

Review of Research Activities

During Fiscal Year 2003
(Researchers whose affiliation is not specified are staff members of IDE.)

PRIORITY PROJECTS

Prospects for Economic Relationships among Asian Countries

In recent years, Asian countries have begun to move toward entering into FTAs, and we should focus attention on trials searching for new frameworks for FTAs, including China. At the ASEAN-China summit following the ASEAN+3 summit, ASEAN and China had agreed to bring an ASEAN-China FTA to life within ten years. It is also assumed that the South Asian countries will also join this tidal stream.

In this study, we are investigating the influence of the tendency mentioned above on the economic relations between Asian countries, between Japan and Asian countries, and examining Japan's future policy on trade and economic cooperation. First, we are focusing on the relationship between China and Asian countries, making a survey of their relationships in the areas of trade and investment. Second, we are carrying out surveys of foreign direct investment and the distribution networks of foreign commodities in China and Asian countries. We have attached importance to surveys of actual conditions through field studies and joint research with research institutions in China and Asian countries.

The planned time period of this study is four years. In the first year, we carried out two research activities, as follows. In the next year, we will launch two research activities focusing on industry.

Trade, Investment, and Economic Cooperation between China and South Asia

Organizer: Shūji Uchikawa

In 2003, the political relationship between India and China improved. Foreign trade

between the two countries has increased since the mid-1990s. On the other hand, inflows of cheap Chinese goods into the Indian and Pakistani markets have led to trade conflicts. Along with the increase in border trade with China, smuggling has also grown more serious. It is not clear why goods flow into India and Pakistan from China, where wages are higher. Through this study, we attempted to understand how China's economic influences penetrate South Asian countries and vice versa. In addition, we analyzed the awakening of China among the Asian economies not only from the bilateral viewpoint of the Japan-China relationship, but also from multilateral viewpoints, considering the future role of Japan in the Asian economies.

In India, there have been claims that Chinese goods are threatening Indian manufacturers, but these claims are no longer heard. Large firms seem to be able to compete with Chinese manufacturers.

Cheap Chinese goods may be internationally competitive not only due to the low production costs but also the efficiency of distribution. Chinese exporters are good at marketing and organizing small-scale industries. On the other hand, networks of small-scale manufacturers and distributors have not functioned effectively in India and Pakistan.

Coresearchers: Katsuhiko Hama (Soka University), Sueo Kojima (Kokushikan University), Ma Chengsan (Shizuoka University of Art and Culture), Jeemol Unni (Gujarat Institute of Development Research), Uma Rani Amara (Gujarat Institute of Development Research); Yoshie Shimane, Momoe Makino

Trade, Investment, and Economic Cooperation between China and Southeast Asia

Organizer: Yasuo Ōnishi

This study examined and analyzed economic relations in trade, investment, and economic

cooperation between China and Southeast Asian countries, with the aim of attaining concrete information and perspectives on these issues. Through the study, we tried to gain useful perspectives for Japanese trade and economic cooperation policy toward Asian economies. This study involved cooperation between specialists on China and Southeast Asian countries. They cooperated to carry out intensive field surveys in China and Southeast Asian countries, strengthened by several IDE overseas joint research projects with research institutions in these countries. In the first stage, we collected and analyzed basic data on trade, investment, and economic cooperation between China and Southeast Asian countries. In the second stage, we carried out surveys of actual conditions, analysis, and joint research. This study was characterized not only by interviews of foreign-funded enterprises but also by studies on the distribution networks for Chinese goods and Chinese investment in Southeast Asian countries, and on investment and the distribution of commodities from Southeast Asian countries to China. We had held a meeting to announce the contract research results at IDE in February 2004 (see pp. 31–32). In the interim report from this study, we analyzed the findings from a comprehensive standpoint, and examined the current situation and perspectives on economic relations between China and Southeast Asian countries.

Coresearchers: Tomoo Marukawa (University of Tokyo), Huang Lin (Kobe University), Gen Endō (Daito Bunka University); Kazuhisa Matsui, Mitsuo Fukushima, Michio Kimura, Shigeki Higashi, Masami Ishida

Studies on Development Perspectives of CLMV Countries

In the 1990s, ASEAN's membership was expanded through the participation of the four CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). This priority research 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. They are all struggling toward industrial development and poverty reduction under the pressure of economic globalization. The conditions which they currently face are very different from those that confronted the leading countries of Southeast Asia at the initial stages of their economic development. Organized in FY2003, as the second year of this project, were four studies entitled: "Regional Economic Integration and Vietnam: A New Stage of Development," "Socio-economic Transformation in Cambodia after Joining ASEAN," "Transition to a Market Economy in Myanmar: Issues and Prospects under Fifteen Years of Military Rule," and "Transition to a Market Economy in Laos: Present State and Issues."

Regional Economic Integration and Vietnam: A New Stage of Development

Organizer: Akie Ishida

This research project aimed to clarify challenges to the socioeconomic development of Vietnam in its transition process toward a deepening market economy and international economic integration, from the perspective of area studies. The project covered the areas of industries, international development cooperation, and administrative reform.

With regard to industries, Vietnam is changing its industrialization strategy from import-substitution industrialization to export-oriented industrialization led by FDI. In the face of the globalization of its economy, Vietnam needs to increase its competitiveness in the world market. Its economic institutions will have to be reformed to become more market-friendly. These reforms will contribute to the strong development of its market economy. However, weaknesses still remain in the fields of distribution and contract systems, due to the underdeveloped state of the market economy.

The administrative reforms have two aspects that concern socioeconomic devel-

opment. One involves the building of modern government, and the other sociopolitical development. After analyzing the development processes of administrative reforms of local government, including budgetary systems, after Doi Moi, our observation is that the development of administrative systems is more relevant economically than politically. For the time being, the impact of rapid changes in Vietnam's economic systems on its society will remain very serious. Vietnam will have to make efforts to introduce measures to minimize the social impacts, for example, through the mutual assistance system of traditional communities.

Coresearchers: Fumio Gotō (Osaka University of Foreign Studies), Takayuki Ogasawara (Yamanashi Gakuin University), Ikuo Takeuchi (Tokyo University of Agriculture and Technology); Fumi Idei, Minoru Teramoto, Mai Fujita, Futaba Ishizuka, Shōzō Sakata

Socioeconomic Transformation in Cambodia after Joining ASEAN

Organizer: Naoko Amakawa

Following the previous year's study, entitled "Cambodia after Joining ASEAN," we continued to focus on recent socioeconomic transformations in Cambodia. The summary of our results is as follows.

In the 1990s, Cambodia underwent a fundamental change in its social regime. The political system was transformed from socialist single-party rule to a multiparty system based on democracy. Cambodia also abandoned its socialistic centrally controlled economic system to support a free market economy.

Ten years have passed under the new regime. In the political sphere, several political actors have peacefully coexisted, although the armed conflict of the 1980s left a legacy on their relationship. The economy saw acceleration in the output of the industrial sector as a result of the expansion of the garment sector, under the strong leadership of foreign investors. The labor demand generated by the garment sector had a great

influence on the socioeconomic position of young women. However, the internationalization of Cambodian society has had negative aspects, such as trafficking in women and children.

At present, we are considering the three important points below. The first is the further development of the social division of labor and specialization of economic activities. For example, rural areas will increase their production of food and industrial goods, while urban areas will strengthen their function as trade and consumption areas. The second is the increase in employed labor. Both blue-collar and white-collar workers in Cambodia will increase in number with the deepening of the economy's industrialization. The third is the change of the government's role. The government of Cambodia should become the protector of the Cambodian people's daily life.

Coresearchers: Miwa Takahashi (Aikoku Gakuen University), Kenji Yotsumoto (Nagoya Keizai University), Yukiko Sakanashi (Visiting Research Fellow); Tatsufumi Yamagata, Shina Matsuura, Emi Kōjin

Transition to a Market Economy in Myanmar: Issues and Prospects under Fifteen Years of Military Rule

Organizer: Kōichi Fujita (Kyoto University)

Myanmar launched its transition to a market economy from a closed state-controlled economy in 1988. However, the move to a market economy stalled in the mid-1990s, resulting in mounting difficulties and contradictions. Our research project has aimed to summarize the economic policies and changes in the economic structure under the transition to a market economy, correlated with movements in the political system in the past fifteen years. At the same time, the project has attempted to highlight the issues and prospects for the Myanmar economy as it moves toward the ASEAN regional integration and globalization of the economy.

Our project has placed an emphasis on

shedding light on the current situation and problems of Myanmar's transition to a market economy at the micro level, and on placing them in the macro picture. In the first year of the project, we attempted to abstract and organize basic issues in the following areas/topics: overall change of the macro economy, development of the financial sector, development of private industries, capital accumulation of private enterprises, changes in the rice marketing system, economic analysis of agricultural laborers, and current situation in the urban informal sector.

Coresearchers: Ryū Fukui (Development Bank of Japan), Fumiharu Mieno (Kobe University), Masao Kumamoto (Tokyo Keizai University), Nan Mya Kay Khaing (Tokyo University of Foreign Studies); Ikuko Okamoto, Toshihiro Kudō

Transition to a Market Economy in Laos: Present State and Issues

Organizer: Naoko Amakawa

Liberalization in Laos started from the adoption of the "Chintanakan Mai" (new way of thinking) policy in 1986. This study, as the first year of a two-year research project, reviewed the country's course after 1986 to reveal recent political and economic issues in Lao People's Democratic Republic. Our results were compiled in a research report with the same title as the project.

The Lao government enthusiastically pushed economic liberalization and an open-door policy until the outbreak of the Asian financial crisis. However, in terms of political reform, it refused to adopt a multiparty system. The solid performance of the economy from the mid-1980s to the mid-1990s gave the Lao People's Revolutionary Party (LPRP) the right to rank itself as an instructor of economic development. In this way, the trial of the transition to a market economy under single-party rule made a good start.

However, at the end of the 1990s, Lao economy fell into serious stagflation. The LPRP insisted on a new *raison d'être* as a

party that complements the market, using the phrase, "the application of socialism according to the actual situation in Laos."

The LPRP will have to overcome several difficulties in order to further push its transition to a market economy under single-party rule. First, it will have to show how the country is "democratic," considering that in recent times the international community has demanded "democracy" of every developing country. Second, unlike the leading Southeast Asian countries, Laos will have to grope toward industrial development in an "opened" economy under the globalizing world.

Coresearchers: Keola Souknilanh (graduate student, Nagoya University), Hiroyuki Seto (graduate student, Nagoya University), Motoyoshi Suzuki (Suzuka International University), Shūichi Takita (graduate student, Kobe University), Toshihisa Toyoda (Kobe University); Norihiko Yamada

MAJOR PROJECTS

Analysis of Current Affairs in Asia

Organizer: Yasuo Ōnishi

The Area Studies Center has conducted 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. The results of this research project were published in the "Yearbook of Asian Affairs 2004" (in Japanese) which contains twenty-four reports providing current analysis on Asian countries and regions, and three on wider regional issues such as ASEAN, the relationship between Japan and Asian countries, and U.S. Asian policy. The outcomes of the research project have also been published in the "Ajiken World Trends" (monthly, in Japanese).

Coresearchers: Suelo Sudō (Nanzan University), Takashi Kawakami (Hokuriku Uni-

versity), Toshiya Hoshino (Osaka University), Shin'ichi Koibuchi (Asia University), Mariko Tanigaki (University of Tokyo), Liu Wenfu (expert on China), Kyōko Tanaka (Nanzan University), Kumiko Mizuno (expert on East Timor), Sō Yamane (Osaka University of Foreign Studies), Satoshi Saitō (Nihon Keizai Shimbun); Michio Kimura, Satoru Okuda, Yuri Sato, Naoko Amakawa, Mayumi Murayama, Hideki Hiraizumi, Shigeki Higashi, Shūji Uchikawa, Ken'ichi Imai, Nao Ishizaki, Hiroyuki Nikai, Norihiro Sasaki, Ikuko Okamoto, Takeshi Kawanaka, Minoru Teramoto, Masashi Nakamura, Yurika Suzuki, Izumi Chibana, Yoshie Shimane, Etsuyo Arai, Yūko Tsujita, Gaku Kato, Momoe Makino

Projections for Asian Industrializing Region (PAIR)

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." The economies of the region were severely affected by the Asian currency crisis. However, they quickly recovered, helped by the global IT revolution. Subsequently, though, a recession in the IT industry and the events of September 11 led to a decline of the Asian economies.

We realize the increasing importance of studying the Asian industrializing region from a worldwide perspective. In FY1991, we initiated a project entitled "Projections for 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.

Coresearchers: Yoshihisa Inada (Konan University); Daisuke Hiratsuka, Chinami Yamaji, Jinichi Uemura, Etsuyo Michida, Takayuki Higashikata

The Industrial Structure of the Asia-Pacific Region

Organizer: Jun Nakamura

The Institute initiated a new project in 2001 with the goal of constructing Asian international input-output tables (multilateral table) for 2000, covering the Republic of Korea, Indonesia, Thailand, the Philippines, China, Malaysia, Singapore, Taiwan, Japan, and the United States, constituted using a new sector classification corresponding to recent changes in the industrial structure of the region. During this fiscal year, we compiled national input-output tables (domestic transaction table and import table) working in close cooperation with counterparts in each country. In addition, the TTM (Trade and Transport Margin) was estimated for each country for the valuation of import table. Meetings were held with the counterparts of each country in order to exchange views about their national input-output table. Research activities involved the development of theoretical and practical methods for the compilation of a multilateral input-output table. Furthermore, various studies including a time series analysis and interdependency in the region were done using the multilateral table issued by the previous project. The project was carried out through cooperation with various counterparts in the following institutes in each Asian country.

Overseas counterpart institutions:

Bank of Korea, the Republic of Korea
Central Bureau of Statistics, Indonesia
National Economic and Social Development Board, Thailand
National Statistics Office, the Philippines
State Information Center, China
Department of Statistics, Malaysia
National University of Singapore, Singapore
Taiwan Research Institute, Taiwan

Coresearchers: Yoshifumi Ishikawa (Fuji Tokoha University), Masatoshi Yokohashi (Applied Research Institute), Mitsuo Yamada (Chukyo University), Takao Sano (Gifu Shotoku Gakuen University), Sonoe Arai (Ministry of Economy, Trade and Industry); Nobuhiro Okamoto, Yōko Uchida, Kazuhiko Oyamada, Shin'ya Arakawa, Satoshi Inomata

Prospects on Regional Cooperation in East and Southeast Asia—Towards Materialization of the ASEAN+3 Framework

Organizer: Ippei Yamazawa (International University of Japan)

Since the Asian financial crisis, the “ASEAN+3” framework, which consists of ten ASEAN members plus Japan, Korea, and China, has been given attention as a scheme for enhancing cooperation in East Asia. With a view to proposing an ideal and practicable cooperation framework for the region, our research project first investigated the current situation of regional cooperation among the ASEAN+3 members and then considered the intrinsic value of the ASEAN+3 framework from various perspectives.

Perspectives from international economics, based on theoretical analysis, pointed to potential developments in trade, investment, and financial transactions in the region. Analyses from international relations and international law presented problems and direction for future cooperation in several selected areas, in particular free trade agreements (FTAs) in the region, foreseeing that East Asian cooperation will be promoted in a multilayered structure that consists of ASEAN+3, ASEAN+Japan, and ASEAN+China.

The result of our research was published as APEC Study Center Working Paper Series (March 2004).

Coresearchers: Arito Ono (Mizuho Research Institute), Tadahiro Yoshida (graduate student, Waseda University), Akira Kajita

(JETRO); Satoru Okuda, Akiko Yanai, Sanae Suzuki, Maki Aoki, Hikari Ishido

The Growing Importance of China and the Restructuring of the Division of Labor in Asian Machinery-Related Industries

Organizer: Moriki Ōhara

This research project examined the emerging image of the economic relationship between China and its Asian neighbors in machinery-related industries. We placed a particular emphasis on the rapid emergence of Chinese industrial development and the reactions by firms and governments in neighboring economies toward it. Our final aim was to grasp the overall image of the diverse and multilayered Asian manufacturing networks formed by firms as a reaction toward new business opportunities and the increased competitive pressure raised by China's rapid industrial development.

The characteristics of the project were as follows. First, we incorporated viewpoints from neighboring countries by directly utilizing the results of joint research projects with eight well-known Asian economic institutes from seven Asian countries. Second, we analyzed various types of machinery-related commodities, from capital goods to consumer goods, and from metal-processing equipment or automobile parts to IT final products. Third, in addition to manufacturing technologies, we examined transactions between firms in parts and materials, competitive strategies, product development, sales, and brand management.

We have held six discussion meetings in the six months starting in April, and carried out a research trip to Asian countries in August. In September, we held an international workshop in Makuhari, inviting five joint researchers from China, Taiwan, Korea, and Thailand. As final products, we published *The Growing Importance of China and the Asian Machinery-Related Industries—New Business Opportunities and Restructuring of Division of Labor*—(in both English and Japanese) in September 2003.

Coresearchers: Tomoo Marukawa (University of Tokyo), Hiroko Watanabe (Japan Society for the Promotion of Machine Industry), Kineko Kamo (Nihon University), Kyōko Yamashita (GENDAI Advanced Studies Research Organization), Yūko Nikaidō (Hosei University), Hiromi Hinata (JETRO); Mitsunori Yokoyama, Yūichi Watanabe

Foreign joint-researchers: Fenglun Tian (Chongqing Academy of Social Sciences), Hong Lin (Shandong Institute of International Economy and Technology), Pyeong-Seob Yang (Korea International Trade Association), Wen-Thuen Wang (Chung-Hua Institution for Economic Research), Thamavit Terdudomtham (Thammasat University), Nguyen Kim Anh (Central Institute for Economic Management, Vietnam), Lepi T. Tarmidi (University of Indonesia), K.V. Ramaswamy (Indira Gandhi Institute of Development Research)

The Chinese Market and SMEs in Fukuoka Prefecture

Organizer: Yōji Tateishi (Seinan Gakuin University)

Recently, many foreign enterprises have entered the Chinese market, attracting attention worldwide. For Japanese SMEs, which are now experiencing deflation in their home market, the Chinese market, with its huge latent power, is becoming extremely attractive. Thus, the development of the Chinese market has become an important survival strategy for these SMEs.

With this recognition, the study group examined how SMEs in Fukuoka should make use of the Chinese market, as well as how public organizations should support these SMEs in order to support their vitalization and internationalization.

The study group paid special attention to the viewpoint of “food.” We spent many hours discussing how to revitalize SMEs in Fukuoka using the Chinese market and “food.”

The study group was organized in conjunction with the Fukuoka Center for the Promotion of Small and Medium Enterprises.

The participation by organizations actually involved in the promotion of SMEs led to worthwhile and concrete discussions.

The final report of the study group will be useful not only for use in Fukuoka Prefecture, but also by SMEs nationwide and by local governments in Japan.

Coresearchers: Toshitaka Hirata (Fukuoka Center for the Promotion of Small and Medium Enterprises), Yasuo Satō (Fukuoka Center for the Promotion of Small and Medium Enterprises), Takashi Horinouchi (Fukuoka Prefectural Government Shanghai Office), Emi Teshima (JETRO); Daisuke Hiratsuka, Nobuhiro Okamoto, Shirō Mitsui, Takayuki Takeuchi

Analytical Study of Economic and Industrial Development in Asia

Organizer: Masami Ishida

With the goal of considering how ODA can reflect Japanese national interests, including the needs of Japanese affiliated companies in developing countries, two study projects—a Vietnam project and an Indonesian project—were carried in FY2003. The Vietnam project was done in the first half of the fiscal year, and the Indonesian project was done as an annual project; reports were written for both.

The research topics for both projects involved surveys on developments and the needs for ODA in terms of supporting industries, problems faced by Japanese affiliated companies including the business climate, the performance of ODA projects by the Japanese government in comparison with those of other donors, economic infrastructure, legal developments, including on intellectual property, and environmental pollution. The Vietnam project included reforms of the corporate and financial system, industrial agglomeration of human capital, and industrial parks. The Indonesian project covers current affairs involving the petroleum and natural gas sectors, and the impacts of decentralization on the industrial sector,

government debt and, human capital and vocational training.

Finally, policy implications for Japanese government's ODA policy were examined in accordance with the results of the survey.

Coresearchers: Kōsuke Mizuno (Kyoto University), Toshiyuki Ogata (Hokkaido Tokai University), Yasuo Fukao (Asia University); Sō Umezaki, Shigeaki Fujisaki, Etsuyo Michida, Naomi Hatsukano, Nanae Yamada

Joint Studies on Economic Development Policies in ASEAN and Neighboring Countries

Coordinator: Takao Tsuneishi

This project was initiated in 1987 to analyze policies relating to economic development implemented in the ASEAN and neighboring countries. The project is being undertaken in collaboration with academic circles, government officials, and experts from the countries under study. The major objectives are to analyze, from a historical perspective, changes in the national development strategies and policies of these countries, and to identify the orientation of policies to achieve future economic development. In FY2003, three study teams were organized: one each in Thailand, Indonesia, and South Asia. The three teams conducted the following studies.

The NGO Way: Perspectives and Experiences from Thailand

Organizer: Shinichi Shigetomi (in Bangkok)

Thailand is a country where NGOs play an important role in economic, social, and political development. Since the mid-1990s, a number of papers on NGOs have been published. However, most of the literature is limited to rough reviews or to advocating the roles and significance of NGOs. Though more than five hundred NGOs are active in various fields at present, their development is poorly documented. The available literature

on topics related to many fields of NGO activities seems to be even scatter. The results obtained by our research were compiled in a book titled *The NGO Way: Perspectives and Experiences from Thailand*, edited by Shinichi Shigetomi, Kasian Tejapira, and Apichart Thongyou (ASEDP Series No. 69, March 2004). This report, therefore, includes chapters on (1) sector-wise activities of NGOs in rural development, environment protection, slums, women and children (sex trade issues), public health, and human rights and political activities, and (2) topics that go beyond fields, such as NGO funding, the monarchy and NGOs, the military dictatorship, and the emergence of NGOs. The volume has also an introductory chapter which reviews past literature, and a chapter which discusses the mechanisms of NGO sector development in Thailand.

Coresearchers: Apichart Thongyou (Sawasdee Foundation), Bantorn Ondam (Human Settlement Foundation), Chaithawat Thulathon (Fa Diao Kan Publishing), Chanida Chitbunded (Thammasat University), Gawin Chutima (Thai Fund Foundation), Kasian Tejapira (Thammasat University), Maneerat Mitprasat (Mahasarakham University), Sudarat Sereewat (Fight against Child Exploitation), Thanapol Eawsakul (Fa Diao Kan Publishing), Weerawat Paphussaro (Ministry of Natural Resource and Environment)

Regional Autonomy and Socioeconomic Development in Indonesia

Organizer: Muneo Takahashi (in Jakarta)

Following the activity of the last fiscal year, involving a comprehensive and multidimensional study of regional autonomy policy from the fields of politics, law, economy, society, etc., seven case studies based on fieldwork were carried out in this fiscal year.

The target regions for the research consisted of seven provinces: Banten, Bangka-Belitung Islands, the Gorontalo provinces (a newly established province group);

Jakarta, Yogyakarta (special-region group); West Sumatra, and Bali (a group under a customary autonomy system); as well as two to three regencies or municipalities in each province. The objectives of the research were to examine the actual conditions of the autonomous bodies' reorganization, the substance of indigenous development projects, their socioeconomic influences, correlations between decentralization and the activities of social organizations and NGOs, and future prospects for socioeconomic development in each region.

Changes in the customary roles of villages, confusions in dividing authority between the province and regency/municipality, and influences of local regulations in the post-decentralization era were cited, and suggestions for improving the relations between local parliaments and local governments, rectifying economic differentials within provinces, and local industrial development, etc., were incorporated into the final report for this fiscal year. The title of the report is *Regional Autonomy and Socio-Economic Development in Indonesia: Case Studies of Seven Provinces*, edited by Muneo Takahashi and T. A. Legowo (ASEDP Series No. 68, March 2004).

Coresearchers: T. A. Legowo (Centre for Strategic and International Studies: CSIS), Raymond Atje (CSIS), Medelina K. Hendytio (CSIS), Yose Rizal Damuri (CSIS), Ignasius Ismanto (CSIS), Titik Anas (CSIS), P. Agung Pambudhi (Regional Autonomy Watch)

International Labor Migration from South Asia

Organizer: Hisaya Oda (in Singapore)

This study aims to trace new patterns and the changing nature of labor migration from South Asian countries and to analyze the economic and social consequences of migration for the countries of origin.

(1) Binod Khadria analyzes the migration of highly skilled labor from India, and demonstrates that highly skilled labor migration is

seen as an opportunity to reap the benefits of a "brain bank." (2) Habibul H. Khondker examines the recent trends in labor migration to East and Southeast Asia. He points to the diverse landscape of migration in Bangladesh as contradictions in the processes of globalization. (3) S. Irudaya Rajan discusses trends in emigration from Kerala to the Gulf. He notes that the state's dynamic social development over the past half a century and the relative stagnancy in its productive sectors have created ideal conditions for an acceleration of outward migration. (4) Haroon Jamal examines the relationship among international remittances, poverty, inequality, and growth in the context of Pakistan, and shows a negative relationship between migration and the level of deprivation of origin (district). (5) G. M. Arif analyzes the effects of overseas migration on household consumption and poverty in Pakistan, and demonstrates that in general migrant households have benefited from overseas migration. (6) Md. Mizanur Rahman finds that Bangladeshi labor migration to Singapore was not economically beneficial, and points to the emergence of "poverty as a result of migration." (7) Hisaya Oda looks into the impact of remittances on economic growth, based on official remittance data, and demonstrates at least "non-negative" impacts of remittances on growth performance.

The findings and analysis were compiled in a book titled *International Labor Migration from South Asia*, edited by Hisaya Oda (ASEDP Series No. 70, March 2004).

Coresearchers: G. M. Arif (Pakistan Institute of Development Economics), Haroon Jamal (Social Policy and Development Centre, Karachi), Binod Khadria (Jawaharlal Nehru University), Habibul H. Khondker (National University of Singapore), Md. Mizanur Rahman (National University of Singapore), S. Irudaya Rajan (Centre for Development Studies, Thiruvananthapuram, India)

STANDBY RESEARCH FOR SPECIFIC DEVELOPMENT ISSUES

ASEAN-Japan Comprehensive Economic Partnership: Vision and Tasks Ahead

Organizer: Ippei Yamazawa (International University of Japan)

In January 2002, Prime Minister Junichiro Koizumi visited Singapore, where he stressed the need for strengthening a sincere and open partnership between Japan and ASEAN, and proposed an initiative for ASEAN-Japan Comprehensive Economic Partnership (AJCEP). In support of this AJCEP initiative at the governmental level, the IDE organized the ASEAN-Japan research institute meeting in July 2003 inviting research institutes from ten ASEAN member countries and formulated a joint study report, "ASEAN-Japan Comprehensive Economic Partnership: Vision and Tasks Ahead."

The task force wrote the draft version of the joint study report and the background reports, *Toward ASEAN-Japan Comprehensive Economic Partnership*, and *ASEAN-Japan Competitive Strategy*.

Coresearchers: Kōichi Ishikawa (JETRO), Hiromi Ōki (JETRO); Daisuke Hiratsuka, Kazuhiko Oyamada, Hikari Ishido, Tomoko Kubota

Taiwan's Presidential Election in 2004 and the Challenges for the Next Administration

Organizer: Yukihito Satō

In the presidential election on March 20, 2004, the incumbent president, Chen Shui-bian was reelected by a slim 0.2 per cent plurality. This election was a crossroad for Taiwan, and Chen's victory means the continuation and consolidation of the line of Taiwanization.

This research project examined the causes and the impacts of Chen's victory and ana-

lyzed the issues that need to be tackled by the second Chen administration. An examination of polls shows that Chen was able to win thanks to a marked increase in votes in the Fukeinese area, which indicates the success of his campaign in appealing to the sentiments of Taiwanese identity. However, this also irritated China and led to a deterioration of its relations with the United States. It will be important to see whether Chen will moderate his attitude after the election.

As for internal affairs, we focused on six issues, including the elimination of corruption, fiscal problems, bad loans, the privatization of the public enterprises, the adjustment of central-local government relations, and education reform. For the last four years, the Chen administration made some serious mistakes and failed to sufficiently settle these problems. It is worth looking at whether the government can reflect on its own defects and transform itself in the next four years.

Coresearchers: Yoshiyuki Ogasawara (Tokyo University of Foreign Studies), Takeshi Watanabe (Kyorin University), Mitsutoyo Matsumoto (Nagasaki University of Foreign Studies), Shingo Itō (Mizuho Research Institute), Michiko Kitaba (research student, University of Tokyo), Mitsuyoshi Kawase (University of Shizuoka), Naoya Yamazaki (graduate student, Tokyo University of Foreign Studies); Takayuki Takeuchi

BASIC AND COMPREHENSIVE STUDIES

ASIA

Asia General

Industrial Clusters in Asia: Analyses of Their Competition and Cooperation

Organizer: Masatsugu Tsuji (Osaka University)

The purpose of this study is to analyze competition and collaboration among East Asian industrial clusters and to envision their future.

Why do firms agglomerate? This is an old question in economics. Many industrial clusters, such as Nishi-Mikawa in Japan, Manchester in the United Kingdom, and Silicon Valley in California, were formed through a competitive process. On the other hand, industrial clusters in developing countries have been promoted through foreign direct investment. Behind this, government support has contributed to attracting firms to these regions. Dynamic changes involving the shift of production bases to other countries imply that the network of outputs, inputs, and other business activities, such as R&D, expands to other areas. These activities are a natural outgrowth of globalization; as the new areas concentrate and specialize, their interdependence increases. In order for firms to survive within global competition, analyzing this issue is essential. Moreover, comprehensive analyses of Asian clusters may provide the central and local governments of developing countries, as well as Japan, with policy implications for further economic development.

Contributions to the study were made by the following three teams: the U.S. Team, which analyzed the case of Vietnam, the China Team, which examined the case of Tianjin, China, and the Japan Team, which studied the case of Japan and other Asian economies. The outcome of this

study was published as *Industrial Clusters in Asia: Analyses of Their Competition and Cooperation* (I.D.E. Development Perspective Series No. 6).

Coresearchers: Takuo Imagawa (Ministry of Public Management, Home Affairs, Posts and Telecommunications), Yumiko Okamoto (Nagoya University), Aya Okada (Nagoya University), James Riedel (Johns Hopkins University), Richard Record (Mekong Economics), Zhang Donggang (Nankai University), Xie Siqun (Nankai University), Bai Xuejie (Nankai University), Luo Ruoyu (graduate student, Nankai University); Akifumi Kuchiki, Rika Nakagawa, Tsutomu Ashitomi

Environment Policies in Asia in the Era of Globalization

Organizer: Tadayoshi Terao

In order to investigate the formation and implementation process of policies regarding "development and the environment" in Asia, we have focused on the direct and indirect impacts of globalization on these policy processes, as well as the characteristics of socioeconomic institutions and their reform in each country. Utilizing the research framework of "policy process analysis by an approach of political economy," which was adopted in the last publication of our research project, we investigated the effectiveness of those policies, to reveal the dynamism of each process, focusing on environmental policy in several countries and across countries in East, Southeast, and South Asia.

Coresearchers: Yoshifumi Fujii (Bunkyo University), Ryō Fujikura (Hosei University), Hideaki Shiroyama (University of Tokyo), Kōichi Ishizaka (Rikkyo University), Yasushi Itō (Chiba University of Commerce); Michikazu Kojima, Nobuhiro Horii, Yūko Tsujita

Pollution Prevention Control and the Enforcement in Asian Countries

Organizer: Naoyuki Sakumoto

This project examined the enforcement of pollution control laws in Asian countries. The enforcement gap has been a common but challenging issue in the area of environmental law, especially in developing countries since the "Agenda 21 Report" was officially adopted at the Rio Earth Summit in 1992.

For this research project, issues such as environment-related policy, administration, law, and enforcement issues were studied in several selected Asian countries in order to determine the factors, including political, socioeconomic as well as cultural ones, that related to the efficient enforcement of environmental laws in these countries. We felt that the issue of enforcement should be studied from a very broad perspective, including restrictive factors that can be found in the "compliance" process.

To achieve the efficient enforcement of environmental laws in developing countries, we propose a policy mix approach incorporating appropriate application of different types of pollution control measures, depending on the environmental situation of the country.

Coresearchers: Ken'ichirō Yanagai (Meikai University); Shigeaki Fujisaki, Akie Ishida

Reconstruction of Financial Systems of Transition Economies in Asia

Organizer: Mariko Watanabe

This project aims to carry out empirical and theoretical studies on what actually occurred in the transition economies, particularly in the Asian transition economies of China, Vietnam, and Myanmar. These economies, whose transition process has been gradual, have recorded much better performance than those undergoing shock transitions in terms of macroeconomic indicators. However, no empirical documentation has yet been made of what actually happened at the micro level.

Some of the intermediate results of this

project are as follows. (1) Domestic financial flows in China are far from perfectly following the profit base, which implies that distribution through fiscal expenditures still has been dominant. (2) The household sector in China shows a steady and active response to the mobilization of savings, in that deposits are increased compared to cash when expected and unexpected income increases. (3) In China, abusive behavior by controlling owners has been questioned, and regulations addressing this problem have been tightened. (4) On trade credit, our theoretical analysis shows that even with finance only by trade credit, the best production is possible under a decreasing return to scale technology. Taking universal and observable shocks into consideration, similar results emerge, but under an asymmetrical shock, there is a preference for cash settlement. (5) Empirical studies on China shows that the firm extends more credit when it has access to the banking sector, and less credit when competition is more intense. (6) The data from Myanmar shows that there is less preference for cash settlement and longer periods for trade credit.

Coresearchers: Shin'ichi Watanabe (International University of Japan), Noriyuki Yanagawa (University of Tokyo), Fumiharu Mieno (Kobe University), Jianlon Zhou (Dokkyo University); Kōji Kubo, Seirō Itō, Hisatoshi Höken, Kōichirō Kimura, Masahiro Kodama

Institutional Capability of the State and Industrial Policy: Rethinking after the Asian Crisis

Organizer: Ikuo Kuroiwa

The institutional capability of the state is considered to be a key to the successful implementation of interventionist public policies such as industrial policies. Many developing countries, however, have failed in their industrial policies due to a lack of strong institutional capabilities. Further, although some East Asian countries have been labeled as exceptionally successful in industrial policies, their

reputation was considerably damaged by the Asian economic crisis that befell them in 1997. In this study, we first reviewed the controversy on industrial policies after the 1990s, and then examined industrial policies in East Asia from the viewpoint of institutional capability. We found that the different countries of East Asia have flexibly selected industrial policies depending on their institutional capabilities. For example, since some Southeast Asian countries lack strong institutional capabilities, they have shifted to less interventionist industrial policies such as the promotion of export and investment and development of small and medium enterprises. On the other hand, Northeast Asian countries have adopted more interventionist industrial policies such as the promotion of R&D and development of high-tech industries.

Coresearchers: Makoto Anazawa (Otaru University of Commerce), Yasutami Shimomura (Hosei University), Shigeru Matsushima (Hosei University), Yumi Horigane (Meiji University), Teruo Asamoto (Kyushu Sangyo University); Shigeki Higashi, Futaba Ishizuka

East Asia

The Process of China's Policy in the Era of Transition toward Market Economy

Organizer: Norihiro Sasaki

Since the acceleration of China's transition toward the market economy in 1992, various political actors have emerged, and the political process has become more complex. This study aimed to analyze the process of policy-making in China through several case studies (including economic reform, political reform, urban and rural policy, minority autonomy, and foreign policy).

This research placed an emphasis on the behaviors of different actors in public policy. Since the role of the central and local governments has changed, economic actors have become pluralized, and the media, think tanks, and other institutions have emerged. The research subjects included unofficial

actors (companies, media, think tanks, economists, minorities, etc.) as well as official actors (the party, central and local governments, assemblies, political leaders, bureaucrats, etc.). The results of the study were published under the Chōsa Kenkyū Hōkokusho Series (in Japanese).

Coresearchers: Tsuyoshi Ebihara (Toyama National College of Maritime Technology), Fumiki Tahara (University of Tokyo), Tang Liang (Yokohama City University), Masahiro Hoshino (University of Kitakyushu), Takeshi Watanabe (Kyorin University); Yasuo Ōnishi

Change of Economic Structure and Population in Northeast Asia

Organizer: Hideki Hiraizumi

The main purpose of this project is to analyze the population change and the relationship between population change and structural change in Northeast Asia in recent years. In the first year of the two-year project we focused our attention on changes in the population situation in Northeast Asia.

Because of the Cold War structure in Northeast Asia and the confrontation between USSR and China, there were no diplomatic relations between the USSR and China, USSR and the Republic of Korea (ROK), or China and ROK. However, the end of the Cold War in Europe affected the interstate relations of Northeast Asian countries. China-Russia (1989), Russia-ROK (1990), and China-ROK (1992) have restored diplomatic relations. In terms of economic systems, China and Russia abandoned their centrally planned economic systems and moved toward capitalism. These drastically changed conditions have brought major changes to the social and economic sphere of Northeast Asian countries (Democratic People's Republic of Korea, ROK, and Mongolia), and sub-regions (Northeast region of China and Russian Far East). One change has involved the population situation in the countries of this region, and movements of labor between the countries of Northeast Asia. There are

many works on the economic zone of the region, but few on its population situation.

The works of the project have been published as follows: "Population in the Russian Far East after the 1990s" (Hiraizumi), "Reform and Open Policies in China, and Population Change in the Northeast Region of China" (Hayase), "Population Change in the Republic of Korea" (Suzuki), and "A Demographic Estimation of the Democratic People's Republic of Korea" (Moon) (all in Japanese, IDE Working Papers).

Coresearchers: Tōru Suzuki (National Institute of Population and Social Research), Moon Ho-II (graduate student, Hitotsubashi University); Yasuko Hayase

Spatial Structure and Regional Development in China

Organizer: Nobuhiro Okamoto

In the 1990s, regional disparities in China became a major topic for researchers and policymakers. We organized a research group with professionals in China to study regional disparities from the viewpoint of spatial structure using the China multiregional input-output model published by IDE in March 2003. Through empirical analyses using the input-output model, we concluded as follows. (1) The Northeast region, which is considered to be a heavy industrial area, has a form of self-sufficient structure with relatively few spatial linkages to other regions. On the other hand, the East and South Coasts are seen as development centers or growth poles, with high concentrations of industry, and economic activity there has a certain amount of spillover onto the Central and Southwest. The Central and North Coasts could take on the economic position of suppliers of materials and intermediate goods, to support the development of the coastal region. However, the Northwest depends considerably on other regions. (2) From the viewpoint of regional development policy, it is crucial to consider the spatial interactions among the different regions. Judging from

our fact-findings so far, we may conclude, with some policy implications, that the Northeast should form more intensive spatial linkages with the North Coast and North municipalities, while the Northwest should introduce more new industry investments into the associated region.

Coresearchers: Takeo Ihara (University of Kitakyushu), Takaaki Kanazawa (Wakayama University), Shirō Hioki (Tohoku University), Yaxiong Zhang (State Information Center, China), Kun Zhao (State Information Center, China), Shantong Li (Development Research Center for the State Council, China), Qiyun Liu (Renmin University of China), Wenqing Pan (Qinghua University)

Southeast Asia

The Philippines in the Post-Democratization Period: The Impact of Institutional and Policy Changes

Organizer: Takeshi Kawanaka

This research project aimed to present a comprehensive picture of the Philippine political economy in the post-democratization period. The downfall of the Marcos regime in 1986 brought drastic changes to the political economy. It also led a wave of democratization in the Asian region. While previous studies have examined the democratization process itself, this research project focused on changes and continuity in the post-democratization period. We were particularly concerned with the institutional reforms and policy changes for democratic consolidation and economic liberalization. We also examined their actual impacts on the political process and economic situation. To construct an approach to the theme, we made reference to previous case studies on other countries conducted by the IDE. At the same time, we gathered and classified basic data for further discussion. Based on the project, we prepared a book of basic data, comprised of chapters covering basic political information, major economic statistics,

government revenues and expenditures, privatization, trade and investment, banking reform, social development, and judiciary, with a chronological table of events after 1986.

Coresearchers: Kazuhiro Ōta (Kobe University), Shingo Mikamo (graduate student, University of London); Izumi Chibana, Sōya Mori, Yurika Suzuki

Indonesia's Economic Reorganization: Structure, Institutions, and Actors

Organizer: Yuri Sato

The goal of this study was to analyze the reorganization of Indonesia's economy in the post-crisis and post-Soeharto period from the aspects of structure, institutions, and actors. Indonesia has carried out institutional reforms under IMF supervision as well as reforms toward democratization, such as the liberalization of labor movements and decentralization. Our first task was to evaluate the efficacy of the institutional reforms by looking at structural changes and actors' reactions in the field of reform. Our second task was to analyze structural changes in fields outside the scope of the reform and to draw implications for desirable institution building.

We found that institutional reforms during the period varied in efficacy. For instance, the IMF-led introduction of the bankruptcy law and competition law was not effective, as these laws do not fit the needs of the economy. Reforms in forest management failed to design institutions that could properly utilize resource rents, resulting in rampant illegal logging. Local governments as new actors in the era of decentralization have not yet become locomotives for regional development, as their behavior remains unchanged. Meanwhile, in the fields of banking reform and labor-management relations, we see signs of positive reactions by the actors toward building a new risk control system in the former, and *musjawarah* (mutual consent)-based relations in the latter.

Our analysis of industrial structure showed

that despite the crisis, Indonesia's industrialization took a steady step forward with deepening backward linkages in the machinery industry. But at the same time, we found that the country's participation in the international network of production and distribution in East Asia was quite low. These facts imply the importance of reforming investment institutions that can attract export-oriented foreign capital.

An outcome of our study is due to be published in a book (in Japanese) and in a special issue on Indonesian economy in *The Developing Economies* (in English).

Coresearchers: Fukunari Kimura (Keio University), Mitsuhiro Hayashi (Nagoya Gakuin University), Hitoshi Yonekura (Tohoku University), Hikmahanto Juwana (University of Indonesia), Kosuke Mizuno (Kyoto University); Gaku Kato, Kazuhisa Matsui

South Asia

Regional Relations among Eastern South Asian Countries

Organizer: Etsuyo Arai

In this research project, we investigated and analyzed political, economic, and social relations among the countries and areas of Eastern South Asia. The area of our studies consisted of the northeastern part of India, Bangladesh, Nepal, Bhutan, and Myanmar. There are active exchanges and movements of goods and people across this area. Those inter-exchanges lead to the flow and settlement of refugees, migration, and smuggling, which are difficult to regulate at the borders.

In the mid-term report, we discussed human movements and the history of people which have caused ethnic conflict in this area, such as refugee issues relating to the India-Pakistan partition and the independence of Bangladesh, Nepalese living in India, and Rohingya in Myanmar. Discussions based on natural resources such as the international river and forest policy in Bhutan contributed to understanding the background of the political economy in this area.

We conducted a joint research project with the Centre for Bhutan Studies and Centre for Policy Dialogue of Bangladesh, and held an international workshop. The product of workshop was published as JRP series No. 132, *Sub-Regional Relations in the Eastern South Asia: With Special Focus on Bangladesh and Bhutan*.

Coresearchers: Kyoko Inoue (Daito Bunka University), Hiroshi Sato (expert of South Asia), Masanori Koga (Nihon Fukushi University), Kei Nemoto (Tokyo University of Foreign Studies), Akinobu Kawai (University of the Air); Mayumi Murayama, Yoshiko Suzuki

MIDDLE EAST

Change in the Economic Structure and Its Influence on Politics and Society in the Middle Eastern Oil-Producing Countries

Organizer: Sadashi Fukuda

The financial situation of the Middle Eastern oil-producing countries, which are heavily dependent on oil revenues, has been difficult structurally since the beginning of the 1980s, as a result of the OPEC production quota for crude oil and fluctuating oil prices. The Middle Eastern oil-producing countries have a number of economic and social problems, such as undeveloped manufacturing industries and increasing unemployment, which threaten their political stability. At present, those countries need to change their economic and social policies in order to avoid future economic and political instability.

Our research project was organized to analyze the political and social framework and its changes in the Middle Eastern oil-producing countries, especially Saudi Arabia and Iran. And also we attempted to analyze the influence of economic globalization on the economic policies of each country as well as the influence of economic and social problems on the politics and societies of the countries.

Coresearchers: Sachi Sakanashi (graduate student, University of Tokyo), Reiji Takeishi (Fujitsu Research Institute), Masaki Matsuo (graduate student, Tohoku University), Takio Mizushima (University of Tokushima); Yōko Iwasaki, Ichiki Tsuchiya

Popular Organizations in the Middle East and Central Asia: Between the States and Individuals

Organizer: Keiko Sakai

This is the second year of two-year-term study group on the strength and persistence of rule by authoritarian states over civil society in the Middle East and Central Asia. In the course of the study, we have shed light on the reasons why the authoritarian regimes have been able to survive for decades in these areas, although there have been a number of attempts to promote democratization and to establish civil society in the 1980s and the 1990s. Apart from the fact that the state has gained a monopoly of violence in the modern state-system and negated social independence from central authority in the military realm, the state cannot survive unless it mobilizes the people using power bases such as primary/traditional social networks, including family/tribal networks and religious/sectarian communal ties. This compensates for the lack of "democratic channels" based on the political party system and institutional representation system. From this viewpoint, we chose the following countries as case studies: Iran, Iraq, Syria, Palestine, Egypt, Turkey, Israel, and Uzbekistan, analyzing the relationship between society and the state in each country, and clarifying how the revolutionary/republican regimes depend on primordial social bonds to consolidate their power.

Coresearchers: Akifumi Ikeda (Toyo Eiwa University), Yasuyuki Matsunaga (Nihon University), Emi Suzuki (graduate student, University of Tokyo), Chie Ezaki (graduate student, University of Tsukuba); Hiroyuki Aoyama, Yasushi Hazama, Natsuko Oka, Satoshi Ikeuchi

Politics and Society in Contemporary Afghanistan

Organizer: Hitoshi Suzuki

For good or bad, September 11 and the events that followed revealed a chaotic situation in Afghanistan, which is mainly attributable to the absence of a functioning, accountable government. For a long period, the country experienced poverty, war-weariness, displacement, and abuses of human rights. To understand these contemporary problems, we need to look at the process of state formation from a historical perspective and analyze how both internal and external forces have affected nation building in a negative way and dragged the country into a downward spiral. The United Kingdom and Russia have a rich legacy of academic studies on the region conducted for geopolitical and military reasons. However, in Japan, Afghanistan has been poorly explored and the necessity to fill the knowledge gap has not been well addressed.

With this recognition, this research group aims to kick off full-fledged area studies on this difficult-to-study but important country. During the first year, we gathered basic information such as bibliographic and chronological data to provide a common basis for further studies, ranging from international relations, conflict resolution, economics, and trade to reconstruction assistance. The findings of our work for the first year were compiled as an interim report titled "Afghanistan Study Notes" (in Japanese).

Coresearchers: Manabu Shimizu (Utsunomiya University), Shōhei Komaki (Sophia University), Sō Yamane (Osaka University of Foreign Studies), Kazushige Shibata (Afghan Network), Madoka Ōnishi (JETRO); Hiroki Fukamachi

Development Strategy and Trade Policy: The Case of Egypt

Organizer: Toshikazu Yamada

The main objective of this research project is to analyze the relationship between development strategy and trade policy in Egypt, which failed in the export promotion achieved by East Asian countries. Our studies focused on the coordination between development strategies or development plans and macroeconomic and trade policies, trade liberalization and exchange rate policies, in particular, and global and regional economic integration.

Our studies looked at development strategies and trade policies from the *infitah*, or Open Door Policy, since the beginning of the 1970s, to the recent ERSAP of the 1990s. We then analyzed the commitments made during the Uruguay Round and the New Round, and their fulfillment, in order to identify the problems and solutions for GATS and TRIPs, particularly through globalization.

Hence, we focused on regional economic integration with the EU (the Barcelona Process), which was launched with the aim to form a free trade area, and with Arab and African countries (GAFTA and COMESA, respectively), through empirical studies of revealed comparative advantage.

Finally, we identified problems and solutions for export promotion using effective administrative and bureaucratic procedures for custom and tariff procedures and the enhanced knowledge and informational database through institution building, in addition to predictable macroeconomic and trade policies.

Coresearchers: Yoshiki Hatanaka (International Development Center of Japan), Takeji Inō (Wayo Women's University), Katsumi Uchida (Japan Bank for International Cooperation), Kiyomi Suzui (Hiroshima Shudo University), Matsuo Watanabe (Japan Institute of International Affairs) Katsuaki Noguchi (JETRO), Masanori Uchida (JETRO)

AFRICA

Empirical Studies on the African Economy: Progress and Perspective

Organizer: Katsumi Hirano

The final purpose of this research group, which has been established in 2001, is to introduce empirical studies using the econometric approach into African studies in Japan. We are currently engaged in pioneering work toward that goal.

Recent progress in development economics has been stimulated by African studies. Eminent world scholars, as exemplified by Nobel prize laureates Joseph Stiglitz and Amartya Sen, have made valuable contributions to economics and development theories that reflect African realities. This has taken place through empirical studies utilizing the accumulation of economic data on Sub-Saharan African countries after the 1980s. In Japan, however, development economics and African studies are scarcely connected. Economists show little interest in Africa, and Africanists tend to do their work outside the stream of economics.

In an effort to catch up with progress in African economic studies in the world, the IDE established a joint team of economists and Africanists. Its first fruit was published as I.D.E. Research Series No. 529 titled "Toward the Economics of Sub-Saharan Africa" (in Japanese). The current team was created, as a successor, to produce the next publication. The topics that we are now dealing with are the possibilities of agricultural development based on farmers' behavior in Africa, behavior of African firms, analyses of African governments, human development in Africa, analyses of debt accumulation, possibilities for trade expansion, and gender inequality.

Coresearchers: Tōru Nakamura (Kobe Gakuin University), Akio Nishiura (Soka University), Takeshi Sakurai (Japan International Research Center for Agricultural Sciences) Hiroyuki Sudō (Nagoya Bunri University),

Motoki Takahashi (Kobe University); Yuka Kodama, Eiichi Yoshida, Takahiro Fukunishi, Hiroki Nogami

Human Security in African Context

Organizer: Katsuya Mochizuki

The main objective of this collaborative research group was to examine the concept of human security. We attempted to grasp the origin and changing significance of this concept. There are two major reasons why our research group decided to look into the conflict aspects of human security. One is that we must argue this concept in consideration of national security issues. Conflicts provide the most fertile grounds for such a discussion. Another reason is that we need to discuss various related issues when realizing human security. In sorting out these issues, using operational phases such as pre-, under-, and post-conflict can be effective.

Topics were selected based on the research interests of the coresearchers. "Peace building" and "preventive diplomacy" were two key topics used in the discussion of human security. As a comprehensive concept human security has come to have interfaces with "humanitarian intervention" and "refugee issues" in their conceptual transitions. We also adopted some research topics that accorded with the realities of the general public. These are "communal conflict" and other safety/security issues in the communal life of African people. These are keys for discussing the concept of human security in the context of African society.

Our major findings were printed as an interim report under the title, "The Range of 'Human Security' Concepts in Africa" (in Japanese).

Coresearchers: Terumi Hirai (National Institute for Research Advancement), Misako Takizawa (Chubu University), Minako Ishihara (Nanzan University), Hideaki Shinoda (Hiroshima University); Shin'ichi Takeuchi

Reexamining Democratization in Africa

Organizer: Miwa Tsuda

We began this research project, entitled “Reexamining Democratization in Africa” to make a new start in studying the political systems that have actually emerged in “democratized” African countries. Needless to say, the 1990s were a decade of democratization in Africa. Though African countries can be viewed as democratized as far as their electoral systems are concerned, it is impossible to ignore the fact that disturbing undemocratic practices have also emerged from the newly democratized systems. During the first year of the two-year project, we conducted a literature review and the collection of meticulous details on political changes in diverse aspects in Zambia, Nigeria, Côte d’Ivoire, Malawi, and Kenya. The result was published under the title “Reexamining Democratization in Africa” (in Japanese).

In the second and final year of this project, we will continue working on our reexamination of the democratized political systems in Africa. But as Joseph (1999) warned, electoralism has serious pitfalls in understanding African political changes after 1989 (Joseph Richard, ed. *State, Conflict, and Democracy in Africa*. Boulder, Colo. and London: Lynne Rienner Publishers, 1999, p. 9). Searching for an alternative to that multiparty-election-centered approach is our main challenge.

Coresearchers: Mitsugi Endō (University of Tokyo), Takehiko Ochiai (Ryukoku University); Akira Satō, Tsutomu Takane

LATIN AMERICA

Education Development for Poverty Reduction: Brazil and Mexico

Organizer: Akio Yonemura

This research focused on the process of education diffusion to the poor in Mexico and Brazil. The following seven articles were written. First, “Competitive Education

Development among Three Mexican Indigenous People’s Villages in Mixe, Oaxaca” deals with the competitive efforts of three villages to get high school facilities, using the international and national political environment. “Mexican Indigenous People and Education (I): Education Level and Its Determinants” and “Mexican Indigenous People and Education (II): Bilingual Education—Real and Ideal” examine, based upon a field study on the Otomí people in the state of Idalgo, obstacles for education diffusion, and discuss possibilities for bilingual education which truly preserves their language and culture. “History of the Monte Azul Association, São Paulo from the Perspective of the Growth of Civil Society in Brazil” describes the history of a community-based organization in its country’s social context. “Decentralization Policy in Brazilian Elementary Education” analyzes decentralization policy in Brazil, focusing on financial and school management reforms at the elementary education level. “Brazil’s Social Policy for Education Development” describes governmental programs such as the Programa Nacional do Bolsa Escola, Programa Fome Zero, and Programa Bolsa Família, and discusses their characteristics. Finally, “Evaluation Studies of Scholarship Programs in Mexico and Brazil” reviews previous evaluation studies on the scholarship implemented in the two countries, and gives some critical comments.

Coresearchers: Hiromi Ebara (Teikyo University), Hiroyuki Ukeda (Japan Foundation), Daisuke Ōnuki (Japan International Cooperation Agency); Ryōhei Konta

GENERAL

Management and Innovation in Family Businesses: A Comparative Study of Asia and Latin America

Organizer: Taeko Hoshino

It is quite common in enterprises in develop-

ing countries for management to be controlled by dominant owner families and to be passed down from one generation to the next. We regard these enterprises as “family businesses.” Notwithstanding the successive economic crises and fierce competition under globalization, family business remains a dominant form of enterprise in developing countries. The purpose of this research is to study the mechanisms of survival and transformation of family businesses under competitive conditions. We focused on major family businesses in nine economies: Korea, Taiwan, Thailand, prewar Japan, Mexico, Venezuela, Brazil, Peru, and Chile. Our findings, from a comparative study of cases, is that there are several common characteristics that allow family businesses to succeed, including the concentration of ownership among family members and solid control over management by means of complicated ownership structures, the professionalization of management by means of the education of successors in families and hiring of professional salaried managers, the concentration of resources into selected activities where the company has competitive advantages and the institutionalization of management and succession in order to comply with corporate governance reform and to eliminate conflicts within families. Our conclusion is that success family businesses adapt tacitly to competitive condition.

Coresearchers: Yōichi Koike (Takushoku University), Akira Suehiro (University of Tokyo), Naofumi Nakamura (University of Tokyo), Ko Yong Soo (Konan University); Kōichi Kitano, Nobuaki Hamaguchi, Aki Sakaguchi, Tatsuya Shimizu, Momoko Kawakami, Makoto Abe

Social Assistance System in the Emerging Welfare States

Organizer: Koichi Usami

This study project aims to analyze the characteristics and backgrounds of social assistance systems in newly industrialized

countries in Asia and Latin America. Over the last few years, our team has studied the welfare states in non-European countries. We term them emerging welfare states, where social insurance occupied a central position and social assistance has a residual character in general.

However, the needs that must be met by social assistance are huge and urgent in these countries and regions. Moreover, their social assistance systems have not been analyzed by the methodology of political economy. In many countries we find pressure from trade unions in the formation of social insurance systems. But the same cannot be said in the formation of social assistance systems. Here we need to analyze the social assistance system in these areas using the methodology of political economy.

As welfare states of the newly industrialized countries, we have selected: Korea, Taiwan, Hong Kong, Singapore, and Turkey from Asia; and Mexico, Brazil, and Argentina from Latin America. Furthermore we have included China and Cuba within our study as cases in which per capita income is relatively low but social indicators are relatively high.

Coresearchers: Kim Jo-Seol (Shinshu University), Li Lian Hua (graduate student, Waseda University), Yukari Sawada (Tokyo University of Foreign Studies), Yasuhiro Kamimura (University of Tokyo), Akiko Koyasu (Kanda University of International Studies); Kanako Yamaoka

Gender Implications of Economic and Social Changes: The Cases of Japan and Developing Countries

Organizer: Mayumi Murayama

The main objective of this project was to analyze gender issues in Japan and developing countries on the basis of a comparative framework, in order to take advantage of the rich collection of gender studies in both fields. The outcome of the project is planned to be published in English under the title *Gender and Development: Japanese*

Experiences and Developing Countries. The four articles, which focus on the relationship between economic development and gender disparity, family planning, livelihood improvement programs, and rural women's entrepreneurial activities, have reexamined Japanese experiences, both success and failures, with the goal of drawing useful implications for developing countries. Three of the project members have compared Japan and particular developing countries (Korea, Cuba, and Turkey) on issues such as women's political participation, gender roles and domestic work, and discourses on the modern family and the state. Their findings imply that there is much to learn from the academic as well as practical experiences in the developing countries. Finally, one article calls for broadening our scope of research to incorporate the gender issues of both Japan and developing countries along with other developed countries. That article specifically deals with the issue of female work in global factories and maintains that there is a serious dearth of research in Japan from that perspective.

Coresearchers: Kazuko Kano (Japan Bank for International Cooperation), Kuniko Funabashi (Wako University); Kaoru Murakami, Hiroshi Kan Sato, Yasuko Hayase, Hiroki Nogami, Kanako Yamaoka

Intellectual Property Rights and International Development

Organizer: Kensuke Kubo

The Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement of the World Trade Organization (WTO), as well as various regional trade agreements, requires that developing country signatories implement various intellectual property reforms. The objective of this project was to assess the economic rationale behind this institutional harmonization, and to examine the effects of reform in individual industries.

Throughout the year, project members met

regularly to discuss findings and suggest improvements. Many of our discussions were augmented by interviews and observations in Brazil and India.

The findings suggest that strengthening intellectual property rights is not likely to have a large positive effect on developing economies as a whole. However, some developing country industries may be affected more than others, and in some cases in a positive manner. By selecting two industries that are likely to be affected by intellectual property legislation, namely, the pharmaceutical and seed industries, we showed that the legal strengthening of intellectual property rights may have little effect (in the case of seeds), or have a multipronged effect on different segments of industry (in the case of pharmaceuticals). While these findings are not amenable to generalization, it is very likely that the relationship between intellectual property rights and economic development varies greatly across industries and countries.

Coresearchers: Fukunari Kimura (Keio University), Yōsuke Okada (Hitotsubashi University), Banri Itō (Keio University), Naomi Shōji (Keio University); Tatsufumi Yamagata, Seirō Itō

Economic Reforms and Development of Transition Economies in Perspective

Organizer: Ken Morita (Hiroshima University)

At present, it is possible to categorize post-socialist countries into two groups. One group, represented by the Central Asian countries, has experienced prolonged political and economic confusion. The other, represented by the countries of Eastern Europe, has shown favorable economic performance. For the former, there is a need to consider the obstacles to economic development, such as shortages of physical and intellectual infrastructure, as found in the financial sector. For the latter, it is necessary to investigate the effectiveness of reforms conducted under political

consultation with the World Bank and IMF. If the results do not coincide with expectations, it is necessary to seek out factors which impeded the implementation of their plans. For both groups, we applied game theory to the relationship between reform and conservative force, such as opposite, cooperative, and negotiable. We have conducted research from this perspective.

Coresearchers: Yoshifumi Ueda (Hiroshima University), Gabor Bakos (Kyoto Women's University), Masahiko Gemma (Waseda University), Kazunori Tamaki (Kokushikan University), Ichirō Iwasaki (Hitotsubashi University); Hisao Yoshino, Jun Nakamura

Compilation and Application of Trade Indices (II)

Organizer: Yōsuke Noda

The purpose of this research project was to focus on 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 continued the previous work of the "Estimation and Application of Trade Indices" research project. It had two main fields: (1) problems in the formulation and evaluation of world trade matrices, the formulation of time series data employing common trade classifications, and the formulation and evaluation of trade price indices, (2) investigation of international comparisons and economic analyses employing various trade indices in addition to trade price indices, including horizontal specialization indices and intra-industry trade indices. The most important element in formulating trade price indices and substantive world trade matrices is the conversion of basic data into consistent trade statistics based on common standards of value and quantity.

With regard to (1), we discussed the evalu-

ation and revision to consistency in compiling world trade matrices with partner countries, quantity unit and quantity, compilation and evaluation of Taiwan and China, adjustment of inconsistent bilateral Hong Kong reexport data, compilation of export unit price indices and their characteristics as estimated by IDE. With regard to (2), we discussed international comparisons, partial equilibrium analysis on the abolition of export quantity restraints, and analysis of competitiveness based on RCA indices.

Part of the outcomes of this year project was published in the research report titled "Compilation and Application of Trade Indices: Aim for Estimation and Analysis of Long-Term Trade Data" (in Japanese). The outcomes will be discussed more carefully and published in the Statistical Data Series next year.

Coresearchers: Sōshichi Kinoshita (Sugiyama Jogakuen University), Kyōji Fukao (Hitotsubashi University), Hirokazu Kajiwara (Takushoku University); Hidekiyo Sakamamoto, Katsuhiko Satō, Masato Kuroko, Hikari Ishido

Exchange Rate Regimes in Developing Countries

Organizer: Hisayuki Mitsuo

This research project aimed to gain an understanding of the multifaceted nature of exchange rate regimes in developing countries. First, after classifying exchange regimes into hard pegs (dollarization and currency board arrangements), pegs (conventional fixed peg, basket peg, band, crawling peg), managed floating, independently floating, trends in the *de facto* exchange rate regimes in developing countries as well as developed countries from 1990 to 2001 and deviation between the *de facto* and *de jure* regimes were investigated. Second, a new index of trade openness, which excludes reexports, was developed for forty-four developing and developed countries. This index provides a basis for policy analysis of choices in exchange rate regimes. Third, a theoretical

model of exchange revaluation was developed. Under this model, revaluations bring about real exchange rate depreciations; devaluations cause quality improvements where price controls exist, and thus lower domestic price levels. Fourth, a survey of existing literature looked at which floating exchange rate regimes mitigate the terms of trade shocks in developing countries. Fifth, the roles played by the adoption of currency boards for various sectors in a national economy were investigated. Based on the investigation, trends in economic data under currency boards in Bulgaria and Estonia were interpreted.

Coresearchers: Tarō Esaka (Kobe City University of Foreign Studies), Kaku Furuya (Daito Bunka University), Masanaga Kumakura (Osaka City University), Masanori Ōkura (Senshu University)

Reforms of Corporate Law and Corporate Governance in Developing Countries

Organizer: Shin'ya Imaizumi

This study focused on corporate law reform, in the context of increasing concerns about corporate governance of public or listed companies in Asian emerging economies. A survey was made on recent discussions regarding corporate governance and amendments of related laws and regulations in each country since the 1990s. We also reviewed recent developments in corporate governance in the United States, Europe, and Japan, as well as the approaches of international organizations in their initiatives to encourage corporate governance in developing economies.

The study revealed that there is great similarity in the motivation for reforms and the concrete measures adopted by each country. The reform is primarily motivated by the necessity to rebuild the confidence of investors toward financial markets following the exposure of corporate scandals or bankruptcy of large companies. The Asian

economic crisis of 1997 and the ensuing institutional reforms have pushed the reforms in some countries. The common approaches in Asia—independent directors, audit committees, and Best Practice Codes—are basically modeled from the United States and other countries; however, controversy has arisen over the effectiveness of the reforms and consistency with the existing legal system.

Coresearchers: Yasuhiro Osaki (Waseda University), Junko Ueda (Sugiyama Jogakuen University); Yuri Sato, Ken'ichi Imai, Makoto Abe, Momoko Kawakami, Chie Kashiwabara, Izumi Chibana

Development Aid and the Discourse of Empowerment

Organizer: Hiroshi Kan Sato

In the field of social development and poverty reduction, the word “empowerment” is frequently heard. However, the definition of empowerment is vague and represents different concepts according to the context in which this word is used. In this study, we examined how the word is used at both the policy paper level and project implementation level. At both levels, there is a strong relationship between participatory development and the discourse of empowerment.

In the theoretical section, we argued about the “plannability” of the empowerment process, asking whether the outsider or the planner could really plan and implement the process of empowerment in a pre-designed way. At the same time, we examine the prospects and limits of empowerment in the context of development aid projects. Can an outsider such as a foreign donor empower the vulnerable people whose vulnerability is confiscated in the social interactions of a given society?

In the empirical study, we used case studies to examine how the participation process enables the targeted people to gain power. Moreover, since the process of empower-

ment inevitably causes dis-powerment for others, we need to think about who will be the losers and how they can accept their dis-powerment. As case studies, we dealt with cases in India, East Timor, Brazil, Indonesia, and postwar Japan.

Coresearchers: Chihiro Saitō (Nihon Fukushi University), Yasushi Katsuma (UNICEF), Masafumi Ikeno (Koei Research Institute), Kazuko Oguni (Japan International Cooperation Agency), Mayumi Hachisuka (Japan Volunteer Center), Yōko Fujikake (Tokyo Kasei University); Ryōhei Konta, Hiroki Nogami

Basic Study Project

In this project, pilot studies were undertaken covering remaining challenging issues in order to expand research frontiers. Preliminary or basic investigations were carried out toward the subsequent development of full-scale research activities and also to determine the feasibility of conducting research in the future.

In the project for FY2003, the following study was conducted: “Evolution of the Supplier System: Changes of Competitive Environment and the Accumulation of Capability by Farms in China’s Motorcycle Industry” (organizer: Moriki Ōhara).