osaka University), Shujiro Urata (Waseda University); Jinichi Uemura, Chinami Yamaji, Mayumi Fukumoto, Hiroko Uchimura, Yusuke Okamoto

The Industrial Structure of the Asia-Pacific Region (V)

Organizer: Nobuhiro Okamoto

The Asian Financial Crisis in 1997 has alarmed us into recognizing the strong presence of international inter-industrial linkages in the Asia-Pacific Region, where the impact of one economy is effectively transmitted to others through the nexus of foreign trade and foreign direct investment. So these days, there is much effort to seek international economic cooperation such as in trade liberalization or regional economic integration, and here the Asian International Input-Output Tables, the principal tool for the quantitative analyses of industrial linkages and spatial configuration in the Asia-Pacific Region, is earning increasing attention.

With the primary mission of studying the economic interdependency in the Asia-Pacific regions, this project has been dedicated to compiling the Asian International Input-Output Table of 2000, following the predecessor 1975, 1985, 1990, and 1995 tables. The newest table to come is expected to offer us a quantitative approach to some of the important economic issues of Asian regions. What follows are the collaborating organizations in this project: Badan Pusat Statistik, Indonesia; The National Economic and Social Development Board, Thailand; The Bank of Korea; National Statistics Office, the Philippines; State Information Centre, China; Taiwan Research Institute; Department of Statistics, Malaysia; Business Research Consultants, Singapore.

This study group was designed to assist the effective operation of the project, with a particular emphasis on (1) the study of issues in and prospects of the Asian International Input-Output Table, and (2) the analysis of industrial structure using the table. In this fiscal year, the 2000 Asian International Input-Output Table was completed and a simple analysis was

conducted thereby. It was found that the influence of the Chinese economy over the Asian region had increased significantly. Also, the explanatory note for the table (Statistical Data Series No. 89) was published for the first time and attached to the data in order to support users' understanding of the tables.

Coresearchers: Takao Sano (Gifu Shotoku Gakuen University), Sonoe Arai (Ministry of Economy, Trade and Industry, Japan), Yoshifumi Ishikawa (Nanzan University), Takaaki Okuda (Nagoya University), Masatoshi Yokohashi (Applied Research Institute), Maki Tokoyama (Applied Research Institute); Satoshi Inomata, Makoto Kasahara, Jun Nakamura, Hiroshi Kuwamori, Hajime Sato, Bo Meng

Compilation and Application of Trade Indices (III)

Organizer: Yosuke Noda

The purpose of this research project is to focus on the data in conducting an examination of the problems of formulating world trade models, in addition to calculating trade indices and examining their utilization, including their relationship to industrial data. This project continues the previous work of the "World Trade Data System: Arrangement and Its Application," "Estimation and Application of Trade Indices," and "Compilation and Application of Trade Indices II" research projects respectively. This project covers three main fields: (1) problems in the compilation and evaluation of world trade matrices, and the formulation of time series data employing common trade classifications, (2) formulation and evaluation of trade price indices for East Asian countries and regions, and (3) investigation of international comparisons and economic analyses employing various trade indices in addition to trade price indices.

The most important element in formulating trade price indices and substantive world trade matrices is the conversion of the basic data into consistent trade statistics based on trade data from the UN Comtrade Database. With regard to (1), we discussed some techniques for estimation of distributed weights in cross-referencing commodity classification. With regard to (2), we discussed the foundation of export and import unit price indices and the evaluation of their characteristics. With regard to (3), we discussed structure of world trade in East Asian countries and the United States, and also the relationship of mutual dependence in the international electronics products market in Asian countries.

Parts of the outcomes of this year's project were published in a research report entitled "Compilation and application of trade data and trade indices for long-term time series" (in Japanese), compiled by Noda and Kuroko, and a separate volume of the research report entitled "Related trade indices in East Asian countries and regions, and the USA" (in Japanese) edited by Noda and Kuroko.

Coresearchers: Soshichi Kinoshita (Sugiyama Jogakuen University), Kyoji Fukao (Hitotsubashi University), Hirokazu Kajiwara (Takushoku University), Masanaga Kumakura (Osaka City University); Hisao Yoshino, Masato Kuroko

Research Projects Contributing to Japan's Economic Cooperation

(1) China's Emergence as an Economic Giant and the World Economy

Organizer: Reetsu Kojima (Daito Bunka University)

As the Chinese economy is growing rapidly, overseas activities by Chinese enterprises, including acquisition of resources and plant and equipment, are displaying a striking increase especially in recent years. The purpose of our study is to understand the real situation of growing Chinese economy and to analyze China's impact on neighboring countries and regions as well as the overall world economy.

More specifically, we will focus on these following four points. First, our study will provide a basic knowledge to readers concerning the forecast of the medium-range future through analysis of the emergence mechanism of the Chinese economy and some problems accompanying Chinese economic growth. Second, our study will analyze how the high growth of mainland China's economy exerts an impact on economic interrelations in neighboring countries from the viewpoints of trade, foreign investment, and human interchange. Third, the whole East Asian region, as the "world's factory," is now becoming the place with the largest accumulation of foreign currency reserves and the biggest importer of resources. Our study will analyze the influence of this new situation on the world financial and trade markets and the structure of the develop-and-import scheme. Fourth, in order to analyze the influence of high growth of China's economy on other countries and regions, the researchers studying those countries and regions are participating in the research team and collaborating with researchers studying China.

In FY2005 we held several research meetings to develop the team members' shared knowledge and to collect information on the impact on Southeast Asia, South Asia, Latin America, and Africa caused by China's export and investment. In FY2006 we will further develop our research activities, including a fieldwork survey and the publishing of a report before the end of March 2007.

Coresearchers: Kumiko Okazaki (Bank of Japan), Kazuko Inoue (Mitsui Global Strategic Studies Institute), Miyo Tsuji (University of Marketing and Distribution Sciences), Koichi Ishikawa (Asia University), Tadashi Masamoto (Daito Bunka University); Takatomo Tozuka, Mayumi Murayama, Etsuyo Arai, Mami Yamaguchi, Katsuya Mochizuki, Nobuhiro Horii, Koichiro Kimura

(2) Global Network Economy and East Asian Logistics

Organizer: Shigeaki Fujisaki

The rise of the global network economy has been induced by the advancement of IT technologies and deregulation. This rise has intensified competition and has fueled drastic changes in the logistics industry. For example, cargo owners (in manufacturing and distribution industries) are concentrating their businesses on core competences to survive the competition. This presents a new business chance to logistic companies, i.e., the third party logistics (3PL).

Although China and East Asian countries have been displaying high economic growth, the growth was greatly advanced by multinational manufacturing companies. These multinationals have a strong incentive to seek a better location for their businesses, which in turn presses local governments to improve infrastructure and regulation. East Asian countries have been competing in constructing airports and seaports; as a result, Singapore and other East Asian seaports lead the world in container throughput.

As the East Asian economic integration comes to the fore, local governments have become aware that they need to prepare for intermodal transportation, i.e., cross-border

infrastructure building, standardized cross-border systems, and authorization of cabotage transportation. From the mid- and long-term perspectives, modal shifts, e.g., road transport to railway or ocean freight, will also be required for the protection of the global environment.

This study project focused on logistics in East Asia (China and ASEAN countries) and clarified challenges that must be addressed by these countries so as to attain sustainable development.

Coresearchers: Koichi Ishikawa (Asia University), Toshiki Otaka (NYK Logistics), Sueo Kojima (Kokushikan University), Toru Tatara (ADB Institute), Hirokazu Negishi (Logistics Specialist), Yoshio Miura (Logistics Specialist); Hiroshi Ikegami, Yasuo Onishi

(3) Myanmar at the Crossroads: Searching for New Initiatives in Myanmar Issues

Organizer: Toshihiro Kudo

More than 15 years have passed since Myanmar embarked on its transition from a centrally planned economy to a market-oriented one. However, its move to a market economy has stalled since the mid-1990s. Although Myanmar's economy experienced a brief period of growth in the first half of the 1990s, it failed to effect any changes in its economic fundamentals, resulting in mounting structural problems and difficulties.

At the same time, the international community had become divided into the two factions, i.e., pro-sanctions versus pro-engagement. The Western governments not only suspended aid provision but also imposed trade embargos, while neighboring countries including China, India, and ASEAN advocated increased political and economic cooperation with the regime in Yangon. Both approaches seem to have proved ineffective heretofore.

Our study attempts to draw a comprehensive picture of Myanmar's problems by analyzing not only economic and social issues such as poverty, food, energy, infrastructure, and business environment but also international relations. All these problems and issues are intricately intertwined with each other. Only a comprehensive understanding of the nature of Myanmar's issues might enable the international community to assist its future socio-economic development.

Coresearchers: IDE research fellows and university professors

Standby Research for Specific Development Issues

The New Bush Administration and the Middle East: Terrorism and Democratization

Organizer: Sadashi Fukuda

The Middle Eastern countries have experienced a turbulent period in the aftermath of 9.11. The War on Terror, the Afghan War, severe disputes between Israel and Palestine, and the war in Iraq—all of them have had a strong impact on the politics in the region. A new peace trend in the Middle Eastern peace process has been created since the death of the former Palestinian leader Yasser Arafat in November 2004. In 2005, many elections took place, such as the parliamentary election in Iraq, the election of the new Palestinian leadership, the Iranian presidential election, and provincial elections in Saudi Arabia. In the meantime, the United States, under the new Bush administration, strengthened its political and military presence in the Middle East, especially in the Gulf region. The administration wishes to promote democracy in the Middle East. However, the people and governments of the region have been reluctant to cooperate with the US policy. This research project aimed to study the current Middle Eastern political situation and the US policy on the Middle East by analyzing the Middle Eastern responses to the US policy.

Coresearchers: Masato Iizuka (Tokyo University of Foreign Studies), Akifumi Ikeda (Toyo Eiwa University), Keiko Sakai (Tokyo University of Foreign Studies), Ryoji Tateyama (National Defense Academy in Japan), Koichiro Tanaka (Institute of Energy Economics, Japan); Yasushi Hazama, Hitoshi Suzuki, Hiroyuki Aoyama, Masaaki Watanabe

Challenges of China's New Leadership: With Special Reference to the 11th Five-Year Plan

Organizer: Yasuo Onishi

Hu Jintao's government was launched after he acceded to the position of Chairman of the Central Military Commission of Communist Party of China (CPC) at the 4th Session of the 16th Central Committee of CPC held in September 2004. Hu strengthened his foundation through realignment of personnel and hammered out his own original philosophy of policies. However, he is plagued by problems in domestic and foreign affairs carried over from Jiang Zeming's government. In domestic administration, Hu attaches weight to agriculture, agricultural villages, and farmers (*Sannong* problems). But in spite of the reduction of farmers' burden and infrastructure building in villages, discontented farmers who lost their farmland due to land expropriation for estate development joined protest marches that erupted into violence. In the area of diplomacy, Hu is endeavoring to improve China's relationship with Japan under his "new thinking diplomacy," but relations between the two countries have fallen into the worst crisis since the normalization of diplomatic relations, partly due to China's reaction to Japan's political stances, such as that expressed by the prime minister's visit to worship at Yasukuni Shrine. Hu also raised concerns over vulnerable groups and promoted the disclosure of official information. Ironically, this has boosted human rights and political awareness and has become a destabilizing factor.

In this research project, we intended to analyze the problems described above and show how they present challenges to Hu's government, with special reference to the 11th Five-Year Plan. The result has been published as *The challenges of China's Hu Jintao government: The 11th five-year plan and sustainable development* (in Japanese, Current Affairs Report No. 1).

Coresearchers: Chen Jianbo (Development Research Center of State Council), Wei Houkai (Institute of Industrial Economics, Chinese Academy of Social Sciences); Norihiro Sasaki, Kenji Otsuka, Nobuhiro Horii

Vietnam's New Socioeconomic Development Strategies toward 2010

Organizer: Shozo Sakata (in Hanoi)

In 2006, Vietnam celebrates the success of 20 years of Doi Moi reform. While Vietnam has achieved rapid economic growth, with average annual GDP growth in excess of 7 percent, there still remain many challenges ahead. These challenges include SOE reforms, administrative reforms, human resource development, and environmental protection, all of which are necessary to further pursue "quality of growth." It is predicted that the upcoming five years, from 2006 to 2010, will be the period in which changes in Vietnam's external economic relations bring about various transformations in socioeconomic, administrative, and political spheres. Vietnam is in the process of institution-building in order to prepare to adapt to new external economic conditions.

The principal objective of this research is to review the contents and the processes of formulation of new laws, resolutions, regulations, treaties, and agreements being formulated from the end of 2005 through 2006. The resolution of the 10th Congress of the Communist Party of Vietnam, held in March 2006, is among the most important subjects to be reviewed in this research. The research tries to analyze the Party's, as well as the Government's, directions toward future development. By doing so, the research aims to indicate the prospects and challenges that Vietnam will face in the coming years. The study results will be published in 2006 (in Japanese, Current Affairs Report).

Coresearchers: Cu Chi Loi (Vietnam Institute of Economics, Vietnamese Academy of Social Sciences); Mai Fujita, Akie Ishida, Minoru Teramoto, Emi Kojin

Basic and Comprehensive Studies

ASIA

Asia General

Environmental Impact Assessments in Asian Countries

Organizer: Naoyuki Sakumoto

Environmental impact assessments (EIAs), which are considered important in preventing significant environmental impact prior to development projects, were introduced by the United States in 1969. Presently, they are commonly accepted as an effective environmental management instrument both in developed and developing countries throughout the world. However, nearly all developing countries face difficulties in implementing EIAs, and this was our motive for undertaking this research. Because basic research data on EIAs is still scarce, this research project surveyed 10 Asian countries/regions to clarify their institutional setups and studied six themes. The themes are the current situation of strategic environmental assessment (SEA) and the tasks of Japan, biodiversity and EIA, public participation in EIA in China at the local city level, EIA and public participation in Asian countries, input of environmental and social considerations in Japanese ODA projects, and industrialization of Asian countries and EIA with emphasis on the development of ASEAN countries.

Our research revealed that EIAs in Asian countries are positively incorporating new international trends (i.e., adoption of SEA and the protection of biodiversity), but gaps remain between these countries and developed countries. In the public participation-related articles in this project's report, the perception of public participation in EIAs at the local level in China and in ASEAN countries was discussed; however, the levels of democracy and transparency

required by Western standards are not satisfied because of their indigenous political and social climates. The manner of inputting social environmental considerations into development projects has long been disputed; however, guidelines on environmental and social considerations newly introduced by Japan Bank for International Cooperation (JBIC) and Japan International Cooperation Agency (JICA) have shown a way for solving such environmental disputes. The last article in the report on the industrialization of Asian countries and EIAs discusses how the Indonesia-Vietnam model of EIA at the initiation stage of environmental management takes a completely different attitude toward solving environmental problems compared to other countries such as Malaysia and the Philippines. Asian countries are placing more emphasis on the enforcement of EIAs. The research results were printed in a research report in March 2006 entitled "Environmental impact assessments in Asia and associated issues" (in Japanese).

Coresearchers: Kenichiro Yanagi (Meiji University), Hidenori Inoue (Meisei University), Kenichi Tanaka (Japan International Cooperation Agency), Shinichi Okuda (Takushoku University); Shigeaki Fujisaki

Recycling in Asia

Organizer: Michikazu Kojima

In Asian countries, while recycling on a market basis has so far been performed, a legal system for recycling has been established and the opportunity for recycling is growing. Recycling-related legislation has been already implemented in the Republic of Korea and Taiwan. In China and Thailand, a legal system for promoting recycling is under preparation. However, there is still a shortage of fundamental information such as the capacity of recycling, the recycling rate, and what items are not recycled. When considering international cooperation in the field of recycling, it is necessary to clarify such fundamental information. In this study group, through a field survey and joint research with the University of the Philippines, etc., the situation of recycling in Asia is investigated. Methods for conducting international cooperation will be proposed.

Coresearchers: Yoshifumi Fujii (Bunkyo University), Hiroyuki Miyake (University of Kitakyushu), Kenichi Togawa (Kumamoto University), Aya Yoshida (University of Tokyo); Tadayoshi Terao

East Asia

Korea in the Postcrisis Era: Socioeconomic Challenges for the Mature Stage

Organizer: Satoru Okuda

Wide attention was given by the media to Korea's rapid economic recovery after the 1997/98 crisis as well as the advent of world-famous enterprises like Samsung. However, behind the bright economic success of the Korean economy after the crisis, there exist several problems: the decelerating trend of economic growth, bipolarization of income distribution, and the burden on families, notably disruption of families induced by increasing divorce. Considering the situation of the Korean economy after the crisis, our authors' major findings were: educated, self-employed males in urban area tend to be promoted in their cluster; "irregular" workers tend to be employed by small businesses, without sufficient legal protection; the social welfare services after the crisis are focused on the low-income group and the middle-income group at the same time, and this is regarded as a result of the compressed pattern of transition of welfare policy targets; employment of the

working poor cluster was unstable even before the crisis, and the government's job placement policy for working poor is generally accepted favorably; a large number of self-employed workers are in fact excluded and do not contribute to the public pension fund, and there is an urgent need for a drastic reform in the pension system; there is an urgent need for restoring a healthy fundamental in public finance, in the face of considerable expenditure-expansion factors such as social welfare and national defense; after the crisis, a rupture of *chaebols* was observed, with the larger groups having strong international competitiveness but the smaller groups being busy mainly in maintaining their businesses; and finally, there is a need for Korea to differentiate its production structure from China, and there is an urgent need for resuming FTA talks with Japan to fully benefit from high-quality intermediates from Japan. To sum up the findings of each chapter, our conclusion is that, as a result of Korea's "hurried" advance to become a developed nation, problems associated with a mature, advanced economy have begun to plague Korea before it solves problems associated with economic backwardness, which it inherited from the era of martial regimes.

Coresearchers: Shin Arita (University of Tokyo), Norimichi Goishi (Tokyo Institute for Municipal Research), Chizuru Kabumoto (Sugiyama Jogakuen University), Nobuko Yokota (Yamaguchi University); Makoto Abe, Chonsok Im, Yuichi Watanabe

The Formation and Development of Taiwan's High-Tech Industries

Researcher: Yukihito Sato

This research project examined the process and the mechanism of development of Taiwan's high-tech industries. It illustrated that the engineers who received high-level education in Taiwanese and foreign universities and transformed into entrepreneurs have played the most important roles there. They have chosen the most promising way at each crossroads of high-tech industrialization and have constructed the industries we observe today.

The engineers began their attempt at establishment of enterprises around 1970. However, most of their attempts ended in failure mainly because they did not have sufficient resources, particularly money. There were two strategies used to overcome the difficulties; one was alliance with the state. The engineers who desired to build up the semiconductor industry chose this solution. Using the state's resources, they introduced advanced technologies from the United States, developed the technologies by themselves, and established new semiconductor manufacturers such as United Microelectronics and Taiwan Semiconductor Manufacturing.

Another strategy was for the engineers themselves to accumulate resources step by step. This led to establishment of the personal computer industry. Almost all leading companies in Taiwan's PC industry started their businesses with a very small amount of capital. They progressively and swiftly accumulated financial and other resources and enlarged their enterprises in this emerging sector. The accumulation of resources followed several paths. As a result, the industry today includes various business models, such as own brand business, OEM/ODM, and EMS.

Economic Development and National Unity in Malaysia: Twenty-two Years under Mahathir's Administration

Organizer: Takashi Torii (Meiji University)

Malaysia experienced rapid economic growth and drastic social change under Mahathir's administration from 1981 until 2003. The purpose of our study was to draw a comprehensive picture of Mahathir's regime by analyzing economic development, development policy, and politics during the Mahathir era.

The final report of this two-year research project is composed of three parts. In the first part covering two chapters, we tried to depict the vision envisaged by Mahathir and other political players for the future of the Malaysian nation. Torii (Chapter 1) infers from his summary of major economic and social policies under Mahathir's administration that the former prime minister tried to transform Malaysia into a "developed Islamic nation." Chapter 2 described the political process of the making of the post-NEP economic policy. In the second part of the study, we analyzed economic policies and their outcome. This second part includes analyses of public finance, privatization policy, foreign investment policy, and the Islamic financial system. The last part is focused on the response from society to the government policy. The results of the study will be published in the IDE Research Series (in Japanese) in 2006.

Coresearchers: Naoki Soda (Tokyo University of Foreign Studies), Hikari Ishido (Chiba University); Masashi Nakamura, So Umezaki, Satoru Kumagai, Rika Nakagawa

Local Enterprises and Industrialization in Vietnam

Organizer: Mai Fujita

In Vietnam, the progress of transition to a market economy and international economic integration under Doi Moi (renovation), which started in 1986, has brought about steady growth of local manufacturing enterprises. These enterprises adapted to the new institutional and economic environment and explored new development opportunities in the Doi Moi period, though the pace of their growth has not been as rapid as foreign-invested enterprises. The very process of the development of these local enterprises reflects the changes that have taken place in the Vietnamese economy since the start of Doi Moi. This research project was an attempt to shed light on some aspects of the changes in the Vietnamese economy since the start of Doi Moi, through the analysis of the process of industrial development led by local enterprises.

The project focused on light industries in urban and rural areas, which have experienced rapid growth led by local enterprises. Specifically, we undertook case studies of the following sectors and/or regions/villages: dairy industry, plastic industry, apparel industry, rural industries in Mekong delta region, Dong Ky wooden furniture village in Bac Ninh province, and Bat Trang traditional ceramic village in Ha Noi city. The case studies identified a number of key factors behind the development of local enterprises, including (1) an industrial foundation built prior to Doi Moi, (2) the use of relatively mature technology, which meant relative ease of introduction and application by local enterprises, and (3) development of linkages with domestic and foreign markets. Furthermore, the cases pointed to the dual feature of the Vietnamese economy in the transitional period: on the one hand, international economic integration progressed rapidly, enabling some local enterprises to take advantage of access to advanced technology and information about foreign markets, while on the other hand, the old system still persists in the domestic distribution and financial systems due to

the delay in reforms and liberalization, which act as constraints on the development of local enterprises. The final report of the project is due to be published as a book (in Japanese, IDE Research Series).

Coresearchers: Fumi Idei (Researcher on Vietnam's agricultural and rural development); Emi Kojin, Akie Ishida, Futaba Ishizuka

Thailand in the Era of Reforms: Political and Administrative Reforms since the 1990s and the Thaksin Administration

Organizer: Yoshifumi Tamada (Kyoto University)

Thailand experienced massive movements calling for political reforms in the 1990s, and the 1997 Constitution is thought to be one of the outcomes of these movements in this "democratization" period. The Thaksin administration was formed in 2001 amid the implementation of these political reforms, and this administration has launched a host of new schemes for reforms up until now.

Whereas research hitherto concerning recent Thai politics has focused mostly on the 1997 Constitution and the problems of Thaksin administration, few studies have been done on the realities of the reforms that reflect both the ideals of the 1997 Constitution and the political compromise in the implementation process. In this research project, we will pick up the process and characteristics of political and administrative reforms of importance (e.g., election system, jurisdiction system, decentralization, education reforms, foreign affairs, etc.) and try to synthesize the impact of these reforms on Thai politics in the long run.

Among our findings in the course of our analysis, we found that the Thaksin Administration aims to re-centralize to modernize the structure of the state, and that the efficacy of reforms in each sector is different. The outcome of this study is due to be published in a book (in Japanese) in 2008.

Coresearchers: Akira Suehiro (University of Tokyo), Keiichiro Oizumi (Japan Research Institute), Fumio Nagai (Osaka City University), Nakharin Mektrairat (Thammasat University); Tsuruyo Funatsu, Shinya Imaizumi, Maki Aoki

State and Society of Vietnam in the Doi Moi Period

Organizer: Minoru Teramoto

This research program aims to verify Vietnam's situation in the Doi Moi period based on the key phrase of "the relationship between the state and society." With this approach, we can not only reach further understanding on various subjects but also on the characteristics of Doi Moi of Vietnam, because when looking at the Doi Moi process, one sees many aspects of the "relationship between the state and society" in various fields.

In FY2005, members of our study group worked on subjects like labor migration, activity of NGOs, and welfare for handicapped persons (children).

Coresearchers: Motoo Furuta (University of Tokyo), Ikuro Takeuchi (Tokyo University of Agriculture and Technology), Misaki Iwai (Kanda University of International Studies), Ari Nakano (Waseda University)

Impact of the Currency Crisis on the Real Sector in Indonesia

Researcher: Masami Ishida

More than eight years have passed since the Asian Crisis erupted in 1997. Many researchers focused on the economic crisis, but it is no longer a matter of concern. There has been little research on its impact on the real sector, although many papers have been written on the factors involved in the currency crisis, the crisis of financial sector, and the social safety net. In this research study, the impact of the currency crisis on the real sector was a subject of deep focus.

In this research study, the impact of the crisis was simply analyzed from the aspects of industrial relations, prices, production, exports, and imports, and the initial main concern was the influence on the real sector of difficulties in opening L/C. As a result of the analysis, it was found that inflationary pressure was relatively higher in the heavy industries, but the reflection of higher costs in prices was suppressed. On the other hand, the increase in the price of agricultural goods surpassed the level of cost-push-up pressure, possibly because of inflation expectations, export inflation, and a paralyzed distribution network.

In the process of this research, several new explanations have been discovered. However, there are still many issues for future study on this topic, including short-term analyses and export and import analyses by country.

South Asia

Globalization in South Asia: Its Impact on Employment and Labor Issues

Organizer: Hiroshi Sato (Tokyo University of Foreign Studies)

Economic globalization has had a far-reaching impact on the world economy, bringing about multidimensional changes in various sectors including trade, finance, information, and employment. Up until now, however, its impact on employment and the labor situation in developing countries has not been as well researched as other dimensions. In South Asia, as in other regions, globalization has given rise to new industries and created new employment opportunities in sectors such as the IT industry in India and the ready-made garment industries in Bangladesh and Sri Lanka. At the same time, globalization has brought changes in employment practices both in the public and private sectors, resulting in a shrinking of formal employment and an expansion of nonstandard work arrangements. These changes also have important political and social bearings as demonstrated, for instance, in India's 2004 general election, in which the employment problem became one of the major factors propelling the change of government.

In this two-year research project, we have been investigating the issue first through an analysis of employment-related policies and institutions and the structure of labor markets and employment, and secondly by conducting several empirical surveys jointly with South Asian organizations. The outcome of the first year of research was published in two research reports entitled, "Globalization in South Asia: Its impact on employment and labor issues" (in Japanese) and *Employment in Readymade Garment Industry in Post-MFA Era: The Cases of India, Bangladesh and Sri Lanka* (JRP Series No. 140). The topics include a review of recent research, labor migration and well-being, employment creation through poverty reduction schemes, and debates on the reservation policy in the private sector. In addition, the employment issues in the ready-made garment industry in India, Sri Lanka, Bangladesh, and Pakistan in the post Multi-Fiber Agreement (MFA) era were investigated on the basis of fieldwork.

Coresearchers: Junko Kiso (Ferris University), Takahiro Sato (Osaka City University); Mayumi Murayama, Yoshie Shimane, Etsuyo Arai, Momoe Makino

Changes in Indian Agricultural Villages: A Microeconomic Analysis

Organizer: Seiro Ito

The study focuses on intrahousehold resource allocation and gender discrimination in rural India. We conducted a joint survey in the backward area of the state of Andhra Pradesh with Mamidipudi Venkatarangaiya Foundation (MVF). Using collected data, we employed several econometric techniques to address the key issues. One of our primary interests is incidence of child labor and its correlates. We uncovered several untold facts, such as higher school enrollment of scheduled castes relative to other castes. We have examined the substitutability between maternal and child time, and the effects of credit constraints. We found credit constraints increase maternal labor supply, which creates a void in domestic labor that is filled by children, especially girls. We have also tested unitary versus collective models and have obtained overall support for the latter. We have confirmed that education and the presence of spouses' fathers to be an important source of spousal bargaining power that helps reduce gender discrimination against daughters. The five-chapter draft is forthcoming in *The Developing Economies*. We would like to thank staff at MVF headquarter and its field offices for their collaboration, and the people in the villages who answered our questions for their patience and generosity.

Coresearchers: Nobuhiko Fuwa (Chiba University), Takashi Kurosaki (Hitotsubashi University), Yasuyuki Sawada (University of Tokyo); Kensuke Kubo

MIDDLE EAST

Cleavage Structures and Political Systems in West and Central Asia

Organizer: Yasushi Hazama

In its second and last year, this project provided partial answers to the research questions initially posed. First, along which cleavages do various social forces in democracies (Turkey, Yemen, and Iraq) compete over the government or voice their opposition? In Turkey, the major cleavage is center-periphery, which is typical among democracies in developing countries. In Yemen, where no strong center has existed historically, regional axes have functioned just like cleavages. In postwar Iraq, confessionalism seems to hold sway; however, what it means differs among different political forces, and it hardly reflects the reality.

Second, in authoritarian regimes (Syria and Kazakhstan), which social forces are able to control or penetrate the state apparatus, and which are excluded from it, and why? In Syria, the Kurds have been institutionally excluded from, and segregated in, the political system. In Kazakhstan, while the president's autocracy has become stronger recently, the regime had adopted the method of control and co-optation. The difference in the style of cleavage manipulation can be accounted for by the size of target ethnic groups, histories of ethnic mobilization, and the prevalence of ethnic segregation in society.

Third, how does the relative importance of major cleavages change over time in societies that are undergoing rapid modernization? From the cases of Turkey, Yemen, and Kazakhstan, it was found that cleavage structures rarely change drastically or endogenously. In the Syrian case too, the cleavage structure in the parliamentary era did not disappear but was reformulated with the introduction of authoritarianism. The importance of cleavages for political competition or autocratic rule thus changed over the medium term due to regime changes or political situations.

Coresearchers: Hiroshi Matsumoto (Daito Bunka University), Keiko Sakai (Tokyo University of Foreign Studies); Natsuko Oka, Sadashi Fukuda, Hiroyuki Aoyama, Masaaki Watanabe

Law and Custom in Real Estate Transactions in Iran

Organizer: Yoko Iwasaki

The focus of this project is on the historical development of customary practices in real estate transactions and the related legal systems in Iran and Egypt since the nineteenth century. Iran and the other Middle Eastern countries have formulated their own peculiar legal systems by fusing their traditional legal discipline with modern Europe's legal system, which they imported in modernization era. In the field of real estate transaction, it is said that the Islamic legal system was basically functioning before modernization. However, the old system was not completely demolished by introducing a Western legal system; the two types of legal frameworks have coexisted and influenced each other. We investigate how local customary practices and the traditional (Islamic) way of thought were integrated into a new system in the process of "localization" of the Western legal system.

This project will be completed by October 2006. Research topics picked up so far are as follows: (1) The history of the Egyptian legal system since modernization and the actual practices in application of laws; (2) Written contracts of real estate transactions in nineteenth century Iran; and (3) Changes in laws concerning real estate lease contracts and their influence on the practice of shop-lease contracts in contemporary Iran.

Further investigation will be accomplished by tracing the historical changes in various legal concepts related to real estate transaction. It is expected that this project will clarify how and to what extent Western laws and legal concepts affected traditional practices and people's way of life. The research results will be published in *Asian economies* (monthly journal in Japanese).

Coresearchers: Nobuaki Kondo (Research Institute for Languages and Cultures of Asia and Africa, Tokyo University of Foreign Studies), Satoe Horii (Tokyo University of Foreign Studies)

Development Strategy and Regional Economic Integration: The Case of Egypt

Organizer: Toshikazu Yamada

Middle Eastern and North African (MENA) countries are now working very seriously to conclude FTAs with the EU and the United States, in addition to concluding regional integration agreements (RIAs) with Arab and African countries (GAFTA, COMESA, Agadir Declaration, etc.).

One of the overarching purposes of these agreements is to implement economic and political reforms in keeping with globalization and regionalization, with the far-reaching aims of sustaining economic growth and reducing poverty.

Throughout this project, special attention is paid to open regionalism, deeper integration, and North-South integration with respect to competitiveness, reduction of transaction costs, credibility gains, and harmonization with global standards (by Yamada) and to reviews of FTA with reference to inter-regionalism (by Suzui). In addition, Tourk conducted a comparative study with East Asian FTAs with special reference to political and historical dimensions, especially the Arab-Israeli conflict.

Country-specific studies are done on circumstances and problems related to implementation of the agreements and benefits from increased trade and foreign investment. Specifically, the comparative studies are on the effectiveness of FTA for Egyptian trade between GAFTA and COMESA (by Noguchi), the effects of FTAs on the Egyptian economy (Watanabe), the QIZ of Egypt and Jordan with USA-Israel (by M. Uchida), the Barcelona process of the EU and Magreb countries (by Fukuda), and Turkey's regional agreements with Central Asian countries (by K. Uchida). The obtained lessons and solutions are numerous regarding the complementarity of production and trade, domestic political economy for protectionism, inefficient resource allocation, and shortage of institutional capabilities.

Coresearchers: Kunio Fukuda (Meiji University), Kiyomi Suzui (Hiroshima Shudo University), Khairy Tourk (Illinois Institute of Technology), Katsumi Uchida (Japan International Cooperation Agency), Matsuo Watanabe (Japan International Cooperation Agency); Katsuaki Noguchi, Masanori Uchida

International Relations of Afghanistan with Its Neighboring Countries

Organizer: Hitoshi Suzuki

This study project aims at analyzing the newly emerging international relations of Afghanistan with its neighboring countries. The purpose of this project is to clarify the basic conditions for the permanent reconstruction and sustained development of the once totally failed country, with the apt international commitments.

As an example of our activity in the first year of this two-year project, we held a series of interviews with experts on the condition of languages in contemporary Afghanistan, the history of relations between Iran and Afghanistan, and Pak-Afghan relations from Iranian perspectives. Our study topics include the geopolitical character of Afghanistan and its historical changes, new trends in Afghanistan's reconstruction projects and recent wider regional reorganizations, and emerging new relations of Afghanistan with Pakistan, Iran, and Central Asian countries.

We published our tentative results as a study report entitled "Relations of Afghanistan with neighboring countries: Changes after four years of Taliban retreat" (in Japanese). In this report, we tried hard to grasp the drastically changing international relations of Afghanistan as a structural transformation process of multilateral relations with several neighboring countries, surrounded by regional superpowers like China, India, and Russia, in the shade of basic interests of the western world, represented by the United States, EU countries, and Japan.

We also published "Archives of Mitsuo Ozaki in Afghanistan, 1935-38: Field notes of an agricultural advisor from Japan" (in Japanese), which is a rare first-hand document of Afghanistan and its hidden relations with Japan in that era. These two reports will be completely revised next year and published by the Institute.

Coresearchers: Manabu Shimizu (Hitotsubashi University), Hiroki Fukamachi (Tokyo University of Foreign Studies), Shohei Komaki (Sophia University), Koichiro Tanaka (JIIME Center, Institute of Energy Economics), Kazushige Shibata (Afghan Network), Akie Okada (University of Tokyo); Madoka Onishi

Reconsidering Personal Rulership in Sub-Saharan Africa

Organizer: Akira Sato

Even now in 2006, a decade and a half after the beginning of democratization in sub-Saharan Africa, most researchers on African politics still hesitate to declare that democratic transitions have been successfully accomplished in the countries of this area. Taking recourse in notions such as “semi-democracies” and “semi-authoritarianism,” scholars of comparative politics have tried to highlight the coexistence of “democratized” institutional procedures and “undemocratic” management and behavior. As this shows us, the ambivalent and hybrid nature of African political regimes is so remarkable that, in future research, this aspect must be emphasized. With the aim of responding to these circumstances, we planned this research project focusing on “rulers” in sub-Saharan Africa, expecting to find a new perspective of analysis on African politics and states. We use here the notion of rulers to refer collectively to kings, presidents, prime ministers, heads of the sole party in Marxist-Leninist states, and heads of military juntas. Except for a few works, including the well-known pioneering work published in 1982 by Robert Jackson and Carl Rosberg which presented the notion of “personal rule,” African rulers have never fully been examined from a scientific perspective. The notion of personal rule, though it could still be useful vocabulary to describe the way of governing in the case of some rulers, seems too narrow to encompass the various forms of rulership. Moreover, we think it is more important to treat the ruler as a system than to treat him/her as an individual. This is to say that we have to take into consideration human networks, institutions, historical background, and external relationships to understand the whole structure of power that makes rulers. In this year, interim case studies were done on Félix Houphouët-Boigny (Côte d'Ivoire), Junéal Habyarimana (Rwanda), Mwai Kibaki (Kenya), Mohamed Siyaad Barre (Somalia), military rulers in Nigeria, and John Garang (South Sudan). The final report will be published in 2007.

Coresearchers: Mitsugi Endo (University of Tokyo), Eisei Kurimoto (Osaka University), Takehiko Ochiai (Ryukoku University), Ichiro Majima (Tokyo University of Foreign Studies); Shinichi Takeuchi, Miwa Tsuda

Dynamism of Foreign Firms in Sub-Saharan Africa

Organizer: Katsumi Hirano (JETRO Johannesburg)

The economy of sub-Saharan Africa, which suffered long-lasting stagnation until the 1970s, has abruptly entered a growth path in recent years. This dynamism came through the expansion of FDI inflow promoted by the soaring prices of natural resources. More investment for exploitation and exploration of natural resources, especially crude oil, has flown into the continent, followed by other fields of investment. In short, current economic growth in Africa has been led by the private sector's activities, and not by the public sector or ODA.

For the purpose of depicting the dynamism of contemporary sub-Saharan Africa's economy, our project focused on South African and Chinese firms, which are the most active players now in Africa. We investigated them in the sectors of mining, finance, telecommunication, retail, and construction, and we also investigated new strategies toward Africa on the part of the South Africans and Chinese. The project report was published under the title “The African economy transformed by firms: The expansion of South African and Chinese firms” (in Japanese, Africa Research Series No. 13), which also includes policy recommendations for new types of development assistance in partnership with the private sector.

This project was conducted as a collaboration by JETRO Johannesburg, JETRO Nairobi, JETRO Lagos, the Middle East and Africa Division in the Overseas Research Department of JETRO Headquarters, and IDE-JETRO.

Coresearchers: Akio Nishiura (Soka University), Shigeki Okada (JETRO Johannesburg), Shunichi Shinkawa (JETRO Nairobi), Kenichi Nakamoto (JETRO Lagos), Kumiko Watanabe (JETRO Abidjan); Kohtarō Kodama, Takao Seki, Aiko Kamiwazumi, Katsuya Mochizuki, Takahiro Fukunishi

LATIN AMERICA

Latin American New Primary-Goods Export Economy: Structure and Strategy

Organizer: Taeko Hoshino

A recurrence of the primary-goods-export economy is one of the important phenomena observed in the Latin American economy since the 1980s. While the manufacturing sector, which developed under import-substitution industrialization, has suffered a decline due to the economic liberalization in the past two decades, the primary-goods-export industries have experienced steady growth, gaining dynamism from globalization of the economy. The purpose of this research is to study the possibility for sustainable growth of the primary-goods-export industries and their potential to become the axis of economic development in Latin America. Considering that the recurrence has accrued in the midst of the worldwide changes in the structure and strategy of the primary-goods-export industries, for the first year of this two-year project, we focused on changes in aspects such as technology, markets, production and distribution networks, corporate strategies of the world, and the role played by Latin American exporters in these changes. As a result, we edited a data book composed of statistics and analysis on the current situation of principal primary industries of the world and the position that Latin American countries have acquired in those industries. The industries analyzed in the data book are soybeans of Brazil and Argentina, pork meat of Mexico, asparagus of Peru, bananas of Ecuador, wood and pulp of Chile, and petroleum of Venezuela. Our analysis shows that there exist various factors which promote the recurrence of Latin American primary industries, and these factors include WTO and FTAs that lowered the barriers to entry into the developed countries' markets, the technological innovations in IT and transportation which enabled Latin American exporters to access a niche of the world market, and the emergence of China as a principal importer of primary goods from Latin America. Our analysis also shows that successful exporters have a competitive edge in their abundant resource bases, technological capacities, and entrepreneurial mentalities.

Coresearchers: Yoichi Koike (Takushoku University), Hidekazu Araki (Kanagawa University); Aki Sakaguchi, Koichi Kitano, Tatsuya Shimizu

GENERAL

Changing the Villagers' Economy in Developing Countries through Globalization

Organizer: Shinichi Shigetomi

Globalization has connected rural economies in developing countries with markets and capital in developed countries. It has changed the social and economic relationships among actors in rural economies. Some actors have managed to take advantage of market opportunities brought by globalization, while others have failed to do so. The object of this research project is to analyze changes in rural economies brought about by globalization and the mechanism of changes, through observing household economies and market structure.

As the first step of analysis, each researcher set out to grasp the impact of globalization in each country using statistical data. Assuming that globalization exerts an impact on rural households through market mechanisms, first the research organizer analyzed agricultural trade at the global level. Then, coresearchers analyzed markets, production, trade, and infrastructure related to rural economy in each country.

Some of the findings from global-level trade data include the following. First, the rapid growth in the proportion of agricultural trade to domestic supply is clearly observed only in developed countries. Second, this proportion varies greatly from region to region among developing countries. In Latin America, the proportion has been increasing since the 1980s, while in Africa it is decreasing. In Asia, it is slowly increasing, but the change is much less significant compared with other two regions. In any case, the absolute value of agricultural trade is increasing in all regions. Third, agricultural trade is increasing within each region, rather than between the regions.

In addition to the statistical analysis, this research project aimed at developing the research capacity of junior researchers. We conducted joint rural research trips to Thailand and Myanmar in November 2005 and to Shimane Prefecture in Japan in January 2006. Through these trips, senior researchers shared analytical perspectives and rural research methods with junior researchers.

Coresearchers: Naoko Amakawa, Azusa Harashima, Emi Kojin, Kensuke Kubo, Ikuko Okamoto, Tatsuya Shimizu, Nanae Yamada

Employment and Social Security in the Newly Industrialized Countries

Organizer: Koichi Usami

While the phenomenon of globalization has been in progress, labor relations have become more flexible and unstable in the newly industrialized countries in Asia, Africa, and Latin America since the 1980s. We can see an increase of the informal sector and the phenomenon of the informalization of the formal sector.

Along with these changes in labor relations, we can observe transformations in labor policies and social welfare policies. Generally speaking, specific social security systems were founded based on specific labor relations. However, because of the transformation of labor relations, existing social security systems came to be unsuited to flexible labor relations. Our study team has following three objectives.

- (1) To clarify the transformation of labor relations and labor conditions in each country.
- (2) To clarify the changes in labor policies and social welfare policies accompanying these transformations.
- (3) To analyze mainly the political factors that contributed to those changes in the policies.

Coresearchers: Keiko Hata (Waseda University), Kim Jo-Seol (Shinshu University), Mako Yoshimura (Hosei University), Yukari Sawada (Tokyo University of Foreign Studies), Yasuhiro Kamimura (Hosei University); Kaoru Murakami, Kumiko Makino, Naokatsu Uetani

Universalization of Primary Education: Mechanism and Policy Tasks

Organizer: Akio Yonemura

Universalization of primary education has been one of the key international challenges since 1990. However, the prospects for the attainment of this goal are not necessarily bright. In order to analytically comprehend the situation, this study first tries to grasp, from historical and theoretical viewpoints, the experiences of Japan, European countries, and developing countries in universalizing education, although in developing countries efforts to achieve universalization are still underway. Second, based upon the framework abstracted from the foregoing analysis, our study focuses on the development processes and problematic conditions in the countries in the completion stage of the universalization, where the enrollment ratios are 90 percent or higher.

Papers produced by this study will be published in a book entitled "Universalization of Primary Education in the Context of Social and Economic Development." Foreign researchers active at the forefront of this field have contributed to it. The book consists of the following. The Introduction, "Universalization of Primary Education: A Contextual Approach (Yonemura)," is followed by Part I, which deals with historical and theoretical perspectives, including "Chapter 1: Stages of Development in Primary Education: Japanese Experiences" (Kaneko), "Chapter 2: The Process of Universalization in Primary Education: A Historical Comparison of England, Japan, and Mexico" (Yonemura), and "Chapter 3: Political Economy of Universalization in Primary Education" (Kaneko). Part II and Part III deal with case studies in Latin America and Southeast Asia, respectively, including "Chapter 4: Universalization of Primary Education in Latin America: The Poor Results and Their Causes" (Ernesto Schiefelbein), "Chapter 5: Educational Effects of the Compensatory Programs in Mexico" (Muñoz Izquierdo), "Chapter 6: Universalization of Basic Education in Chile and the Voucher System" (Miwa), "Chapter 7: The Development of Primary Education in Thailand and Its Present Challenges: From Quantity to Quality through Effective Management" (Waraiporn Sangnapaboworn), "Chapter 8: Universalization of Primary Education in the Context of Multi-Ethnic Society: The Case of Malaysia" (Sugimura), "Chapter 9: Vietnam's Quest for Universal Primary Education and Analysis of Its Financial Structure" (Ushioji and Hamano), and "Chapter 10: Universalization of Primary Education and the 'Socialization of Education' Policy in Vietnam" (Noda). The book concludes with "Conclusion: Perspective of the Universalization of Primary Education" (Yonemura).

Coresearchers: Morikazu Ushioji (Obirin University), Motohisa Kaneko (University of Tokyo), Takashi Hamano (Ochanomizu University), Masato Noda (Chubu University), Miki Sugimura (Sophia University), Chiaki Miwa (Nagoya University)

Globalization and Economic Law Reforms in Developing Countries

Organizer: Shinya Imaizumi

This study is an effort to illustrate the changes in international rule making and its impact in the context of the economic law reforms in developing countries. The analysis focuses on certain legal areas including contract law, corporate law, financial law, competition law, arbitration, intellectual property rights, and piracy regulations.

Globalization has been a driving force of institutional reforms in developing countries since the 1990s. Reforms are required under the WTO agreements and other trade/investment agreements. Many countries have been obliged to accelerate their institutional reforms by the outbreak of economic crises that spread in Asia and other emerging markets. The World Bank, IMF, and other international institutions have exerted increasing influence on the formulation of the economic policies, laws, and regulations in each country. It is also

observed that the use of legally nonbinding documents is pronounced in many areas, as a method to induce changes in national laws and regulations.

The study also reveals that the developing countries are increasing and deepening their involvement in the international rule-making process in the globally and regionally organized international forums, where efforts are being made to develop ways to reduce the institutional vulnerability of developing countries and to secure effective implementation and enforcement of international rules and standards in each country.

Coresearchers: Shoichi Kidana (Waseda University), Makoto Kurita (Chiba University), Soichiro Kozuka (Sophia University), Satsuki Konaka (Waseda University); Hajime Sato, Miwa Yamada, Chie Kashiwabara, Akiko Yanai

Theories and Realities of Rural Development

Organizer: Masami Mizuno (Nihon University)

In the context of Japan's international development, the word "rural development" has been used as a synonym for "agricultural development." Only recently, rural development has become recognized as a broader concept which includes interventions for poverty reduction. Once it covers poverty reduction and social development, planners of the rural development need to consider the sociocultural conditions of each rural society where the outsider is trying to intervene. Sociology, anthropology, and area studies have accumulated knowledge of rural societies in developing countries. However, very little of that knowledge has been utilized in planning rural development intervention. This study tries to find a way to utilize the knowledge about rural society into rural development practice.

Coresearchers: Shonosuke Tomita (Japan Agricultural Development and Extension Association), Keishiro Itagaki (Tokyo University of Agriculture), Masafumi Ikeno (Koei Research Institute), Kazuko Tatsumi (Yamaguchi University), Eri Sugita (Japan International Cooperation Agency), Kazuhito Suga (Japan International Volunteer Center); Hiroshi Kan Sato, Mitsuki Shiota

Financial Markets and Money in Developing Countries

Organizer: Hisayuki Mitsuo

Money serves as a medium of exchange as well as a store of value. The market economy can fully function only if money, as the unit of account, fully plays its proper role. On the other hand, money is created by the provision of credit by banks. Central banks change the quantity of money in financial markets. These changes in the quantity of money have non-neutral effects on real economic activities through institutional factors such as wage-price rigidities.

In developing countries that are moving toward a market economy through liberalization policies for goods and financial markets, the relationship between price and money can be destabilized with a rapid accumulation of financial assets. On the other hand, rapid credit growth amplifies business cycles. Central banks in developing countries face the above challenges. This research project mainly aims to gain a theoretical and empirical understanding of the problems facing developing countries as represented above. The research papers of our project will be published in 2008.

Coresearchers: Kaku Furuya (Daito Bunka University), Hidehiko Ishihara (Senshu University), Masaaki Komatsu (Hiroshima University), Masanaga Kumakura (Osaka City University)

Poverty Reduction through Generating Employment Opportunities

Organizer: Tatsufumi Yamagata

Poverty reduction became an ultimate goal of international development, as one of the Millennium Development Goals (MDGs) declared at the Millennium Assembly of the United Nations in 2000. Since then, multilateral and bilateral donors and NGOs have jointly pursued the goals. However, there is a concern that while the goals are clearly spelled out, how to achieve them is not fully understood.

This research project's approach to addressing poverty reduction is a pursuit of ways to create employment opportunities for the poor. Since labor is the only resource possessed by the poor that allows them to earn income, employment is the key.

The term "employment" as used in this research project is defined broadly and includes "self-employment" as well. Nowadays, microfinance is known as an interesting device to facilitate small businesses carried on by the poor. The scope of this project covers both self-employment promoted by microfinance and large-scale employment opportunities created by export-oriented light manufacturing. Prospects for the two types of approaches to create employment opportunities are explored.

In addition, the impact of some specific policies to protect workers' rights and to reduce poverty is examined. Among those policies for protecting workers' rights, legislation of the minimum wage and acceptance of lively labor union activities are intensively studied. Specifically, policies designed for poverty reduction include accurate targeting of aid for the poor, social funds provided by donors and managed by regional communities to alleviate poverty, and policies for handicapped people.

This is a two-year research project, and its immediate output will be a book (in Japanese) to promote better understanding of the issues.

Coresearchers: Takeshi Daimon (Waseda University), Akio Nishiura (Soka University); Miki Hamada, Takayuki Higashikata, Soya Mori, Hiroki Nogami

Macroeconomic Implications of Imperfect Markets in Developing Countries

Organizer: So Umezaki

The objective of this research project is to draw more realistic policy implications for developing countries by extending macroeconomic models to reflect some characteristics of developing economies, such as market imperfections and the heterogeneity of economic agents. The focus of our research will be on economic growth, business cycles, changes in industrial structures, and income distribution.

Since the Lucas critique, macroeconomic models have been reconstructed based on well-specified microeconomic foundations. The macroeconomic model which has been developed through this process shares a characteristic economic-model structure called dynamic general equilibrium (DGE). Many of the DGE models have been developed in order to understand economic events in industrial countries. Then, they have also been used to explain economic events in developing countries. Because of the model's development history, the model does not sufficiently reflect the actual situations of developing economies. The available models often include assumptions which extremely simplify actual events. Such simplification is introduced so as to solve the model mathematically. While the simplification is often acceptable for industrial countries' economic models, the same simplification could cause problems, and lead us to wrong conclusions, if it were assumed in an economic model for developing countries. Considering these problems, in this research project, the project members develop DGE models for developing countries and/or conduct numerical analyses based on the improved DGE models in the context of developing countries.

In FY2005, the first year of this two-year research project, we released a part of our research in a book as interim reports.

Coresearchers: Kazuhiro Yuki (Kyoto University), Koji Kawabata (Kobe University); Masahiro Kodama, Kozo Kunimune

Comparison of Industrial Clusters in Asia with Other Regions

Organizer: Masatsugu Tsuji (University of Hyogo)

In the second year of this two-year research project, we reviewed conditions for formation of clusters, particularly in developing countries. Industrial cluster policy (i.e., the policy for forming industrial clusters) plays an important role in the development of regions in East Asia. Industrial cluster policy is promoted not only in Japan by the Ministry of Economy, Trade and Industry but also in most countries in East Asia, including Malaysia and Singapore. Silicon Valley in the United States and Bangalore in India are well-known success stories of development in information technology. Agglomeration theory and cluster theory explain that an industrial cluster is effective in generating external economies and reducing transportation costs. However, it is necessary that we make clear what the required conditions are for forming a cluster, particularly when discussing growth strategy in developing countries.

In 2005, this research completed the task of constructing a flowchart model to serve as a prototype model for industrial cluster policy in Asia (1) by conducting a comparative analysis of factors in the development of industrial agglomerations (2) that was focused on the manufacturing sector and (3) in Asian countries. The outcome of our research will be published as a book (in English) in 2006.

Coresearchers: Aya Okada (Nagoya University), Yumiko Okamoto (Doshisha University), Yoshiaki Hisamatsu (Toyo University); Masahisa Fujita, Akifumi Kuchiki, Kentaro Yoshida, Eiichi Yoshida

Foreign joint-researchers: Jobaid Kabir (University of Texas at Austin), David Eaton (University of Texas at Austin), N. S. Siddharthan (Delhi University), Somrote Komolavanij (Thammasat University)

New Issues around Development Studies and Social Welfare Studies

Organizer: Soya Mori

Currently, the United Nations (UN) is developing a proposal for an international convention on the rights of people with disabilities, the draft of which is called "Comprehensive and Integral International Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities." UNESCAP also proposed a new idea called the development approach, in place of the traditional welfare approach, for this area. The World Bank reported that in order to achieve the Millennium Development Goals (MDGs), we should take into consideration the relation between poverty and disability. It can be said that everyone should have the opportunity to increase her or his well-being, regardless of physical conditions such as age or disabilities. The preliminary report of our study has three parts, and contents are as follows.

Part I: The main approaches to "disability and development" have changed from the medical model of disability, where disability is a personal problem that should be normalized and cured, to the social model, where disability is caused by social conditions and the relation between people with impairments and society. The reform of society, not personal medical cure, should be the primary and most important approach to dealing with disability-related

problems. This altered approach to disability is the main important standpoint for considering disability and development. Views on development assistance are reviewed from this standpoint. UNDP's Human Development Indicators are also reviewed in this part.

Part II: This part covers international organizations' approaches to disability, especially the UN's Convention of Rights of People with Disabilities and laws and institutions which support welfare in developing countries. In this part, a case study of legal assistance in China is reviewed.

Part III: To achieve disability-inclusive development, we present the idea that community-based rehabilitation (CBR) could be an important framework and the idea that independent living (IL) should be introduced as a key factor. As an example of a good practice, we review the history of the education for the deaf in West Africa, which has been introduced and managed by deaf people themselves.

Coresearchers: Osamu Nagase (University of Tokyo), Nobutaka Kamei (Kwansei Gakuin University), Yukiko Nakanishi (Asia Disability Institute), Kenji Kuno (Japan International Cooperation Agency); Masayuki Kobayashi, Hiroki Nogami

Decentralization and Local Environmental Policies in Developing Countries

Organizer: Tadayoshi Terao

Although local governments have been entrusted with many aspects of environmental policy, the enforcement process was often hindered by budget shortages and human resource shortages before decentralization. However, during the process of decentralization, some budgetary and human resources have been transferred from the central to local governments, so that the conditions that hampered the execution of environmental administration by local government are changing drastically.

With the progress of decentralization, local governments gained the ability to introduce environmental policies that were more advanced than the requirements of the central government. On the other hand, there are also examples of local governments placing clear priority on the promotion of industrialization at the cost of environmental protection.

When analyzing the influence of decentralization on the relationship between central and local governments, the role of the local political process concerning "development and the environment" and the local governments' environmental policy and administration are important for gaining an overall view of the environmental policy of each country as a whole.

This research project will attempt to establish a framework for analyzing the effectiveness of local environmental policies in developing countries, by examining the relationship between central and local governments as well as the local governments' environmental policy and administration.

Coresearchers: Ryo Fujikura (Hosei University), Yasushi Ito (Chiba University of Commerce); Kenji Otsuka, Michikazu Kojima

International Environmental Regime and Developing Countries

Organizer: Katsuya Mochizuki

This research group was organized to reexamine international environmental regimes that emerged from the negotiation process on cross-border and global environmental issues. The international community has been witnessing the emergence of such regimes since the 1970s. A series of conventions was held for international negotiations on controlling, preventing, and prohibiting hazards and pollution caused by human activities. The regimes became effective with collective action by parties to the conventions. Active parties were

often from the developed world, and those from developing countries were small players in the negotiations.

Such conventional environmental regimes were replaced by regimes for environment and development in the late 1980s. The North-South politics of global environmental issues also became far keener than before. The negotiation process at the United Nations Conference on Environment and Development (the so-called “Earth Summit”) performed a decisive about-turn for international regimes. The developmental aspect of global environmental issues has become an indispensable viewpoint. Accordingly, the role of developing countries has changed in the formation of international regimes.

Our group tried to follow and examine this trend of change in international environmental regimes. The introductory chapter examines the switch of major actors in the negotiations. Environmentalists were replaced by the diplomats in the process. As a result, various regimes became inter-linked by those diplomats, and certain restrictions were imposed even on the sovereign power of countries. It affected the performance of regimes. The second chapter follows the transition on the concept of desertification and examines the regime under the Convention to Combat Desertification. The third chapter tries to verify the ratification process of environmental conventions. The Basel Convention on the Control of Trans-boundary Movements of Hazardous Wastes and Their Disposal is selected as a case study. The final chapter examines the principle of public participation as addressed by the Rio Declaration. The Convention on Access to Information, Public Participation in Decision-Making, and Access to Justice in Environmental Matters (the so-called Aarhus Convention) is outlined with existing articles.

Coresearchers: Michikazu Kojima, Kenji Otsuka

Globalization and Food Safety: Impact on Developing Countries

Organizer: Tadayoshi Terao

While trade and international movement of animals and plants, including food, are expanding with the progress of globalization, there are also increasing problems with the generation of illnesses accompanying the movement of animals and plants, such as avian flu, BSE (commonly called “mad cow disease”), and foot and mouth disease (FMD), and with regulatory issues involving genetically modified organisms (GMO). These problems are closely related to the globalization of food.

Moreover, interdependence was enhanced by the reorganization of the global food supply system as agribusiness grew accompanying globalization that incorporated developing countries. However, this interdependence has also created a phenomenon in which shipments from specific areas are stopped due to the occurrence of illnesses, which deals a severe economic blow to and exerts social impact on both the supply and demand sides.

The increased international division of labor and the growth in size and concentration of production areas has rapidly elevated the load placed on environment, especially in the case of animal husbandry. In order to ensure the safety of food, there has been an increase in the regulation of the movement of animals and plants, the establishment and maintenance of an institutional framework for the safety of food, and the necessity for the international adjustment.

This research project aims at establishing an analytical framework for examining the economic and social impact on developing countries, the laws and regulations for ensuring the safety of food, and the state of international cooperation.

Coresearchers: Shinya Imaizumi, Nanae Yamada

All-JETRO Projects

Taskforce for Japan-China Economic and Business Cooperation

Organizers: Akifumi Kuchiki and Kunio Sumiyoshi

In 2005 JETRO implemented the following collaborative project to gain a perspective on the economic relationship between Japan and China.

In East Asia, the actual specialization in production processes by Japanese companies has progressed through market mechanisms. The formation of FTAs and economic partnership agreements (EPA), which are being promoted in the region, has accelerated the de facto East Asian economic integration brought about by globalization of production activity.

What is regarded as the most important matter in the process of formatting EAFTA is economic and business integration between Japan and China, whose GDPs occupy 80 percent in the region. Though leading Chinese figures proposed the idea of a Japan-China FTA, as Vice Premier Wu Yi did in 2005, there are many obstacles to overcome prior to the formation of a Japan-China FTA.

Given this situation, so as to inquire concerning what elements are important for enabling Japanese companies to do business in China easily, we conducted a survey on institutions and business realities in China. We aggregated and clarified the problems in promoting economic and business integration between Japan and China in East Asia and considered how to construct the relationship between the two countries.

We invited specialists on intellectual property rights, corporate law, and tax accounting, etc., to try to understand the present situation of (1) the problems of China, (2) the information that needs to be supplied to and the requests that need to be made to China to improve the problems, and (3) the possibility of cooperation between Japan and China.

Moreover, we visited more than 40 companies' headquarter offices (including manufacturers and non-manufacturers) which have business bases in China to ask about the possibility of economic and business integration between Japan and China.

Advisors: Hirokazu Okumura (University of Tokyo), Koichi Ishikawa (Asia University), Ichiro Araki (Yokohama National University)

Coresearchers: JETRO Headquarters—Tomoharu Washio, Atsusuke Kawada, Dai Hakozaki, Takuya Urano, Yoko Saito; IDE—Toyojiro Maruya, Chiharu Tamamura, Nobuhiro Okamoto, So Umezaki, Nobuhiro Horii, Kumiko Sato, Ikumo Isono

Collaborative Research

Japanese Experiences in Local Industrial Development: Lessons for Developing Countries

Organizers: Kazuhisa Matsui and Susumu Yamagami (Ritsumeikan Asia Pacific University)

Economic development in Japan had been based not only on industrial policies led by the government and dynamic industrial organization by private sector, but also on local revitalization and the local industrial promotion at the level of local governments and peoples. The One Village One Product (OVOP) movement in Oita Prefecture is one such example which has tried to mobilize and utilize local resources to realize local self-reliance. Many developing countries want to learn and apply this example.

This study, conducted in collaboration with Ritsumeikan Asia Pacific University in Beppu, Oita Prefecture, analyzes and examines the historical background and the relationship among actors in many cases of regional industrial promotion activities in Japan in order to draw and classify lessons and implications for the developing countries. Furthermore, the study intends to clarify similarities and differences between local industrial promotion activities in the developing countries and similar activities in Japan such as OVOP, to examine the supporting activities and the coordination process between Japan and developing countries concerning the local industrial promotion.

The outcome has two parts. Part 1, entitled “Local Industrial Promotion and OVOP,” covers local revitalization in the industrial promotion history in Japan, the barley *shochu* (distilled spirit) industry in Oita and its innovation, the role of independent agricultural cooperatives, marketing efforts in the town of Oyama, the direct sales unit of agricultural commodities for new local business, and local resource-based local development. In Part 2, we pick up topics such as the local diplomacy of Oita Prefecture and OVOP, the One Tambon One Product (OTOP) project in Thailand, Malawi’s OVOP, the introduction of OVOP in Mongolia, and the OVOP diffusion process through training and seminars. In conclusion, we point out the importance of “locality” and continuity of dynamics through many kinds of human networks in local industrial promotion.

Coresearchers: Noriko Inozume (Consultant on local development), Yoshiaki Nishikawa (Nagoya University), Rika Fujioka (Graduate student, University of London), Akira Munakata (Asian Productivity Organization), Kunio Igusa (Ritsumeikan Asia Pacific University), Francisco P. Fellizar (Ritsumeikan Asia Pacific University), Takeshi Fujimoto (Ritsumeikan Asia Pacific University); Eiichi Yoshida, Kentaro Yoshida, Azusa Harashima

Regional Development Strategy in Southwestern China

Organizer: Nobuhiro Okamoto

Despite the launching of the Western Area Development strategy in 2000, the southwest region of China still remains underdeveloped. In particular, Guizhou is China’s most underdeveloped province. In order to clarify the regional development problem of Southwest China, we focus on the causes of its backwardness from the viewpoints of political system, labor mobility, energy constraints, industrial structure, and so on. This research project is being conducted as joint research between the IDE and Yamaguchi University, which has an exchange research program with Guizhou University in China.

In this first year, we clarified the difficulties of regional development in China’s Southwest. We will derive the policy implications from the fact-finding studies to be conducted this year.

Coresearchers: Noriatsu Matsui (Yamaguchi University), Haifeng Li (Yamaguchi University), Lichun Chen (Yamaguchi University), Longtang Shi (Yamaguchi University); Dai Hakozaiki, Mami Yamaguchi, Norihiro Sasaki, Nobuhiro Horii

Overseas Joint Studies on Economic Development Issues

Coordinator: Susumu Imura

This research project, launched in 1987 as “Joint Studies on Economic Development Policies in ASEAN and Neighboring Countries,” aims to analyze economic development policies in developing countries or areas and to identify policy orientations for achieving development goals. Local collaborative research groups composed of academics, policymakers, and other specialists in the fields are organized in the countries under study. Through joint activities of the group members, including discussion meetings, field surveys, workshops, and data processing, the results, findings, and recommendations are published and disseminated in English from the Institute. In FY 2005, two projects were conducted in Hanoi (Vietnam) and Zomba (Malawi).

Actors in Poverty Reduction in Vietnam

Organizer: Shozo Sakata (in Hanoi)

Vietnam has achieved quite a successful level of poverty reduction since the late 1990s. This result is attributed extensively to the government’s poverty reduction programs that have provided economic and social supports directly to the poor households and to the poor communes. Moreover, development of private economies, supported by the government’s favorable policies on agriculture, employment, and enterprise establishment, has also benefited many poor households. Recognizing the effect of these programs, policies, and economic activities, this study illustrates the roles of “actors” in poverty reduction, i.e., both policymakers and implementers of the policies, as well as private economic entities.

Among the six studies included in the report, the first two studies focus on the actors in planning and implementing the government’s poverty reduction programs. The ministry in charge is the Ministry of Labour, Invalids and Social Affairs, but there are many other ministries, governmental agencies, social organizations, and even state-owned enterprises that are involved in the programs. The studies show that such a mechanism allows the program to utilize local networks in the rural areas, but on the other hand, it causes inefficiency due to overlapping responsibilities and activities among the actors. Studies in Section 3 through Section 6 of the report analyze the impacts of economic activities of certain private actors on the livelihoods of the poor households. The studies reveal the positive impacts of development of private agricultural farms, rural industrialization led by craft manufacturing, an increase of rural-urban migration caused by inflow of foreign invested labor-intensive manufacturing industry, and economic and social networking among the urban poor.

The results obtained were compiled in a book entitled *Actors for Poverty Reduction in Vietnam*, edited by Vu Tuan Anh and Shozo Sakata (ASEDP Series No.73, March 2006).

Coresearchers: Vu Tuan Anh (Vietnam Institute of Economics), Cu Chi Loi (Vietnam Institute of Economics), Phan Si Man (Institute of Environment and Sustainable Development), Dang Kim Chung (Ministry of Labour, Invalids and Social Affairs), Nguyen Xuan Mai (Institute of Sociology)

Agricultural and Rural Development in Malawi

Organizer: Tsutomu Takane (in Zomba, Malawi)

This study aims to analyze the various issues of agricultural and rural development in Malawi. Malawi is one of the poorest countries in the world and its population is predominantly rural. The livelihoods of rural dwellers rely mainly on small-scale agriculture, but are constrained by unfavorable conditions such as land shortages, low agricultural technologies, erratic rains, food deficit, and labor shortages caused by the spread of HIV/AIDS. Based on the data obtained from micro-level fieldwork, the study clarified the interrelationships of various factors that caused acute poverty in rural Malawi.

The findings and analysis were compiled in a book entitled *Current Issues of Rural Development in Malawi*, edited by Tsutomu Takane (Africa Research Series No.12, March 2006). The report contains five chapters. Chapter 1 examines the dynamics of customary land tenure through a village case study in central Malawi. Chapter 2 analyzes the effect of the hunger crisis on child labor and education. Chapter 3 analyzes the effect of rural-urban migration on the food security of households in southern Malawi. Chapter 4 examines the role of institutional arrangements on households' livelihood strategies in fishing villages. Chapter 5 presents case studies of smallholder tobacco production in various parts of Malawi.

Coresearchers: Paul Kishindo (University of Malawi), Charles Chilimampungu (University of Malawi), Alister Munthali (University of Malawi), Peter M. Mvula (University of Malawi), James Milner (University of Malawi)

Commissioned Research

UNIDO Strategic Research Programme: Optimizing the Impact of Industrial Development on Poverty Alleviation

Organizer: Tatsufumi Yamagata

Poverty reduction became the ultimate goal of international development as one of the Millennium Development Goals (MDGs) declared at the Millennium Assembly of the United Nations in 2000. Although MDGs have facilitated improvement in livelihood of the poor in the world by pointing out the necessity of providing food, education, and health, a strategy for the poor to extricate themselves from poverty is yet to be found. Since the only resource that the poor possess for earning income is labor, employment must be a key. However, employment does not occupy a central place in the MDGs.

Meanwhile, the experience of poverty reduction in East Asia reveals that creation of employment opportunities in the export-oriented industrial sector was critical. This East Asian pattern of poverty reduction through industrial development is now seen in South Asia, too. This observation may imply that the East Asian strategy is applicable to current low-income countries.

In this project undertaken for the United Nations Industrial Development Organization (UNIDO), the possibility of replicating the East Asian pattern of poverty reduction in current low-income countries was explored. The garment industry in Bangladesh and Kenya was scrutinized for a case study with respect to the potential to create enormous employment opportunities for the poor. Both company surveys and worker surveys were conducted in the two countries in 2003, in cooperation with the University of Dhaka and the University of Nairobi. A report submitted to UNIDO was finalized in the beginning of 2006 and is expected to be published by UNIDO, under the title of *Industrialization and Poverty Alleviation: Pro-poor Industrialization Strategies Revisited*.

Coresearchers: Akio Nishiura (Soka University); Mayumi Murayama

Comparative Study on East Asian and Latin American IT Industries

Organizer: Akifumi Kuchiki

IDE implemented the research project entitled “Comparative Study on East Asian and Latin American Information Technology (IT) Industries” starting in the year 2003, jointly with the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

The objectives of the research were to study the use of IT by small and medium-sized enterprises (SMEs) in Asia and Latin America from a comparative perspective and to examine appropriate strategies for (1) strengthening of the business linkage between the two regions, and (2) poverty alleviation through SMEs development.

The two organizations selected six countries in Asia (China, Japan, the Republic of Korea, Singapore, Thailand, and Vietnam) and seven in Latin America to do case studies. IDE was responsible for producing the country reports of the six Asian nations.

Each country report presented public data on (1) the contribution of SMEs to national production, job creation, and international trade in each economy, and (2) penetration of IT to SMEs. In addition, the country reports collected specific cases of IT usages by SMEs and reviewed public policies for SMEs and IT development and trade promotion. All of this obtained information was taken into account to derive policy issues for IT utilization to promote international trade by SMEs.

The project’s final report entitled “Information Technology for Development of Small and Medium-Sized Exporters in Latin America and East Asia” was published by ECLAC in 2005.

China’s Coal Supply Potential and Influence on the World’s Coal Market

Organizer: Nobuhiro Horii

In recent years, the world’s market price for energies and industry materials has been escalating up to the historically highest levels. China’s rapidly growing demand for these goods due to its robust economic growth is pointed out as one of the reasons for the price rise. In particular, the price increases in iron ore and coking coal are so sizeable that many countries, including Japan, have felt considerable impact. A forecast for China’s domestic coking coal demand and supply is definitely needed. However, only very sparse information on China’s coking coal and cokes industry is available in Japan.

Therefore, in our research project, we first collected as much information as we could about the production and consumption of cokes and coking coal in the past and present. Based on that information, we tried to forecast supply and demand for cokes and coking coal in the future years of 2010 and 2020. The prospect of future export and import was also discussed. New findings from our research are as follows: First, in China, small coking companies are going out of business due to a sharp rise in the coking coal price. Consequently, large coking companies of steel companies and vertically integrated coking companies with coal mines or chemical plants are increasing their share in the cokes market. Second, cokes demand is forecasted to increase until around 2010 because of increased demand for building and infrastructure construction. However, cokes demand in 2020 is forecasted to decline below the 2010 level because of a slowdown in steel demand and replacement of blast furnaces with electric furnaces, which do not use cokes in the steelmaking process.

This research project is one part of the project of the New Energy and Industrial Technology Development Organization (NEDO), Japan, which has four parts in all.

Coresearcher: Keiji Ujikawa (Yokohama National University)

Industrial Waste Management and Recycling in Asia

Organizer: Michikazu Kojima

This project was consigned by Japan's Ministry of Economy, Trade and Industry. In recent years, there has been progress in measures for proper waste management and proper recycling in Japanese companies located in Asia. Responding to requests from Japanese manufacturers who generate waste, a number of Japanese recyclers made investments in other Asian countries. However, there is a lack of basic information, such as on legal systems' provisions for waste management and recycling in Asian countries. The need to share information on regulations related to waste management and recycling in each Asian country was pointed out by the Working Group for Enhancing International Recycling in the Industrial Structure Council. This project is a response to the request of the working group.

As part of this project, an "Industrial Waste and Recycling Policy" study group (organized by Michikazu Kojima) has been organized at the IDE. The trends in the industrial waste and recycling policies in eight nations, i.e., Republic of Korea, China, Taiwan, the Philippines, Vietnam, Thailand, Malaysia, and Indonesia, are reviewed. The information collected by the study group includes the definition of a fundamental legal system, related ministries and government offices, associations of industries and NGO, responsibilities of waste generators, waste treatment and recycling industries, manifest systems for industrial waste, the present condition of waste treatment and recycling, programs for promoting recycling, and international trade of recyclable waste. Joint studies were also conducted with the following research institutions: Thailand Environment Institute, Indonesian Center for Environmental Law, and Cabrera, Lavadia & Associates.

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Basic Data Preparation for an Improved Emission Inventory Used for a Forecast Model for Change in Atmospheric Composition

Researcher: Nobuhiro Horii

Building models for forecasting changes in atmospheric composition is definitely needed in order to clarify changes in the density and composition of greenhouse gases, ozone, aerosols, and so forth. The effect of chemical transport and photochemical reactions should be considered in the model, and therefore an emission inventory of chemical materials influencing the density, composition, and distribution of air pollutants is a very important part of such a model. The Japan Agency for Marine-Earth Science and Technology (JAMSTEC) has already created an emission inventory covering 28 countries in Asia for the years 1995 and 2000 and has forecast data on gaseous pollutants emissions caused by fuel combustion for 2010 and 2020.

JAMSTEC recognizes the importance of China and India, two major emissions sources in the region, in enhancing the accuracy of model forecasting and has decided to outsource the task of collecting and preparing basic data related to future emission estimates for China and India to the Institute. The required data items are as follows: (1) China's recent data on the development of environmental regulations, (2) China's forecasted energy consumption data for each province, (3) India's basic data on each energy source, and (4) India's basic data on the traffic and transportation sector.

The research began by collecting data through published and unpublished statistics and literature and by interviewing policymakers. Second, the collected data was carefully investigated and converted into input for the model.