
II. Review of Research Projects

<Priority Projects>

*Researchers whose affiliation is not specified are staff members of the Institute of Developing Economies or JETRO Headquarter)

1. Chinese Enterprises: The Quest for Industrial Upgrading amid Transition

Organizer: Ken-ichi Imai

In recent years, China has been in the process of establishing the largest manufacturing capacity in the world, churning out enormous varieties of products from textiles to automobiles. Indigenous Chinese firms are gaining competitiveness in export-oriented manufacturing, which was once almost completely dominated by foreign firms. This accelerated industrialization is coupled by an ongoing tide of transformation of industrial sub-sectors.

At the same time, China is building up its capacity for producing industrial materials such as steel and petrochemicals, including high value-added products that were generally imported from industrialized countries in the past. In advanced sub-sectors such as communication equipment and semiconductors, the country is eager to build its own technological capabilities. On the other hand, in labor-intensive sub-sectors in which China still boasts a strong competitive advantage, Chinese firms are aggressively entering the international market, exploiting the country's huge industrial agglomeration as leverage.

In this context, our China project focuses on a survey of recent developments in some representative sectors (mobile phones, automotives, automotive parts, steel, textiles and garments, daily commodities, beer, and physical distribution), with a special emphasis on industrial upgrading and the building up of production networks. Our case studies indicate that China's various industries have accomplished continuous qualitative development with quantitative expansion.

Co-researchers: Nobuhiko Nakaya (Associate Professor, Economic Research Center, School of Economics, Nagoya University), Shigeki Higashi (Professor, Department of Economics, Seinangakuin University), Shiu Jing-Ming (PhD Candidate, School of Econom-

ics, the University of Tokyo), Tomoo Marukawa (Professor, Institute of Social Sciences, the University of Tokyo), Huang Xiaochun (Associate Professor, Faculty of Humanities, Hirotsuki University), Yasuo Onishi, Ding Ke

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

Organizer: Norihiro Sasaki

The accelerating transition toward the market economy in the 1990's in China has led to many socio-economic and political challenges,

We analyzed political and social issues such as community administration in urban areas, expropriation of land in rural areas, labor relations, local management, state integration, and foreign policy. These problems and issues are intricately intertwined. Therefore, the international community requires a comprehensive understanding of the nature of China's problems in order to cooperate in its future socioeconomic development and political stabilization.

Our study results will be published in a book (in Japanese).

Co-researchers: Kazuko Kojima (Tsukuba University), Fumiki Tahara (University of Tokyo), Masahiro Hoshino (University of Shizuoka), Takeshi Watanabe (Kyorin University), Haruka Matsumoto

3. Structural Reform of the Rural Economy and Change of the Agricultural System through the Agro-industrialization Policy in Rural China

Organizer: Akihide Ikegami (Associate Professor, Meiji University)

Owing to the emergence of excess grain production as a result of protectionism and the low profitability of agricultural products in the late 1990s, the Chinese government has mitigated the protection of grain production and adopted a new agricultural policy, called the "Agro-industrialization Policy." The major purpose of this policy is to induce agribusiness enterprises to integrate villages and farmers through contract farm-

ing and the accumulation of farming centers, and to construct agricultural conglomerates covering all areas from cultivation and processing to marketing. The establishment of agricultural conglomerates is expected to increase the profitability of agricultural products and to improve the living standards of rural people.

However, it is extremely difficult for agribusiness companies to monitor cultivation by small-scale farmers and adequately control the quality of farm products, since farmers are numerous and geographically dispersed. Thus, this type of integration tends to induce problems of “asymmetric information” and “unenforceability of contracts.” On the other hand, since the purposes and benefits are not necessarily the same between agribusiness enterprises and farmers, farmers are sometimes exposed to the risk that a contract will be abruptly breached or modified in favor of agribusiness enterprises.

In order to reduce conflicts and improve the balance of benefit and risk between agribusiness enterprises and farmers, great numbers of intermediary organizations such as agricultural cooperatives have been founded by large farmers and local governments in recent years. Along with the deepening of agro-industrial policy and the emergence of new intermediary organizations, the management of agricultural production and the economic structures of rural China have been greatly changed.

In this context, this research project focuses on two subjects. First, we summarize the changes in rural China from the viewpoint of fiscal affairs, finance and labor by reviewing the major policies and their impacts on rural areas. Second, we conducted a questionnaire survey on agribusiness enterprises and new agricultural cooperatives to investigate the actual relationship among agribusiness enterprises, local governments and farmers and evaluated the significance of agro-industrial policy in rural China.

Co-researchers: Keisuke Sukanuma (Professor, Tokyo University of Agriculture), Fumiki Tahara (Associate Professor, University of Tokyo), Hisatoshi Hoken, Mariko Watanabe, Mami Yamaguchi, Romio Mori

4.China’s Sustainable Development: Overcoming the Limit of Resources and Environment

Organizer: Nobuhiro Horii (Associate Professor, Graduate School of Economics, Kyushu University)

The growth of China’s economy over the last 25 years has given rise to shortages of natural resources and caused environmental problems. We studied the stable supply of resources and how sustainable growth can be achieved in China.

Towards this end, we clarified the actual conditions based on collecting accurate data. Some previous studies have not been based on objective data because of problems of data availability. We objectively evaluated policies executed by the Chinese government, such as energy saving, introduction of equipment against air and water pollution, and the construction of recycling-oriented economic systems.

In addition, we investigated how Chinese firms are securing resources to inform measures against resources and environmental constraints. Chinese resource-related firms have been considered a serious threat. To assess the current situation, we considered the meaning of overseas advances for economic growth, and analyzed their cost and benefit.

In the first year, 2007, of our research project, we focused our efforts on analyzing the present situation and collecting accurate data. All chapters of our interim report achieved our initial goals. In particular, in studies on energy saving, and water and land resources problems, we collected sufficient data and analyzed the situations beyond the levels of existing researches. Moreover, we covered coal market reforms and the economic impact of the RoHS directive in the EU. In the second year, 2008, we will collect more data and information, and evaluate the policies executed by the Chinese government.

Co-researchers: Koichiro Kimura, Kenji Otsuka, Sizhi Guo (Senior Researcher, Strategy and Industry Research Unit, Institute of Energy Economics, Japan), Zhongyuan Shen (Senior Researcher, Energy Demand, Supply and Forecast Analysis Group, Energy Data and Modeling Center, Institute of Energy Economics, Japan), Kenji Sawada (Deputy Director-General, Metals Strategy & Exploration Unit, Japan Oil, Gas and Metals National Corporation), Makoto Nagase (Research Fellow, East Asia Research Institute), Aya Yoshida (Researcher, Research Center for Material Cycles and Waste Management, National Institute for Environmental Studies)

5. Indian Economy: Conditions for Growth

Organizer: Hisaya Oda

India has achieved steady economic growth since the 1980s and high economic growth in recent years. The average annual GDP growth rate has been around 7% for the last five years. Being the second most populous country in the world, its market size is attracting worldwide attention.

At the same time, however, India suffers many problems. It has the largest population (40% of people) below the poverty line (BPL). The infrastructure is poor. For example, electricity shortages are common and load-shedding is part of daily life. Education and public health are poor too. One-third of the population is illiterate. Disparities between urban and rural areas, among States are growing, which may lead to political instability and social unrest.

The question, then, arises; will India be able to sustain its high rates of economic growth? Our research project seeks answers to this question. We analyzed bottlenecks and constraints that may become barriers to its continued economic progress. Specifically we examined the issues of agricultural development, infrastructure, human capital development, the financial sector, income inequality, trade, competition, and private consumption. Based on the analyses, we identified the conditions for India's sustained economic growth.

Our study points out that poor supply and quality of physical infrastructure are one of the most serious threats to continued economic growth of India. Another bottleneck is insufficient human capital formation. Since it takes years to build up human capital, prompt action by the government is required. Growing gaps among States must be checked to avoid possible political and social instability, which have negative impacts on economic activities. Fiscal transfer from the central government to the States plays an important role in alleviating this problem.

Public investment in building up infrastructure and human capital is necessary, but due to fiscal deficits facing the Indian government, sufficient resources have not been allocated to these areas. Therefore, the government needs to increase revenue and cut unnecessary and unproductive expenditure in order to gain fiscal space for public investment.

Another important condition for economic growth is continued economic liberalization and reforms. Since 1991, economic liberalization and reforms have

brought considerable benefits to India. There are, however, a number of regulations that hinder growth potential such as labor regulations and barriers to foreign investment. In order for India to compete in the global market, continued economic liberalization and reforms are necessary.

Co-researchers: Atsushi Kato (Aoyama Gakuin University), Yuko Nikaido (Musashi University), Takeshi Inoue, Seiro Ito, Kensuke Kubo, Kazuki Minato, Mari Nakamura

6. Prospect of the Indian Democracy: The Stability and the Limits of the Democratic Regime in the Era of the Multi-party System and Economic Growth

Organizer: Norio Kondo

India has been changing rapidly since the 1990s. Transition to a multi-party system from a dominant party system and the start of economic structural reform in 1991 has had a profound impact on India's democracy. Our study group examined the stability of India's democratic system, and its capability in the rapidly changing political economy.

Our research revealed the following findings.

First of all, the speed of change in Indian politics has accelerated since the end of the 1980s. Various elements, such as the rising political awareness of people due to rapid socio-economic transformation, the rise of backward classes as well as Hindu nationalism, the spread of the ultra-leftist "Naxalite" movement in backward regions, etc., have accelerated the changes. But this process has not necessarily led to overall destabilization of the democratic system itself, although it has destabilized the party system. The democratic system of India has been, by and large, adaptive to the political changes caused by socio-economic transition through institutional adaptation such as the frequent constitutional reforms, the expansion of the reservation system for backward classes, the decentralization in the form of Panchayati Raj System, etc. Even violent conflicts, such as armed separatist movements in Kashmir and the north-eastern region such as Nagaland and religious riots and violence between Hindus and Muslims, etc., have not changed the basic character of the Indian democratic system.

On the other hand, the socio-economic change due to the structural reform of the Indian economy, which

started in 1991, has also contributed to the political transformation, especially in urban areas. For example, the labour movement, which was once politically very radical, has become a moderate protest movement amidst contemporary economic growth.

However, although the Indian democratic system seems to be stable overall, factors that might lead to destabilization of Indian democracy require further study.

Co-researchers: Hiroshi Sato (Tokyo University of Foreign Studies), Kyoko Inoue (Daito Bunka University), Hideki Mori (Matsuyama Shinonome College), Noriyuki Asano (Seibo Jogakuin College), Kazuya Nakamizo (University of Tokyo), Hiroki Miwa (University of Tsukuba); Hitoshi Ota

7. The Flowchart Approach to the Formation of Industrial Clusters: Focusing on the Endogenous R&D and Innovation Mechanism

Organizer: Akifumi Kuchiki

This research project involved constructing a flowchart model to serve as a prototype for industrial cluster policy in Asia, North America, and Latin America during 2006-2007. Our research group is seeking to clarify the conditions required for and the process of formation of an innovation mechanism. We are also seeking to generalize this flowchart model by conducting comparative research on diverse industrial agglomerations in Asia, North America, and Latin America.

The goal of this project was two-fold. First, we developed and applied a simple flowchart model with R&D in each industrial cluster or establishment to estimate the conditions of the formation of new industrial clusters with endogenous innovation using relevant case studies. Second, we analyzed the following specific issues: (1) the effects of industrial development on the competition in industrial agglomeration; (2) the effects of adopting new technology on the emergence of product and process innovation in each industrial cluster or establishment. Our approach can be extended to characterize counterfactual evidence using the estimated model to estimate how the impacts of local public policy relates to fostering industrial agglomeration on the emergence of innovation. This enables us to have comparable characteristics of each industrial cluster and show alternative policy recommendations.

In the next step, we are going to explore ways of

tightening the causal relationship between industrial agglomeration and fostering innovation systems using evidence-based policy-making motivated by economic theory and based on objective fact-finding.

Co-researchers: Masatsugu Tsuji (Professor, University of Hyogo), Aya Okada (Professor, Nagoya University), Shoichi Miyahara (Associate Professor, Aoyama Gakuin University), Wong Poh Kam (Associate Professor, National University of Singapore), Antonio Botelho (Assistant Professor, PUC-Rio, Brazil), Ding Ke, Tomohiro Machikita

8. Economic Integration and Vertical Specialization in East Asia

Organizer: Daisuke Hiratsuka

Over the past several decades, the volume of world trade has grown rapidly. The increase in the trade in intermediate goods is one factor behind this world trade growth. The trade in intermediate goods increases when multinational firms start to fragment their production process geographically. Since the 1990s, a new trade theory has been utilized in order to explain this phenomenon.

East Asia has deepened its industrial linkage since the 1980s. Tariffs on the trade in intermediate goods have been reduced and international barriers among countries are dissolving. Consequently, multinational firms have started to install each stage of the production in neighboring countries, utilizing the characteristics of each country.

In this research project, we empirically examined how trade cost, wage inequality, and difference in factor intensity affect vertical specialization and economic integration.

Co-researchers: Fukunari Kimura (Professor of Economics, Keio University), Kazuhiko Yokota (Research Associate, International the International Center for the Study of East Asian Development), Yoko Uchida, Hiromichi Ohzeki, Souknianh Keola

9. Climbing up the Global Value Chain: Possibilities and Limitations for East Asian Manufacturers

Organizer: Momoko Kawakami

Since the declaration of its start in the early 2000s, the

global value chain (hereinafter GVC) perspective has attracted the attention of students of globalization. The GVC perspective primarily explores the organizational configuration of the international division of labor, in which a sequence of value-adding activities is organized and controlled by a powerful lead firm and carried out across borders involving suppliers from developing economies. Based on the GVC perspective, this research project studied the growth mechanism of East Asian local firms and the inter-firm dynamics within GVCs, with a special focus on the learning process of local suppliers within the chains. Our case studies include the manufacturing sectors of China, Taiwan, Indonesia, the Philippines, Viet Nam, Malaysia, Kenya and other developing economies. In-depths field studies were conducted to analyze the configuration of GVCs and the sources of power of leading firms in individual sectors. Also, we investigated the learning strategy of Asian firms in GVCs, through which they attempt to take full advantage of interactions with multinational companies and to overcome the constraints associated with this growth strategy. The interim report of this research project was compiled as a collection of papers entitled "Repositioning Local Firms in Global Value Chains."

Co-researchers: Hiroshi Oikawa (Siebold University of Nagasaki), Ken'ichi Imai, Mai Fujita, Takahiro Fukunishi, Yuri Sato

10. Economics of East Asian Economic Integration

Organizer: Koji Nishikimi

The notable progress of economic integration in the EU and NAFTA in the 1990s inspired the recent movement toward integration in East Asia. At present in East Asia, a general framework has emerged for deepening the integration of all countries in the area, with the ASEAN+3 countries forming the core. Following the ASEAN-China FTA (signed in 2005) and ASEAN-Korea FTA (signed in 2007), ASEAN-Japan EPA is expected to become effective in 2008. It is widely expected that further progress in trade and investment along these agreements will accelerate the growth of the East Asian economy. However, at the same time, there is concern that the integration will intensify disparities among countries and regions in the area.

In this research project, we carried out comprehen-

sive studies on various issues relative to East Asian economic integration, such as the formation of industrial clusters, siting of MNEs, development of trade/transport networks, energy and environmental issues, international labor mobility, currency and financial integration, etc. The study results will be compiled in 2009 to produce a handbook on East Asian economic integration, which will provide researchers, policy-makers and other experts with a common basis for further developing discussions and studies on effective strategies and policies in this area. In FY2007, a mid-term report was published as an IDE Study Report (No. 1-10).

Co-researchers: Eiji Ogawa (Hitotsubashi University), Nobuaki Hamaguchi (Kobe University), Kentaro Kawasaki (Toyo University), Nobuhiro Horii (Kyushu University), Daisuke Hiratsuka, Satoru Kumagai, Iku-mo Isono, Toshitaka Gokan, Hisaki Kohno, Tomohiro Machikita

11. After Conflicts Break Out: The African Experience

Organizer: Shinichi Takeuchi

What has been happening in African post-conflict countries? How has the international community intervened in the peace processes there? How can we evaluate the results of international intervention? This research project examined these questions through inter-disciplinary discussions between researchers of African studies and specialists in peace-building and international law. Having carried out the project for two years, we submitted the final research paper at the end of FY 2007.

Our final reports are summarized as follows. Shinoda explained the difficulties of peace-building in Sudan, by anatomizing the state-building process of the country since the pre-colonial period. Sato scrutinized the uneasy peace agreement of Cote d'Ivoire, and explained why it has not worked, by examining continuities and changes in the political structure since the 1990s. Comparing two consecutive Liberian civil wars and the DDR operations, Yamane clarified how the second civil war arose from the first. Juxtaposing the political system of post-Apartheid South Africa and that of post-civil war Uganda, Mine reflected on inclusiveness in post-conflict power sharing. Mochizuki examined the results of judicial intervention by inter-

national society through the study of the International Criminal Court for Rwanda and the Special Court for Sierra Leone. Funada-Classen's analysis showed that cleavages in Mozambican society created by the long civil war has been reproduced and even deepened by post-conflict election campaigns. Takeuchi wrote three articles: DR Congo's uneasy peace process, Rwanda's local judiciary "Gacaca," and the introduction. These papers, as a whole, indicate that international interventions in conflict resolution and peace processes have been intensified since the 1990s, and that despite some positive results, such interventions face serious difficulties since the activities touch inevitably on internal problems of the sovereign states.

Co-researchers: Hideaki Shinoda (Hiroshima University), Tatsuo Yamane (Hiroshima University), Takehiko Ochiai (Ryukoku University), Sayaka Funada-Classen (Tokyo University of Foreign Studies), Yasue Mochizuki (Kwansei Gakuin University), Yoichi Mine (Osaka University), Akira Sato

12. Role of Small-scale Finance in Rural Development—Rural Finance and Microfinance

Organizer: Miki Hamada

Poor people in rural areas of developing countries find it difficult to obtain access to sustainable finance because the amounts required are small, they are geographically scattered, and they lack sufficient assets. They are not considered bankworthy, and their inability to obtain credit hampers their economic activities. Microfinance is considered to mitigate such credit constraints and to contribute to rural economic development and poverty reduction. The success of Grameen Bank has led to the expansion of microfinance across the world. In recent years, some microfinance institutions have started new schemes such as "microinsurance" in addition to lending programs. At the same time, rural informal and/or semi-formal financial institutions have played important roles in the living and economic activities of poor people as well.

Our research mission was to analyze the impact of such financial institutions on poverty reduction and rural economic development and to clarify these mechanisms in three Asian countries: India, Indonesia and Myanmar. For the research in Indonesia, we conducted household surveys to precisely estimate the impact of microfinance schemes on the living standards of low

income households, and in India we designed field experiments to clarify and solve problems of current micro-insurance schemes such as increases in claim rates and the low renewal rate. We also compared the mechanisms of such microfinance schemes and small local financial institutions, with the goal of proposing better financial schemes for poverty reduction in rural areas.

In 2007 as the first year of the two-year program, we conducted a base line household survey in India and Indonesia.

Co-researchers: Hisaki Kono, Seiro Ito, Ikuko Okamoto, Takayuki Higashikata, Kazushi Takahashi

13. Poverty Reduction for the Disabled—Livelihood of the Disabled in Developing Countries

Organizer: Soya Mori

Among world-wide efforts to achieve the MDGs, we examined the necessity and importance of disability statistics in developing countries. Such statistics provide fundamental data for policy-making and decisions even in developing countries. We focused on the livelihoods of disabled people in developing countries and investigated how the livelihood statistics are included in government statistics and compared the statistical facts with the real lives of disabled people in each country.

Firstly, we surveyed the literature on disability statistics and identified useful implications for future research. We found useful discussions from the perspective of ecological anthropology and compared the social disability model from this perspective. Furthermore, a critical review of the concept of the welfare state was also necessary for analysis of the livelihood security system in each country.

Secondly, we discussed cases from 6 countries in Asia. As for China, where the largest disability survey in developing countries is now being conducted, we analyzed their indicators and their interim report. We conducted a preliminary survey in the Philippines and found employment, capacity building, sign language, family member commitments, educational institutions and organizations for disabled people to be major factors. In Vietnam, we took their historical experience and particular social situation into account when analyzing their statistics. In Indonesia, the government

conducts two major surveys on disability and we analyzed the data collection systems in detail. Even with the great growth in recent years, people in Thailand are experiencing a greater disparity among their livelihoods, especially among disabled people. We analyzed how their statistics attempt to portray the actual situation. Finally, we examined Malaysian government's assistance for disabled people and statistics. From the viewpoint of sustainable livelihood, we found a broader diversity among disabled people in Malaysia.

Co-researchers: Tatsufumi Yamagata, Masayuki Kobayashi, Minoru Teramoto, Hiroki Nogami, Takayuki Higashikata, Nobutaka Kamei (Tokyo University of Foreign Studies), Akiko Fukuda (Waseda University), Kenji Kuno (JICA and Nihon Fukushi University)

<Major Projects>

14. Analysis of Current Affairs in Asia

Organizer: Yuri Sato

In this project, we analyzed political, economic and social developments of 2007 in the 28 countries and regions of the Far East, East Asia, Southeast Asia, South Asia and Central Asia. In addition to the country-specific reports, we investigated cross-country and extra-regional issues such as the impact of price hikes in energy and resources, the current status of FTA in Asia, the developments of ASEAN and the US policy towards Asia.

Asian economies continued high rates of growth in 2007, and although the sub-prime loan issue in the US triggered world financial unrest in the latter half of 2007, the impact on Asian economies was limited. Rather, government funds from such countries as China and Singapore are increasing their presence as a financial reflux channel from Asia to Western countries and international markets.

The main concern is accelerating inflation. Not only the oil price hike, but also the rise in the price of food is putting a strain on people's livelihood in many Asian countries. As inflation can cause socio-political turmoil in developing countries, Asian governments are struggling to manage the balance between inflation control and growth promotion.

International relations in Asia are becoming harmonized led by economic diplomacy. The fact that Japan,

China, Korea, the USA and the EU participated for the first time in the SAARC (South Asian Association for Regional Cooperation) summit held in India in April 2007 demonstrates the high interest in South Asian growth.

Domestic politics in Asian countries, however, do not necessarily head toward harmonization and stability. Democratization and stability still seem to be a difficult trade-off. Major demonstrations led by monks in Myanmar were crushed by force. Demonstrations by ethnic Indians in Malaysia disrupted political stability, and political instability in Nepal and Thailand continued, while terrorism and armed conflicts intensified in Afghanistan, Pakistan and Sri Lanka.

The research results have been published in the Yearbook of Asian Affairs 2008 (in Japanese) as well as in Ajiken World Trends (monthly journal in Japanese).

Co-researchers: Naoko Doi (Institute of Energy Economics), Sueo Sudo (Nanzan University), Koji Murata (Doshisha University), Shin'ich Koibuchi (Asia University), Emi Mihune (Komazawa University), Keiichiro Ohizumi (Japan Research Institute), Miyuki Nakamura (Soka University), Kumiko Mizuno (Gwinnett Investments, Ltd.), Masami Mizuno (Nihon University), Kensaku Mamiya (Osaka University), Fumiaki Inagaki (Keio Gijuku University), Kiichi Mochizuki (Hokkaido University); Naoko Amakawa, Mayumi Murayama, Jiro Okamoto, Satoru Okuda, Yuichi Watanabe, Masahiko Nakagawa, Tomohiro Sasaki, Mami Yamaguchi, Takayuki Takeuchi, Hiroshi Ikegami, Minoru Teramoto, Emi Kozin, Norihiko Yamada, Souknilanh Keola, Nobuhiro Aizawa, Izumi Chibana, Yurika Suzuki, Masashi Nakamura, Rika Nakagawa, Koichi Kawamura, Kazushi Takahashi, Toshihiro Kudo, Norio Kondo, Takeshi Inoue, Etsuyo Arai, Hisaya Oda

15. East Asian Regional Model (EARM)

Organizer: Jinichi Uemura

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 country, their economies can be referred to as the "Asian industrializing region."

We recognize the increasing importance of studying

the East Asian region from a world-wide perspective. In FY1991, we initiated a project entitled “Projections for Asian Industrializing Region (PAIR),” which was renamed as the “East Asian Regional Model (EARM)” in FY2007. Using macro-econometric models, the EARM project analyzed the economic structure of the economies of the East Asian region and provided 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 East Asian region as well as from developed economies.

One of the major objectives of the EARM 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 24 years.

Co-researchers: Yoshihisa Inada (Konan University), Yusuke Okamoto (Mitsubishi UFJ Research and Consulting), Chinami Yamaji, Kazushi Takahashi, Hitoshi Sato, Kazunari Tsukada, Satoru Okuda.

16. Compilation and Application of Trade Indices IV

Organizer: Yosuke Noda

This research project examines the problems of formulating world trade models, in addition to calculating trade indexes and examining their utilization. The project continues previous works of the “World Trade Data System: Arrangement and its Application,” “Estimation and Application of Trade Indices” and “Compilation and Application of Trade Indices II” “Compilation and Application of Trade Indices III” research project, respectively. The project has three main fields: (1) Problems in the compilation and evaluation of world trade matrixes, the formulation of time series data employing common trade classifications, (2) Formulation and evaluation of trade price indexes for East Asian countries and regions, (3) Investigation of international comparisons and economic analyses employing various trade indexes in addition to trade price indexes.

Parts of the outcomes of this year project were published in a report on the research project entitled *International Comparison and Analysis based on Trade-related Indices* (in Japanese) compiled by Noda, Kuroko and Yoshino. Part 1 in the series deals with subjects in the field (1) : Current affairs of foreign trade statistics and evaluation of the trade data in CLMV countries,

Conversion method of Taiwan trade statistics into UN standard form, Part 2 with subjects in the field (2) : Formulation of trade indices based on UN Comtrade for BEC classification, Influence of commodity classification based on the compilation of export prices, Intra-industry trade and unit value indices classified trade type of BEC classification, Part 3 with subjects in the field (3) : Comparison and analysis for trade of farm products, Internal influence of business cycle and trade, Dynamic game simulation of finance policy in Poland and Hungary, Influence of Intra-industry trade on export sensitivity to exchange rates.

Co-researchers: Soshichi Kinoshita (Sugiyama Jogakuen University), Kyouji Fukao (Hitotubashi University), Hirokazu Kajiwara (Takushoku University), Masanaga Kumakura (Osaka City University), Jun Nakamura (Researcher of Economic and Trade Data), Hisao Yoshino, Masato Kuroko

17. Compilation and Use of the 2005 Asian International Input-Output Table

Organizer: Satoshi Inomata

The recent proliferation of the market openings in Asian countries (e.g. China’s entry to the WTO in 2001) promoted the relocation of the production bases of multilateral firms through the expansion of mobility of labor, goods and services. In addition, due to the emergence of new market economies such as BRICs, the production networks in the Asia-Pacific region have become increasingly complex.

In this connection, extensive research was conducted in this study group for compiling the Asian international input-output table for FY2005 in order to grasp the above structural changes that occurred in the Asia-Pacific region. The study also developed analytical methods as well as estimation methodologies of the tables.

Co-researchers: Hiroshi Kuwamori, Hajime Sato, Yoko Uchida, Bo Meng

18. Compilation of the BRICs International Input-Output Table: A Feasibility Study

Organizer: Satoshi Inomata

In recent years, the newly emerging market economies called “BRICs” (Brazil, Russia, India, and China) have

been rapidly developing in the world economy. The BRICs, which possess immeasurable economic potential (abundance in natural resources, labor, etc.), have been expanding external trade and attracting foreign direct investment linked to changes in their political and economic systems since the 1990s. The emergence of the BRICs has affected the industrial structures and productions networks of the whole world.

Thus the impact of the BRICs on international industrial structures should be examined. An international input-output table containing the BRICs and other major economic areas (Japan, the U.S., and the E.U.) would enable us to address this problem. For this purpose, this study investigated the feasibility of compiling an international input-output table for BRICs.

Co-researchers: Masaaki Kuboniwa (Professor, Hitotsubashi University), Nobuhiro Okamoto (Associate Professor, Daito Bunka University), Yasuhide Okuyama (Associate Professor, International University of Japan), Maki Tokoyama (Researcher, Applied Research Institute, Inc.), Hiroshi Kuwamori, Hajime Sato, Bo Meng

<Projects focused on urgent, pressing, or timely subjects>

19. First Decade of Hong Kong Politics after the Handover

Organizer: Takayuki Takeuchi

July 1, 2007 is the tenth anniversary of the handover of Hong Kong to China. This study analyzed the first decade of Hong Kong politics and HK-Mainland China relations. The major focus points are: (a) “Hong Kong Administrated by Hong Kong Business” and the Tung Chee Hwa Administration; (b) elections and democratization (c) economic cooperation and governmental relations between Mainland China and Hong Kong (d) the “One Country, Two Systems” framework and the political and legal problems.

Hong Kong has maintained economic prosperity with support from the Mainland and the central government. However, there has been little development in democratization. This study elucidated the background of the Tung administration and prospects for future development by the Donald Tsang administra-

tion.

The outcome of this research project was published as the “First Decade of Hong Kong Politics after the Handover” (Current Affairs Report No.7, in Japanese) in July, 2007.

20. KORUS (Korea-US) FTA: Recent Developments in Korea’s FTA Policy

Organizer: Satoru Okuda

This study examined the economic and political effects of the KORUS (Korea-US) FTA not only on South Korea and the United States, but also on third parties, notably Japan. In recent years, South Korea has worked to conclude bilateral FTAs with various countries in order to form its own free trade network, instead of the multilateral framework of the WTO. The KORUS FTA, which was concluded in April 2007, symbolizes Korea’s enthusiasm for creating its own FTA network. In the process of the negotiations, strong opposition emerged in South Korea, fueled by an anti-American sentiment that prevails in some sections of Korean society. Positive views toward the KORUS FTA arose only after the successful conclusion of the official negotiations. The KORUS FTA had an effect not only on the Korean economy and diplomacy, but also on third countries.

As a result of tariff reduction, this study shows that South Korea’s trade balance would be deteriorated by approximately \$200 million per year, with South Korea’s exports to the US increasing by \$1.6 billion, and the US exports to South Korea increasing by \$1.8 billion. Moreover, this study showed that the KORUS FTA would bring about a trade diversion effect on third countries, which would amount to \$2.2 billion. Among other countries, it was shown that Japan would suffer most by \$585 million, followed by the EU by \$533 million.

Lastly, this study pointed out that the KORUS FTA would stimulate FTA policies of neighboring countries, notably Japan and China. Japan was foreseen to become more enthusiastic in resuming FTA negotiations with South Korea, with the hope of improving bilateral relations, which have been stagnant for years.

The final results of the study were published as “KORUS FTA---Recent Developments in Korea’s FTA Policy” (Japanese) in October 2007.

21. Perspective on Growing Africa: From Japan and China

Organizer: Shinichi Takeuchi

Macro-economic indicators show that African economies continue to grow steadily based on soaring resource prices and active mineral resource development. In this context, the growing presence of China in Africa has attracted worldwide attention. Having rapidly increased trade with African countries over the last several years, China has become the third largest trade partner with Africa, after the Europe Union and the United States. In addition to the economic aspects, China has considerably deepened political relationships with Africa; as being symbolically demonstrated by the FOCAC (Forum on China-Africa Cooperation) held in Beijing in November 2006. Taking such rapid recent change into consideration, this research project aimed at: gathering accurate information on the recent China - Africa relationship, exchange of ideas on African politics as well as economies with Chinese scholars, re-examination of Japanese policy on Africa, and constructing networks with Chinese Africanists. For these purposes, we invited five Chinese scholars and held a closed workshop and open seminar in September 2007. The intensive discussion on this occasion greatly helped in building networks among Africanists in Japan and China, and enhanced mutual understanding. We found several of our views on the actual situation in Africa to be quite similar. For instance, we completely agreed on the following points: although African economies have rapidly grown since the beginning of the decade, poverty reduction has not significantly advanced, as the mining sector has been the main engine of growth; improvement of governance is a key issue and one of the biggest challenges for many African countries. As the final report, we revised the 10 papers that had been presented to the workshop in September, and uploaded them on the website of IDE with an executive summary.

Co-researchers: Yao Guimei (Institute of West-Asian and African Studies, Chinese Academy of Social Sciences), Zhang Hongming (Institute of West Asian and African Studies, Chinese Academy of Social Sciences), Zeng Qiang (Institute of Asian and African Studies, China Institutes of Contemporary International Relations), Xu Weizhong (Institute of Asian and African Studies, China Institutes of Contemporary

International Relations), Song Zhiyong (Department of Asian and African Studies, Chinese Academy of International Trade and Economic Cooperation, Ministry of Commerce), Makoto Sato (Ritsumeikan University), Katsumi Hirano, Shigeki Okada, Katsuya Mochizuki

22. China after the 17th National Congress of Communist Party of China

Organizer: Yasuo Onishi

On November 2002, Hu Jintao assumed the position of General Secretary of the Central Committee of the Communist Party of China (CPC). But his process of gaining power was unfavorable. First, it took a long time to exclude members of his predecessor Jiang from central government, local government and the army. Secondly, Hu's new slogans "Scientific Outlook on Development" and "Harmonious Development" contrasted with Jiang's "Three Represents," but it took a long time to penetrate. In this period of power transition, various social contradictions exploded and frequent demonstrations were held. Hu's government kept up with them in the early stages, but this became more difficult over time.

Hu adopted a cooperative foreign policy under the slogan of "Peaceful Development," but in some cases he took a hard line. China's foreign policy with Japan has no room for compromise, whilst China's foreign policy toward Africa is characterized by the attempt to secure natural resources. No one can predict the actual trends of the People's Liberation Army (PLA). Fracture experimentation of satellite believed to be the wishes of hard liners in the PLA.

On a macroeconomic level, overheating investment lead to bubbles in the stock exchange and real-estate market. The unemployment problem remains unsolved. In foreign economic relations, rapid expansion of the trade surplus and foreign direct investment made monetary policy difficult through an oversupply of currency. The economic gap between cities and rural villages, coastal areas and inland areas widened. Environmental issues became worse. These structural problems remained unsolved.

Our research project focused on the 17th National Congress of CPC, which was held on November 2007, made comprehensive analysis of domestic politics, foreign policies, moves of the PLA and the economy. These results were published as "China Groping for a Harmonious Society: problems in the second era of the

Hu Jintao Regime” (Current Affairs Report No.9).

Co-researchers: Jun’ichi Abe (Kazankai Foundation), Masayuki Masuda (National Institute for Defense Studies, Ministry of Defense), Danyang Shen (Chinese Academy of International Trade and Economic Cooperation), Ken’ichi Imai, Norihiro Sasaki

23. Recycling in Asia

Organizer: Michikazu Kojima

The Japanese government announced “Japan’s Action Plan for a World-Wide Sound Material-Cycle Society through a 3R initiative (Japan’s Action Plan to Promote Global Zero-Waste Societies)” in the ministerial conference on 3R in April 2005. The action plan includes “Cooperation with developing countries for promoting a zero-waste society” and “Promotion of international cooperation for realizing zero-waste societies world-wide.”

Regarding the experience in Japan, the Ministry of Environment, Japan made two English reports on the Japanese experience on 3R and distributed them to government officials and experts of foreign countries. Some international cooperation programs in the field of 3R have also been started, by the Japan International Cooperation Agency and other organizations.

Although the recent Japanese efforts on 3R have been introduced to other countries, the contents may not be appropriate for these countries. It is important to review the Japanese experience from the view point of priority and applicability in developing countries. The purpose of this research is to review the experience of Japan in 3R, especially recycling, in order to clarify what kinds of Japanese experience are useful for developing countries.

Co-researchers: Yoshifumi Fujii (Bunkyo University), Ken’ichi Togawa (Kumamoto University), Aya Yoshida (National Institute for Environmental Science), Rie Murakami-Suzuki (National Institute for Environmental Science), Chung Sung Woo (Hokkaido University), Ma Lourdes G. Rebullida (University of the Philippines), Amit Jain (IRG Systems South Asia Inc, India), Tadayoshi Terao.

24. New Aid Agenda for African Development: An Implication for TICAD IV

Organizer: Eiichi Yoshida

Major issues in development aid for Africa have become clearer through the TICAD process that started after TICAD I. In the forthcoming fourth round conference, major issues of peace building, governance and capacity building, human centered development of infrastructure, trade, infectious diseases, and water access, will be reviewed as major development issues and targets.

In addition, this time the conference agenda will include issues on human security and climate change. The acceleration of economic growth and sustainable growth will be a focus again and the prospects for the ‘one village one product movement’ approach will be discussed.

This research project identified these new topics in addition to the ongoing agenda of trade and development, peace building and poverty eradication. We reviewed all the recent discussions, prospects and perspectives of each issue, and possible new approaches too.

This research project reviewed past discussions, actual examples of development aid in relevant areas, policies on each issue from each member’s perspective, and highlighted new approaches to the issues on each agenda. Through this exercise, the project contributed to the TICAD process particularly by opening the discussion forum to the public.

Although the research project covered a wide variety of topics, the research project members agreed on recipient’s capacity and capability of accepting aid, hegemonic competition among donors, aid agencies, capacity issues on the donor agency side, and expansion of aid scale on a specific development approach without establishment of proper aid methodology. Toward that end, proper aid coordination among Japan and other donor agencies and government is desirable.

Co-researchers: Motoki Takahashi (Dean, Graduate school of International Cooperation, Kobe University), Shunji Matsuoka (Graduate School of Asia Pacific Studies, Waseda University), Naomi Wakasugi (Graduate School of Political Science, Waseda University), Haruo Miyata (International Centre, Niigata University), Akio Nishiura (Ass. Professor, Distant Education Department, Soka University), Masaki Kudo (JBIC Institute, Japan Bank for International Cooperation), Takahiro Fukunishi, Hiroki Nogami

<Basic and Comprehensive Studies>

Researches for Sustainable Growth and Development

25. Competitiveness of Korea's Major Industries: How They Adjust to the Ever-changing Environment in the 21st Century

Organizer: Satoru Okuda

Our research project reviewed the competitiveness of Korea's major industries, which used to operate labor-intensively, but now enjoy a worldwide reputation after overcoming a difficult environment due to the 1997/98 crisis. For this purpose, we selected the semiconductor, automobile, and steel industries. Along with the above-mentioned leading manufacturing sectors, our research examined the banking industry, which represents the service industries as a whole. Also, we measured the effect of "de facto" industrial policy; tax incentives on high technology industries, notably the semiconductor industry.

The final report of the research contains seven chapters, with the top chapter summarizing the other six chapters that deal with major industries and the industrial policy. We firstly showed the steady growth of the major manufacturing industries after the 1990s using macroeconomic indicators such as RCA and TFP. Then, using sector-wise analysis, we identified the following three factors that combined to contribute to the successful catching-up of each industry with its foreign competitors; restructuring effort after the crisis, overtaking ever-advancing technology from abroad, and the hardship of Japanese competitors who were badly affected by the country's "stagnant decade." For the future development of each industry, we suggested the importance of "small lot & wide variety production" and the self-development of advanced technology that used to be introduced from abroad. Analysis of the banking industry posed a difficult challenge to enhance the competitiveness of the banking industry, which is still influenced by the legacy of government control over the industry. An econometric analysis confirmed that tax incentives still work to support leading industries, notably the semiconductor industry.

Co-researchers: Bonggil Kim (Professor, University of Toyama), Yuichi Takayasu (Associate Professor,

University of Tsukuba), Hidemi Yoshioka (Associate Professor, Kyushu University); Makoto Abe, Yuichi Watanabe

26. Institution Building for Local Economic Development

Organizer: Yoshiaki Nishikawa (Graduate School of International Development, Nagoya University)

Globalization now affects every single local economy and producers space in developing countries. In a recent discussion on the Local Economic Development, it became clear that securing decision-making power and space is paramount for all levels of producers and localities. Although there is a wide variety of LED initiatives already seen at many small localities, this research project group examined different initiatives, different understandings and perspectives on locality and objectives of LED, to expand the decision-making power and space, what kind of institution and institutional building is desirable. The research project members mainly conducted field work and data collection, interview work in a village in Tsushima, Nagasaki, Kamikatsu, Tokushima, Malaysia, Indonesia, Malawi, Thailand and the Philippines.

The expansion and enhancement of local decision-making power and space and thereby increasing economic return, is crucial when firms start to integrate vertically more local small production in their strategy. And globalization of the wholesale and retail sectors involving even a small retail outlet in a remote district in Africa in the decision making space should be seemingly secured for small local producers.

Given these past discussions, we focused on what actor should take the initiatives in LED, what is supposed to be the ultimate goal of the initiatives. Japanese experience in LED practice originated in and derived from the Japanese social environment and as in the case in developing countries, where their own historical, cultural macro-policy endowed. It is important that all actors involved in LED understand and agree on what is central to the local development process.

There are many different actors taking initiatives and different context been created and results obviously are diverse, however, the role of actors, intervention, institutional guidance should be agreed by all parties involved.

Co-researchers: Eiichi Yoshida, Kazuhisa Matsui, Azusa

Harashima, Akira Muanakata, (Industrial Development Programme Officer, Asian Productivity Organization and JICA expert in Bangladesh), Yoshinobu Sato (Faculty of Contemporary Social Studies, Nagasaki Wesleyan University), Masanobu Kiyoka (International Cooperation Adviser, JICA Institute for International Cooperation)

27. Shop-lease Contracts and Islamic Law in Iran

Organizer: Yoko Iwasaki

This project focuses on Iran's legal system of shop-lease contracts, aiming to examine how the social economic system was affected by legal reform after the Islamic Revolution. The project was conducted by performing field-work in Tehran and a literature search.

In today's Iran, a unique shop-lease contract called the Shop-lease Contract with Sar-qofl has pervaded in majōr commercial centers. In this contract, the tenant of a shop is given an immensely strong usufruct Sar-qofl based on intangible properties such as his own reputation in business, whereas the right of ownership of the lessor become fairly limited. From a historical point of view, this Shop-lease Contract with Sar-qofl can be seen is a result of blending Iran's traditional customs among merchants and the "goodwill" concept that was brought into Iran from the US at the time of the Second World War.

After the Islamic Revolution in 1979, "the Lessors and Lease-holders' Relation Law" (Qānūn-e Ravābet-e Mūjer o Mosta'jer), which regulates the Shop-lease Contract with Sar-qofl was revised based on legal arguments by Islamic jurists and the Ministry of Justice raised concerns regarding the contract's unlawfulness. The articles concerning Haqq-e Kasb o Pīshe o Tejārat, which had been the legal terms for Sar-qofl, were eliminated and new articles using the traditional term Sar-qofl were introduced. Through this amendment, inconsistencies between elements from Islamic law and ones from modern Western law that existed in Iran's legal system were removed.

However, the field-work research showed that the Shop-lease Contract with Sar-qofl, which was already established as an economic institution in Iran, still remains and functions as the most popular shop-lease contract with much support of the people.

The research results will be published in our periodicals Asia Keizai (Asian Economy) in Japanese.

28. Latin American Leftist Governments: Their Backgrounds and Policies

Organizer: Koichi Usami

Since the beginning of the 21st century, many leftist governments have emerged in Latin America, including the Brazilian Lula, Argentine Kirchner, Chilean Bachert, Peruvian Garcia, Bolivian Morales, Ecuadorian Correa, Venezuelan Chavez, and Costa Rican Arias administrations. Cuba after Castro also attracts a lot of attention.

We defined the Latin American left by their historical origins as traditional socialist parties, populist and social movements. Then we analyzed the background of the formation of each leftist government, their discourse on economic, social and diplomatic policies and the policies that they actually implemented.

Through our research, we found a diversity of actual Latin American leftist parties in terms of the background of their emergence, their discourse and their policies. Among this diversity, they can be divided into radical leftist governments and moderate leftist government. The former includes Venezuelan, Bolivian, Ecuadorian and Argentine administrations, which realized anti-neoliberal and anti-U.S. diplomatic policies. The latter includes Brazilian, Chilean, Peruvian, and Costa Rican administrations, which realized neoliberal economic policies and positive social policies. However real characters of each government must be existed in the meantime.

Co-researchers: Shigeo Osonoi (Tsukuba University), Yasushi Maruoka (Ishinomaki Senshu University), Ry-ouhei Konta, Aki Sakaguchi, Kanako Yamaoka, Koichi Kitano, Tatsuya Shimizu, Naokatsu Uetani

29. The Micro-Data and Quantitative Analysis in the Middle East

Organizer: Ichiki Tsuchiya

The major constraint to empirical analyses of the Middle Eastern and North African (MENA) economies is the lack of published data. Although some quantitative analyses for MENA economies have been published, most have been based on unpublished or individually collected data. As a result, it is difficult to interpret the generality or implications of the outcome.

In recent years, however, some progress has been made in data dissemination. International organizations

and local research institutes have collected and published large-scale micro-data for some MENA countries. Moreover, financial data on private enterprises have been accumulated in some countries following the development of stock exchanges. Consequently, the number of empirical analyses based on published micro-data has increased in some countries.

In this context, the aim of our research project was to review and summarize pivotal published data and empirical analyses. The outcome was published as a research report entitled “Review of Micro-data Dissemination and Empirical Studies in Arab Countries.” In this report, Chapter 1 first describes the feasibility of using published micro-data on households and enterprises in Egypt, and then reviews empirical studies using the micro-data. Chapter 2 reveals the situation of disseminating financial data on private banks in GCC countries.

Co-researchers: Jun Saito

30. Changing Management Strategies of Vietnam’s Economic Entities

Organizer: Shozo Sakata

Its entry to the WTO in January 2007 enabled Vietnam to achieve various reforms for liberalization of trade and deregulation of FDI entry into Vietnam’s markets. It is envisaged that while FDI inflow into Vietnam will increase rapidly due to the deregulation of investment, domestic economic entities will face stiff competition because of the abolition of the long-lasting preferential measures to protect domestic enterprises.

Having recognized such trend, this research aims 1) to examine the macro-economic and institutional changes that have contributed to the development of Vietnam’s economic entities, and 2) to analyze in detail their management strategies (finance, investment, networking, employment, etc.) to adopt such changes. The research covers various types and sizes of Vietnam’s domestic economic entities from large-scale SOEs to micro-scale rural entrepreneurs. The first year of this two-year research focuses mainly on illustrating the changes of government policies and environmental changes related to Vietnam’s economic entities.

One of the major findings in the first year of the research included the fact that the speed and contents of the economic reform during recent years have differed in sectors and industries. Protective policy mea-

asures have remained for the large SOEs and domestic banking-monetary sectors. On the other hand, it seems the government cannot maintain policies to protect and nurture domestic private manufacturing sectors, the majority of which are small-and-medium enterprises. The research revealed that, under such environment, the economic entities, both large SOEs and private sectors, face not only stiff competition with FDIs but also new opportunities. They are taking strategic action such as shifting production, diversifying production, changing foreign partners, aligning with other business sectors, exploring new markets, etc. The final results will be published in the I.D.E. Research Series (in Japanese) in 2009.

Co-researchers: Kenta Goto (Kansai University), Yoko Ogimoto (Nomura Research Institute), Mai Fujita, Minoru Teramoto, Emi Kojin, Akie Ishida

31. Integration System of the Stock-Raising Business in Latin America

Organizer: Taeko Hoshino

The integration of the stock-raising business is a large-scale vertical and horizontal network consisting of various sectors of the economy related to the production and distribution of livestock meat. The system was originally developed in the United States and was introduced to Latin American countries with packages of advanced technologies. It has been gradually supplanting the indigenous system of stock-raising, which is characterized as small in scale, rudimentary in technology and intuitional in management. We postulate that the introduction of the Integration System of stock-raising and its expansion in Latin America is a major driving force of the large-scale restructuring of the industry, characterized by a concentration of production, an increase in the number of professionally managed firms, and advance of multinational corporations, which has been observed in the last two decades under economic globalization. With this working hypothesis in mind, we analyzed the industrial organization of broiler-integration of Mexico, Peru and Chile, and determined its causal relationship with industrial restructuring and the prospect of future development of the industry in these three Latin American countries. In the first year of the two-year project, we grasped the general characteristics of the broiler industry based on the analysis of statistical data. Our findings are as

follows. There are three common characteristics to these three countries. Firstly, the formation of broiler-integration progressed in the 1990s keeping step with the concentration of production and extension of professionally managed firms in the broiler industry. Secondly, integration is based on ownership not on contract, a method that is common in the United States, the principal broiler producer in the world. Thirdly, the leading producer is not a multinational but a local firm. Notwithstanding these common characteristics, the pace of progress and actual level of integration vary considerably among these three countries. We hypothesized that factors such as the market structure and the macro-economic conditions of the past two decade explain the similarities and difference among these three countries. In the second year, we will test this hypothesis.

Co-researchers: Tatsuya Simizu, Koichi Kitano

32. Political Economy of the Oil Industry in Developing Countries

Organizer: Aki Sakaguchi

The oil price has shown a historical hike in recent years, finally surpassing one hundred dollars per barrel in 2008. There are many factors responsible for this, among which are the accelerated growth of oil demand in developing countries such as China, the tightness in the refining sector, and the inflow of capital, especially that of a speculative nature in the international oil market.

The other important factor that lies behind the recent evolution of the international oil industry is the significant changes in the oil producing countries. Firstly, national oil companies (NOCs) have emerged as the largest oil producers in the world since the nationalization in the 1960s and the 1970s. In many cases, NOCs are prone to government intervention since they are expected to be the most important sources of fiscal revenue and the motor of economic growth in developing countries.

Secondly, new players in the game for oil rent have emerged within oil producing countries, such as local governments, local residents, and ethnic groups who have claimed their rights to oil rent over the central government. In these cases, the competition for oil rent is no longer between foreign oil companies and the government, but between the central government and

local interests.

This study consists of two groups. The first group analyzed the relationship between NOCs and the government (Russia, Venezuela, China, and Indonesia). The second group analyzed the cases in which local voices, such as local government and ethnic groups, have been important factors in the policies and the performance of the oil industry (Iraq, Nigeria, and Ecuador).

In March 2008, we compiled a data-book on the oil industries of the above mentioned countries as the basis for the comparative discussion. It includes basic statistical data, reviews on the legal framework, historical evolution, national oil companies, domestic stakeholders such as local governments and ethnic groups, and reviews of the academic literature on the oil industries of the seven countries.

Co-researchers: Aki Sakaguchi, Katsuya Mochizuki, Yuri Sato, Akiko Yoshioka (The Institute of Energy Economics), Hidekazu Araki (Kanagawa University), Nobuhiro Horii (Kyushu University), Shoichi Ito (ERINA: The Economic Research Institute for Northeast Asia)

33. Development and Restructuring of the Iron and Steel Industry in Asian Countries

Organizer: Hajime Sato

This two-year research project studies the development and restructuring of the iron and steel industry in Asian countries. There are two main reasons why we decided to focus on this industry. First, the iron and steel industry has been changing rapidly, in terms of production, technology and trade patterns. Second, the iron and steel industry has significant backward and forward linkages to other manufacturing sectors. The aim of the project is as follows: first, to study changes in the iron and steel industry in each economy; second, to delineate the patterns of development and restructuring of the industry; and third, to discuss the relationship between the changes in the iron and steel industry and economic development as a whole. For the first year of the project, we focused on the first purpose mentioned above, and published a research report. In the second year, we worked on the remaining purposes and completed the research. In the final report, the Introduction offers an analytical framework and discusses the country-specific features and the common features found in

the development process of the iron and steel industry in the Asian countries that were identified in this project. The remaining chapters respectively examine the iron and steel industries in seven countries, namely, South Korea, Taiwan, China, India, Indonesia, Thailand and Malaysia. The former four countries have integrated iron and steel works launched as governmental projects, while the latter three countries have no integrated steel production. The report sheds light on the inter-actions between policies and the industry, and between steel companies and steel users in addition to the technology, and analyzes how these interactions have resulted in differences in the development of the iron and steel industry of each country. The final report will be published in the IDE Research Series in 2008.

Co-researchers: Nozomu Kawabata (Professor, Tohoku University) Etsuro Ishigami (Professor, Fukuoka University) Takashi Sugimoto (Professor, Osaka City University), Makoto Abe, Yukihiro Sato, Yuri Sato.

34. The IMF and Developing Countries

Organizer: Kozo Kunimune

It is very important for any developing country to maintain a stable macroeconomic environment because it is a necessary condition for sustaining economic development. When the external macroeconomic stability (i.e. stability in the balance of payment and exchange rate) becomes unsustainable, the international community will provide help normally via the IMF (International Monetary Fund). In other words, the IMF is expected to be the keystone of the international safety net for macroeconomic stability. However the IMF does not always measure up to this expectation. In particular, the operation of the IMF during the Asian currency crisis in 1997-98 attracted much criticism.

This research project evaluated the functions and roles of the IMF, and provides basic information for speculating about reform of the IMF and an ideal setup of international financial cooperation. We analyzed not only IMF's policy in view of economics, but also problems in its governance, institutional structure, and political economy surrounding it. In addition, we proposed an ideal relationship between the IMF and regional financial cooperation.

We compiled an interim report in FY2006-2007. We completed the study in FY2007-2008, the results of which are expected to be published during 2008.

In the final report (forthcoming), our analyses on 1) "The Role of the IMF and IMF Reform," 2) "Medium-Term Strategy of the IMF and Balance of Payments Managements of Developing Countries," 3) "The Political Economy of the IMF: Critique and Recommendations," 4) "Rationale of Regional Financial Corporation and the IMF," 5) "Development of East Asian Regional Financial Corporation," 6) "A Critique on the IMF's Financial Programming Framework," and 7) "IMF's Models of Economic Analysis," are presented.

Co-researchers: Hirohisa Kohama (Professor, Graduate School of International Relations, University of Shizuoka), Masanaga Kumakura (Associate Professor, Graduate School of Economics, Osaka City University), Chie Kashiwabara, Masahiro Kodama, Rika Nakagawa

35. Liberalization of Capital Movements in Developing Countries

Organizer: Hisayuki Mitsuo

There are two contrasting views regarding the effects of capital account liberalization on economic welfare in developing countries. The affirmative view is that capital account liberalization enables capital to move from developed countries whose marginal product of capital is low to developing countries whose marginal product of capital is high. Thereby, developing countries can increase output by increasing capital. Against this theoretical possibility, there is the negative view that there are weak empirical grounds that higher international financial integration leads to a rise of income per capita in developing countries. Further theoretical and empirical studies are needed to examine whether developing countries can increase the degree of international financial intermediation and improve economic welfare by capital account liberalization. Intended as a basis for empirical studies, this research made indices of capital account restrictions in 119 developing countries from 1980 to 2003, based on IMF's Annual Report on Exchange Arrangements and Exchange Restrictions. Using these indices, the research shows the evolutions of capital account restrictions on a regional basis; developing countries total, emerging-market countries and other developing countries, Africa, Central and Eastern Europe, CIS, Asia, the Middle East, and the Western Hemisphere. The research also investigates the degree of international financial inte-

gration (ratio of the sum of external assets and external liabilities to GDP) in each country. The correlation between the degrees of capital account restrictions and international financial integration in each country from 1996 to 2003 is also considered.

36. Developing Countries and Fiscal Administration Issues

Organizer: *Chie Kashiwabara*

One of the reasons that developing countries' governments have had difficulties in "graduating from developing" is the issues related to fiscal administration. The role of the public sector is expected to be large while those countries have vulnerabilities in markets, and the private sector, however, transferring to autonomous fiscal management is greatly hindered due to indigenous and exogenous constraints.

In our research project, we analyzed the arising/possible issues throughout the fiscal management process - from budgeting to implementing in the fiscal administration - responding to the question, "Why do developing countries have difficulties in realizing autonomous fiscal management?" applying a broader view from economics, political economy and institutionalism as well as public finance. Issues discussed are: the factors influencing both the revenue and expenditure sides; public debt management and the fiscal policy; influences of gender/seigniorage/financial policy on fiscal policy; decentralization/market-oriented economic reforms and fiscal management.

Co-researchers: Kiyohito Hanai (Seijo University), Jongho Kook (Yokohama City University), Kozo Kunimune, Hisayuki Mistuo, Rika Nakagawa, Hiroki Nogami, Kazuhiko Oyamada, Yurika Suzuki, Ichiki Tsuchiya

37. Comprehensive Study on Taiwan I: Growth and Transformation of Taiwan's Firms and Industries

Organizer: *Yukihito Sato*

This project conducted analysis on the changes in Taiwan's economy since the late 1980s. And to understand the background to the recent changes, we also reconsidered the economy before the mid-1980s. The project produced eight articles, which can be divided into two groups.

The five articles in the first group discuss Taiwanese enterprises' conspicuous activities as well as the transformation and development in the industrial sectors. Our research issues include enlarged firm sizes and innovated inter-firm relations, technological progress through internationalization of R&D, change of technology and second-mover strategy in the TFT-LCD industry, Japanese corporations' adjustment to the new conditions, and increase of air transportation and its background. The three articles in the second group examine topics that are relevant to types of enterprises. They are the interaction between family and business factors in a family business, the formation of an oligopoly in the cement industry during the 1950s and 1960s, and the privatization of public enterprises.

We also discovered change in the players of Taiwan's economy surveying our outcome. First, the government's role has been decreasing but its influence cannot be ignored in the support for R&D and design of liberalization. Second, Taiwan's enterprises have obtained larger autonomy in the world economy but have been confronted with limitations, which we named "the catching-up ceiling." Third, the large enterprises have been expanding their presence. Most of them are still family-owned but have carried out managerial innovation. This concept led us to review Taiwan's economy before the mid-1980s and as a result recognize the roles of the large enterprises as more positive than in the past studies.

Co-Researchers: Hiroshi Ikegami, Momoko Kawakami, Jun Akabane (Senior Researcher, Mitsubishi Research Institute), Shingo Ito (Senior Economist, Mizuho Research Institute), Michiko Kitaba (Lecturer, Kansai University), Teruhiro Minato (Researcher, Japan Society for the Promotion of Science)

38. Organizational Restructuring under Market Transition in Post-Reform Rural China: A study on the role of intermediate organizations

Organizer: *Nanae Yamada*

Since the 1990s the amount of agricultural products exported from China has been increasing due to the entrance of many agribusiness companies and to the agricultural integration promotion policy introduced by the government. As the linkage between Chinese agriculture and the global market deepened, however,

an increasing number of accidents regarding the safety and quality of agricultural products occurred. Exporters tried to meet international standards by setting up intermediate organizations to strengthen the control and monitoring of the production process. Most of the earlier studies on the safety of Chinese products focus on the change of the distribution system by food processing companies. Currently, there are few studies that try to understand, under the contract farming scheme in China, (1) what is transacted between farmers and intermediate organizations in reality, (2) what in- and out-of-village conditions bind the contents of the transactions.

This study takes a juice producer in Shangdong Province as an example, and firstly attempts to illustrate in detail all transactions of information, products and materials among the firm, intermediate organization and fruit-growers. Then the study analyzes the conditions that define the transactions and finally examines the stability of the contract. Foreign researchers have difficulty accessing reliable primary data on contract farming in China and the development of intermediate organizations at village level. The coordinator implemented a field survey in September 2007, and interviewed local intermediate organizations and fruit-growers in Shangdong Province. To supplement this, this study occasionally refers to data from previous survey conducted by the same author in FY 2006.

The findings of this study are as follows; firstly, intermediate organizations provide growers with some services including purchasing all the irregular products at a guaranteed minimum price and technical guidance. Instead, it appears that they require growers to submit records of their products' backgrounds when they purchase the harvest. Secondly, the transactions are bound by four main factors; the characteristics of the institution, those of the product, those of the market structure, and those of the parties concerned. Thirdly, intermediate organizations ensure the stability of the contract to keep satisfying international standards by providing growers benefits such as better market access and new technology; on the other hand, imposing additional labor input and material costs.

39. Growth and Changes of SMEs in Myanmar: The Case of the Sugar-Processing Industry

Organizer: Toshihiro Kudo

The Myanmar government has tried to increase sugar

production by establishing many new state-owned sugar factories since the latter half of the 1990s. Sugar-cane has been designated by the government as one of the four most important crops together with rice, beans and pulses and cotton. The government apparently attempted to increase the self-sufficiency of sugar, as the domestic market expanded and the amount of imported sugar increased.

However, the state-owned sugar factories failed to achieve the expected results, having been faced with difficulties such as the shortage of procured sugar-cane and low capacity utilization. On the contrary, the number of private sugar-processing factories, most of which are small and medium enterprises (SMEs), has rapidly grown in spite of the unfavorable environment and without any government subsidies since the early twenty-first century.

This study describes the growth and changes in sugar-processing SMEs in Myanmar. In addition, the study identifies factors that contributed to their growth such as pent-up domestic demand for sugar after the open-door policy, sugarcane procurement from newly-cultivated areas, adoption of indigenous and appropriate technology, construction of trunk roads and improved logistics connecting sugarcane fields and sugar SMEs' clustering in Mandalay.

The study adds to the literature on SME studies in Myanmar, which is extremely scarce.

40. Study on the Formation of Rural Small Towns (Rusta-shahr's) in Post-revolutionary Iran

Organizer: Hitoshi Suzuki

This study is a single-year project to prepare for the publication of the main results of the organizer's research and study on contemporary Iranian society. Originally the organizer was sent by the IDE to stay in Tehran for 2 years from 1999 to 2001, and during that time he conducted a series of field-work studies on small-size rural townships in various areas of Iran. From then he prepared to write a monograph of his field study as a sociological work.

The results of this one-year project are entitled "A Study on the Structural Changes of Rural Society in Contemporary Iran: Revolution, War and the Formation of Rusta-shahr's," and is made up of 6 chapters. The first chapter starts with a review of the main research works on Iran's rural societies over the last 50

years or so. Then, a long-term comparison of Iran's population census data shows that after the 1979 revolution there emerged a new trend of urbanization, or the shaping of "rusta-shahr's" in rural society. This "rusta-shahr" is the main focus of the research and analysis.

The second chapter to the fifth chapter, which will constitute the main body of the book, present first-hand results of his field study in an organized and concise manner. The second chapter covers the first stage of his field-work, in which he visited 169 small towns in various areas all over Iran. The third to the fifth chapters present more intensive analyses of the 3 regions of East Azerbaijan, Esfahan and Khuzestan, which are considered as typical cases.

The author concludes that the Iranian Revolution in 1979 and the 8 years' war with Iraq that followed had a great impact on transformations and structural changes of rural societies all over Iran. This process can be understood as a kind of modernizing process in a broader sense, but it still bears several unique characteristics that can be traced back to the revolution and the war.

41. Economic Reforms in Egypt: retrospectives and perspectives

Organizer: Toshiyazu Yamada

This project re-examines the performance of economic reforms in Egypt and considers the future of Egyptian society in terms of the validity of the policy measures of the successive governments.

President Sadat decided to liberalize the economy (Open the Door Policy) in the early 1970's. However, the policy framework was ambiguous and the policy has been rendered a half-hearted liberalization under authoritarian regimes enhancing rent-seeking activities. The adjustment policies to remedy the BOP difficulties caused by military and civil debts did not accord with the objectives of the government, namely growth and employment.

Successive governments laid stress on ameliorating poverty and protection of domestic industries in accordance with the instructions of President Mubarak in general. Hence, the governments did not agree with the IMF and the World Bank recommending economic reform including stabilization and structural adjustment policies that would burden the poor and increase foreign competition.

Since 1991, overriding ERSAP (economic reform and structural adjustment program) has contributed to improving the macroeconomic variables and the inflow of foreign exchange leading to reversal of the "dollarization" and accumulation of international reserves.

Notwithstanding, the Egyptian government preferred gradualism for the liberalization in trade, capital movement, privatization of public sector business enterprises, banking sector reforms and so forth instead of simultaneous liberalization.

The study analyzed the validities of the policies in terms of macroeconomic stabilization, trade promotion, exchange rate arrangements, and interest rate adjustments affecting the growth and poverty reduction in Egypt. The discussion calls for transparency and accountability in Egyptian society.

42. Resource Management in Developing Countries

Organizer: Tadayoshi Terao

In developing countries, the livelihood of many poor people depends on the use of local environmental resources, such as forests, fisheries and water. To pursue stable economic development with poverty reduction in the long-run, proper resource management is one of the most important policy issues.

This research project focuses on the socio-economic background of government policy to manage environmental resources that serve the basis of various economic and social activities in developing countries. We analyzed desirable institutional arrangements for resource management in the long-run, using a social science framework. By focusing on resource management, we integrated analyses of economic development policy and environmental policy. During the process of economic development, inadequate and excessive use of an environmental resource often occurs, and negative externalities by such misuse of a resource on other resources sometime cause serious environmental problems, such as degradation of natural resources and industrial pollution. We will analyze the environmental resource management policies of present developing countries and the historical background of Japan, compare the socio-economic background of those policies, and derive implications for economic development policies, resource management policies, and environmental policies in developing countries.

Co-researchers: Tsuruyo Funatsu, Kenji Otsuka, Et-suyo Michida

43. Knowledge and Power in the Pacific Island Countries

Organizer: Mitsuki Shiota

The biggest social change to occur in the Pacific Island Countries in the first decade of the 21st century is the information and communication revolution triggered by the spread of the mobile phone. The information age is transforming the social structure of the Islands fundamentally.

Considering this phenomenon, we addressed the issue of 'Knowledge and Power in the Pacific Island Countries'.

We covered the topics of agricultural technology, Christianity, law, and mapping and determined what has been deciding the dynamics of knowledge and power since the modernization of Oceanic societies to have *écriture* or 'lettered knowledge'.

Before the arrival of Western civilization, there had been no *écriture* in the Pacific Islands and this made the mode of information in Oceania highly fluid and, linked with it, the power structure was also fluid.

New power structures such as class and state were engendered by the quantum jump of the mode of information from the *parole* (spoken language) to the *écriture* (written language).

And its dynamics lay in the objectification and universalization created by the *écriture* and the *logos*, that is to say, the substantiated logic that rules the world. With this conclusion in mind, we will start the latter half of our research project in 2008-2009, bringing it up to date and making it more practical. And through this process, we aim to contribute to the well-balanced social development of the Pacific Island Countries.

Co-researchers: Satoshi Tanahashi (Ochanoimizu Women's University), Kazuhiro Kazama (Tsukuba University), Waka Aoyama (Nihon University), Daichi Ishimori (Japan Society for the Promotion of Science), Jun Baba (Tokyo Metropolitan University), Masaru Noritake (Kansai University)

44. Birth of the Capital Goods Market and Foreign Direct Investment to Russia and Vietnam

Organizer: Junko Mizuno

When a country becomes a member of the WTO, some of that country's risks diminish as a result of coming under WTO rules. This means that foreign companies can invest in the country with less risk. Therefore if the country decides to become a member of the WTO, the amount of foreign direct investment in the country grows. This foreign direct investment leads to infrastructure investment. Then, this infrastructure demand leads to a demand in capital goods. Thus the economy enters a higher growth track. Here we call such economic growth "high economic growth of WTO type." Both Russia and Vietnam have continued high economic growth, the former is going to join the WTO and the latter has already joined the WTO. The purpose of this project is to examine whether both patterns of growth are of the "high economic growth of WTO type."

In the first year, the project investigated Russia mainly. The findings show that Russian high economic growth was due to the rise of oil prices rather than foreign direct investment. Nevertheless, foreign firms have begun to invest in Russia. As a result, demand in capital goods and in infrastructure has been increased. However, for technical reasons mainly, domestic companies are unable to supply sufficient capital goods to meet the demand.

Co-researchers: Yoshimi Ito (Kanagawa Institute of Technology), Soichi Hachiga (Japan Machine Tool Builders' Association), Shigemi Yahata (Hosei University), Shinji Shimizu (Sophia University), Izumi Sakaguchi (Japan Association for Trade with Russia and NIS), Akie Ishida

Researches for Poverty Reduction

45. Social Movements and Popular Political Participation in Developing Countries

Organizer: Shinichi Shigetomi

This research project explores the forms and mechanisms of social movements in developing countries. Major existing theories on social movements have tacitly assumed the social contexts of Western developed countries, and have developed in a direction in which actors' subjectivity and capacity to transform surrounding environments are emphasized. However, the contexts in which social movements in developing

countries are situated are much different from those of developed countries. We analyzed how the objective conditions of specific regions have influenced the ways social movements emerge in particular areas.

Our final report, which will be published in English, consists of three parts: Resource and Institutional Endowment for Mobilization (Part I), Structure behind Political Opportunities (Part II), History and Reality for Frame and Identity Making (Part III). In Part I, how social movements can take place in settings where available resources are extremely limited was analyzed through two case studies: a peace building movement in Colombia, and provincial development forums in Thailand. In Part II, three case studies were conducted to explore how political opportunities are influenced and transformed by political institutions and existing organizations. The case studies for this part were: environmental protest movements in China; AIDS activism in South Africa; and piqueteros (movements by the unemployed and poor) in Argentina. In Part III, the issue of framing and identity were taken up in the case studies of Mexico (indigenous people's movements), India (women's movements), and Nigeria (youth movements).

Through our case studies, three intermediary factors were identified as playing important roles in conditioning how social movements emerge and what shape they take: (1) resource endowments in the particular areas where social movements take place, (2) existing organizations and networks, (3) institutions that influence access to resources and the relationship with existing organizations and networks.

Co-researchers: Noriko Hataya (Associate Professor, Sophia University), Kumiko Makino, Koichi Usami, Mayumi Murayama, Katsuya Mochizuki, Kenji Otsuka, Akio Yonemura

46. The Status of the Poor in the Developing Fishery Sector in Myanmar

Organizer: Ikuko Okamoto

Myanmar's fishery sector has developed quite remarkably in recent years. In response to the increasing demand for fishery products both in the domestic and international market, the country has witnessed the aggressive entry of domestic capital into processing and exporting. The capture fishery sector has also started to boom along with the increasing demand. This study

clarifies how far the benefits of the recent development of fisheries have reached the poor, especially those employed as crews in fishing villages in Myanmar.

In the southern part of Rakhine State, which is an important fishing area in Myanmar, there is active entry into anchovy purse seine fishing along with the declining catch of prawns that used to be the main fishing targets in the area. Purse seine fishery is very labor intensive compared to other types of fishing. Because of the labor shortage in villages for this type of fishing, a large-scale migration of laborers (mostly from Northern Rakhine) to the area has occurred to work as crews. This research analyzed the situation of these migrant laborers, including their background, motivation for migration, and changes in their incomes caused by the purse seine fishing based on the data collected in fishing villages in order to clarify the contribution of the coastal fishery in the livelihood strategy of the poor in fishing communities.

47. Community Based Organizations and Civil Society in Rural Africa

Organizer: Yuka Kodama

After the 1980s, the role of governments has been curtailed in African countries. However, the vacuum following the retreat of governments has not been sufficiently filled in the fields of infrastructure, regulation and social welfare. Therefore, international aid agencies have begun to discuss the importance of "civil society building" as a complement of government as well as a key actor of democratization.

There is, however, a lot of debate about the application of the concept of "civil society" to the African context because the concept is derived from Western culture. To examine the applicability of the Western-originated concept to African societies, it is critical to understand how and what kinds of organization are operating in rural societies in African countries.

Project members consist of researchers who have conducted field studies in African rural societies. In the first year of this project, the main discussion was on how the project can offer new perspectives both on "civil society" and African societies, utilizing the concept of "civil society."

The interim report "Community Based Organizations and 'Civil Society' in Rural Africa" was published in March 2008 (in Japanese). The final results will be published in the I.D.E. Research Series (in

Japanese) in 2009.

Co-researchers: Keiichiro Matsumura (Kyoto University), Shuichi Oyama (Tokyo Metropolitan University), Kazuhiko Sugimura (Fukui Prefectural University), Tsutomu Takane (Tokyo University of Agriculture), Gen Ueda (Tohoku University), Azusa Harashima

48. The Labor Inspection System in China: Its Role in the Labor Dispute Settlement Framework

Organizer: Masayuki Kobayashi

The number of labor disputes in China has increased and a mechanism for secure settlement is needed. The Labor Law provides three main routes for settling labor disputes: mediation, arbitration and litigation. However, they are insufficient for coping with the newly emerging issues. China promulgated the Regulation on Labor Security Inspection in 2004 and gave the authority of inspection to the labor administration body. The main objective of labor inspections is to prevent violations of the law by enterprises, but they also have the function of providing relief to laborers. Since more than half of the cases sent to labor arbitration are caused by delay of wages and unpaid social security fees, which are also in the scope of labor inspection, strengthening of the labor inspection system should ease the rise in labor disputes.

The study, (1) reviews the history and the current situation of the labor dispute settlement system, (2) examines the current labor inspection system, (3) analyzes the right to raise petitions against labor inspection, and (4) examines issues regarding operation of labor inspection and discusses the role of the labor inspection system in the framework of the labor dispute settlement system in China. The number of cases handled by the labor inspection institution exceeds that handled by the labor dispute arbitration committee. Therefore, labor inspection plays a considerable role in preventing and settling labor disputes. Especially since it seems that the labor inspection institution is obliged to open an investigation upon receiving a laborers' petition. However, the number of cases received by the arbitration committee has also consistently risen, which means that the promulgation of the regulation did not have a notable effect in relieving the case load of the committee. Also, issues such as the non-uniform structure of the inspection institution are discussed.

49. Poverty reduction and Social Development experiences in post-war Japan

Organizer: Sato Kan Hiroshi

When we talk about Japanese development experiences, we inclined to think about glorious success of rapid economic growth in 1960s and 1970s. It is true that the one of the key of Japanese Miracle is rapid economic growth, but we think it doesn't explain the entire miracle.

Social development, especially that of rural area post war Japan was extremely important. Immediate after the World War II ended, Japan was poor, food was scarce, and infrastructure was completely destroyed. The vicious cycle of poverty, namely poor income, poor health and poor education prevailed in rural area. Under those circumstances, Ministry of Agriculture started, under the pressure of United States, new extension system which utilizes newly recruited female Livelihood Improvement Extension workers for the betterment of rural home life and community life.

This livelihood Improvement Program gradually expanded towards all the corner of rural lives, health, education, sanitation, cookery, home economics and income generation later. In this study, we examine Japanese rural development experiences from the perspective of participatory development, and draw some lessons for today's developing countries.

50. A Study on the Mekong Region: Border Economic Zones Being Activated

Organized: Masami Ishida

The outcome of this study is composed of general trends and situations at particular borders. As for general trends, border economic zones, cross-border transport agreements (CBTA) and development guidelines for CLMV countries were examined. Regarding the situations at particular borders, 1) borders between Thailand and neighboring countries, 2) borders between Laos and neighboring countries including the Development Triangle of Cambodia, Laos and Vietnam, 3) China and Vietnam relations and their borders, 4) borders between Yunnan Province of China and neighboring counties and 5) the border between Cambodia and Vietnam along the coast.

In terms of border economic zones, borders are areas that can enjoy advantages of lower income coun-

tries such as lower wages and better access to natural resources and advantages of higher income countries such as better infrastructure and better access to markets and intermediate goods. As for CBTA, the number of rules and documents has increased in order to avoid bad economic activities such as smuggling, although the original purpose of CBTA was to simplify processes at borders. Regarding the development guidelines for CLMV countries, it was recommended that the simplification process of the cross-border process should be improved by making check-lists.

The situations at specific borders were analyzed regarding border points on maps, developments of cross border infrastructure, cross-border movements of people and goods, institutions of cross-border trade and investment and its realities. In addition, developments of single stop and single window and developments of industrial estates at respective borders were introduced. This year's research activities focused on fact-finding because this year is the first year of a two-year research project.

Co-researchers: Masaya Shiraishi (Waseda University), Ryo Ikebe (JETRO Guangzhou Office), Takao Tsuneishi, Keola Souknilanh, Toshihiro Kudo, Daisuke Hiratsuka.

51. Health Service and Poverty: Making Health Services More Accessible to the Poor

Organizer: Hiroko Uchimura

Health is increasingly a critical concern in the context of poverty reduction. In fact, three of the eight Millennium Development Goals (MDGs) require substantial improvements in the health sector by 2015. A fundamental problem is that necessary and affordable services do not reach those in need. A functional health system is vital for the provision of needed and accessible healthcare services. Our underlying focus in this study is the major bottlenecks that obstruct the provision of financially and physically accessible healthcare services. In this context, this study examines the critical factors for making health systems function: finance, pharmaceuticals, and health service providers.

Chapters 1-4 address the issues of health finance. Chapter 1 examines the role of public finance in health. Reflecting the fact that many developing countries have become decentralized in recent years, this chapter also analyzes the impact of decentralization on health

outputs. Chapter 2 examines the health financing systems, whereas Chapter 3 highlights the development of social health insurance systems. Chapter 4 analyzes the fundamental situations of GHPs which have been increasing their presence as emerging external funds for health in recent decades.

Chapters 5-7 focus on the issues of pharmaceuticals and health providers. Chapter 5 addresses the issue of pharmaceutical pricing. It econometrically examines the pricing mechanism of HIV/AIDS drugs, i.e. anti-retrovirals (ARVs). Chapter 6 focuses on the issue of health workers, particularly the migration of health workers, by examining case studies both of sending and receiving countries. Chapter 7 provides a case study of the function of a primary health center (PHC) in rural India. This chapter examines the PHC deployment and factors causing the malfunction of the PHC. Chapter 8 considers the issues of provision of health-care services to the socially excluded poor by examining an experience in Orissa, India.

Co-researchers: Masako Ii (Hitotsubashi University), Banri Ito (Research Institute of Economy Trade and Industry (RIETI)), Hiroko Yamane (National Graduate Institute for Policy Studies), Seiro Ito, Kensuke Kubo, Tatsufumi Yamagata

Researches for Peace and Security

52. Elections and Developing Democracies in Asia

Organizer: Yasushi Hazama

This research project investigated the voting behavior in developing democracies in Asia with particular reference to cleavage voting and economic voting. The former pertains to voting decisions that reflect the interests and values of societal groups to which voters belong. The latter assumes that voter evaluations of the incumbent significantly affect the vote. While these two perspectives are also prevalent in developed democracies, the socioeconomic structures of developing democracies may exhibit particular features.

There are two research questions. First, in emerging democracies, particularly in Eastern Europe and Latin America, cleavage voting is not regarded as strong as in developed democracies. However, developing countries in Asia have many more as well as deeper

cleavages than Eastern European and Latin American countries have. Then, is voting in Asian developing countries more cleavage-based than in other emerging democracies? Also, what factors strengthen or weaken cleavage voting? Second, economic voting has been found to exist in East Europe and Latin America. But do voters use the same logic in Asian democracies where per capita incomes are generally lower than in Eastern Europe and Latin America? What factors affect variations in economic voting across countries?

Quantitative analyses of India, Sri Lanka, Turkey, Malaysia, and Indonesia show that, first, cleavage voting is prevalent in all five nations. Cleavage voting is stronger in countries where cleavage groups are politically competitive than in countries where there are clear majority and minorities. Even in the latter, however, cleavage voting becomes manifest if political tensions escalate. Second, economic voting is also observed for the five countries. As for variation across countries, relatively long experience with democracy is associated with clear responsibility for the incumbent whereas the incumbent/opposition distinction does not carry a significant sense for a new democracy. Also, if the economy is stable, short-term (one year or less) economic variables can predict incumbent support but under an unstable economy, medium-term (longer than one year) variables are more valid.

Co-researchers: Hiroki Miwa (Instructor, University of Tsukuba), Norio Kondo, Masashi Nakamura, Koichi Kawamura, Takayuki Higashikata

53. The Power Structures and their Interrelations in Contemporary Syria and Lebanon

Organizer: Hiroyuki Aoyama

This research project is the second year of the project “Political Structures and Interrelations in the Contemporary Levant States,” which was launched in April 2006 and planned to continue for two years. The 2006 research project “Political Structures and Interrelations in the Contemporary Levant States” focused on the composition of the political actors in the political structures of Syria and Lebanon and analyzed their political roles and mutual relationship. The research results show that politics in both countries are characterized by the fact that the “informal” actors, which transcend the legal and institutional framework of the state, play a more decisive role than the “formal” ac-

tors, which are defined by the framework of the state.

Taking into consideration the above findings, this research project aims at comprehending the dynamics of the power structures of Syria and Lebanon, making a detailed analysis on their actions in the recent political changes, which are represented by the withdrawal of Syrian troops from Lebanon (April 2005) and the Lebanon Crisis (July - August 2007). In particular, focusing on the “informal” actors, the project clarifies how these actors are involved in the political stability (or instability) of Syria and Lebanon as well as the whole Middle East region.

The final report of the project was compiled as AOYAMA Hiroyuki and SUECHIKA Kota (edited by AOYAMA Hiroyuki) *The Political Structures of Contemporary Syria and Lebanon: Ideal Bilateral Relationships or Vicious Interdependence?* (tentative title), which consists of three parts with a preface, seven chapters and epilogue in all, and will be published in the IDE Series (in Japanese) in 2008.

Co-researchers: Kota Suechika (Associate Professor, Ritsumeikan University)

54. Reconstruction and Development of Rural Cambodia: From Krom Samakki to Globalization

Organizer: Naoko Amakawa

How have Cambodian peasants rebuilt their social relations, which were totally destroyed by the Pol Pot regime, after the collapse of the Pol Pot regime under the situation of international isolation? After some 20 years, what economic problems do Cambodian peasants face under globalization?

First, this research project reveals the agricultural policy of the Kampuchea People’s Revolutionary Party (KPRP) government in 1980s. This government annulled ownership before the Pol Pot era and divided Cambodian peasants into Solidarity Groups (Krom Samakki) to perform collective farming. Despite being a socialist government, it did not hasten collectivization and overlooked that villages distributed their group’s farmland to members after tiding over the crisis of famine. As a result, all villagers became independent farmers and maintained their minimum standard of life.

Second, this research project obtained the following implication from the analysis on the ownership

structure of farmland in the mid-1990s. The couples who obtained farmland distributed by Krom Samakki were called “the first generation” and their children who were given the farmland by their parents were called “the second generation.” “The third generation,” as the children of “the second generation” will become independent from their parents and make new households in the very near future. However, the farmland that should secure the livelihoods of all “the third generation” may no longer do so as many have migrated to the cities. Consequently, the creation of working opportunities in farming is a critically important issue in the Cambodia economy. Fortunately, the rapid development of the garment industry from the latter half of the 1990s increased the number of job opportunities for young women. On the other hand, young men stayed in rural villages with very limited job opportunities in farming. The under-employment and unemployment of young men will become a major social issue. Thus, increasing the job opportunities for young men is an urgent task for Cambodian society.

55. Migration and “Return”: Diasporas and Their Homelands

Organizer: Natsuko Oka

This research project examines human migration motivated by the “return” to ethnic homelands (an area over which an ethnic group claims exclusive ownership based on its historical residence) in Central Asia and the Caucasus of the former USSR. Our study focuses on Kazakhs and Armenians residing beyond the territories of Kazakhstan and Armenia, respectively, and ethnic groups deported to Central Asia under Stalin’s rule (Germans and others), and explores the ways in which they (re-)migrated to their homelands. For the purpose of comparative analysis, we adopted the following common research questions: 1) What was the ideological background to the “return” to the ethnic homeland, and what factors facilitated such (re-)migration; 2) what logic was used to determine the territory of the ethnic homeland; and 3) what identity change occurred within an ethnic group that was divided by state or administrative boundaries.

The intermediate report (published in March 2007) on our research activities in 2007, the first year of the two-year project, can be summarized as follows. Chapter One (Natsuko Oka) provides a review of the literature on ethnic Kazakhs residing outside of the

Republic of Kazakhstan, whereby identifying research topics to be explored pertaining to their migration to Kazakhstan. It also presents in-depth interviews of Kazakh immigrants. Chapter Two (Shiro Hanya) focuses on the 1979 Tselinograd Incident in which Kazakh protests circumvented a top-down plan to provide Germans with an ethnic territory within Kazakhstan. As an important background to this incident, Hanya highlights the idea of territorial self-determination, a strengthening sense of ownership among members of titular (core) ethnic groups over the territory of “their” Soviet republics in the 1970s. Chapter Three (Takayuki Yoshimura) examines what role the Armenian diaspora played in Armenia’s independence in 1991, its government management in subsequent years, and territorial conflicts with neighboring Azerbaijan. The chapter also shows the changes in the influence of co-ethnics abroad in Armenia during the 1990s.

Co-researchers: Shiro Hanya (PhD, Graduate School of Arts and Sciences, The University of Tokyo), Takayuki Yoshimura (Research Fellow, Graduate School, The University of Tokyo/ Junior Lecturer, Tokyo University of Foreign Studies)

56. Parties under Political Change in Developing Countries: Cross-areal Study

Organizer: Akira Sato

This research project is a comparative case-study focusing on political parties in developing countries in different continents. Although a large amount of literature has been published on political parties in developing countries, especially after the so-called “Third Wave of Democratization (Huntington),” cross-areal comparative studies are rare. This project aims to compensate for this lack, aiming to enrich our knowledge and understanding of new democracies in developing areas. As identified in the classical works by Durkheim, a political party is, theoretically, an intermediate group situated between state and society. Therefore the political life in a country is made up of the interplay between these three parties. The purpose of the study is to examine how political parties respond and transform themselves through this interplay. The topics to be investigated are: the survival strategy of long-ruling parties; the transformation of opposition parties in their transition to a ruling position; the associational groups (e.g. trade union, resistance move-

ment) in a governing position.

An interim report of the first year (FY2007) of a two year project, published in March 2008, contains case studies on Lebanon, Iraq, Andean countries (especially Ecuador and Bolivia), Argentina, South Africa, Kenya, and Cote d'Ivoire. The final report will be published by the end of FY2009.

Co-researchers: Naoya Izuoka (Keio University), Mitsugi Endo (Tokyo University), Dai Yamao (Kyoto University), Naokatsu Uetani, Miwa Tsuda, Hiroyuki Aoyama

57. Analysis of the Legal System against Trafficking in Persons from the Perspective of Law and Development: Cases of Thailand and Myanmar

Organizer: Miwa Yamada

Since the Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children (supplementing the United Nations Convention against Transnational Organized Crime) became in effect in 2003, tackling human trafficking has been on the global agenda. According to an index reported from the United Nations Office on Drugs and Crimes in 2006, Thailand is the most highly ranked as the origin, transition and destination country of victims of human trafficking in the world. This research, among human trafficking problems in Thailand, focuses on the human trafficking victims resulting from labor migration from Myanmar to Thailand. Analyzing the linkage between Thailand's policy on migrant workers and human trafficking problems, this study points out shortcomings in the provisions of current Thai laws, guidelines and memorandums concerning anti-human trafficking. Thailand's system for registration of immigrant workers from neighboring countries is so complicated, costly and abused that the system might adversely contribute to the increase in the number of *de facto* irregular migrant workers who are unable to reach find legal protection under the law and at worst fall in victim of to human trafficking. Measures should be taken to tackle these problems. First, anti-trafficking laws need to have provision to identify victims effectively. While setting formal criteria is efficient, compliance to the formality may fail to grasp the real victims. Second, the laws should provide adequate protection for a victim who has to be a witness in a

criminal procedure. Third, the laws need to provide 'real' remedies to victims. This study concludes that, in order to tackle human trafficking, Thailand needs to have not only adequate criminal provisions to punish the offender, rather, she is required to have comprehensive legal policies across criminal, immigration and labor laws, so that immigrant workers, nowadays indispensable for the Thai economy and society, do not become victims in her territory.

58. Political System under the Social Transformation in the Gulf and Arabian Oil Producing Countries

Organizer: Sadashi Fukuda

Iran and the GCC states, which are composed of Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman, have peculiar political systems such as absolute monarchies and Islamic republics. The political system of Yemen, a republic in the Arabian Peninsula, is deeply rooted in its tribal society. These countries' political systems have remained almost unchanged since the 1990s, although they have experienced many political incidents. However, the social transformation that has taken place in the course of economic development is exerting deep influence on their political systems.

This study was organized as a two-year research project to analyze the effect of social transformation on the political system in the GCC states and Iran in comparison with the situation of Yemen. In the first year, we studied the political systems, economic developments and social transformations in the countries, gathering basic data on the topics. This year, the second and final year of our project, we continued our studies to deepen the analysis on the effect of social transformations on the political systems and compiled a final report on the topics.

Co-Researchers: Hidenobu Sato (Ministry of Justice), Hiroshi Matsumoto (Associate Professor, Daito Bunka University), Takio Mizushima (Professor, Tokushima University), Hitoshi Suzuki, Jun Saito

59. Regional Integration in East Asia and Australia's Foreign Economic Policy towards ASEAN

Organizer: Jiro Okamoto

Economic cooperation and integration efforts in East Asia have gained momentum after the Asian financial crisis. Moreover, establishment of an 'East Asian Economic Community' is being discussed. Nevertheless, there seems to be no consensus on which countries should be involved in regional economic cooperation and integration processes, not to mention the Community.

Along with India and New Zealand, Australia is excluded from the 'ASEAN plus Three' cooperation framework but participates in the East Asian Summit. By focusing on Australia, which holds an ambiguous position in East Asia, and analyzing the development of its foreign economic policy towards and relations with ASEAN, this study explains the factors that would induce 'inclusive' regional economic cooperation and integration in East Asia.

In analyzing Australia's foreign economic policy in general and its ASEAN policy in particular, this study employs the 'state-society coalition' approach. This approach focuses on coalitions of state and society actors as the main units that compete for the realization of preferred policies. The existence of policy momentum and continuity is better explained by this approach since it sees the rise and fall of such coalitions, not just the change in governments, as the main factor of policy change.

The study findings include: the shifts in Australia's ASEAN policy not only closely reflect the changes in its overall foreign economic policy orientation but that, at some key junctures, its ASEAN policy strongly drove the change, and: Australia's bilateralist policy towards ASEAN since the turn of the century has not only been well accepted by ASEAN countries but, paradoxically, it has resulted in Australia's more multi-lateral engagement in the East Asian region.

60. Comprehensive Study on Taiwan II: Taiwan's Politics after Democratization

Organizer: Masahiro Wakabayashi (Professor, University of Tokyo)

Chen Shui-bian assumed the presidency in 2000, marking the first democratic change of power in Taiwan. Despite the hopes of many, Chen's administration has failed to overcome difficulties in internal and foreign affairs and has frustrated his supporters. Moreover several scandals within the government have come to light since 2005, stirring up severe criticism. From the

perspective of Taiwan's political history, what role has Chen's administration played? This is the first question for our project. A presidential election was held in March 2008 and KMT's Ma Ying-jeou won. Our second question is what the new administration will inherit from Chen's administration and what it will change.

In particular, we focus on Taiwan's unstable politics in the 2000s. A comprehensive study is necessary for understanding the background to this instability. We are conducting analyses on Chen and Ma's management of government, multi-cultural politics, corruption, public policies, the relation with the United States and China, and international participation.

Our project is expected to make two contributions that are academic as well as practical. First, several Asian countries, including Taiwan, have accomplished democratization since the 1980s, but they have disappointed people. We can deepen understanding about the reasons for their poor performances and might propose prescriptions for them. Second, the relation between Taiwan and China has a vital influence on the international order in East Asia and Japan's Asian policy. Our research is relevant to this issue and can help our understanding of the present and future situations. We are planning to finish the project by next February and publish the findings in 2009.

Co-researchers: Yoshiyuki Ogasawara (Associate Professor, Tokyo University of Foreign Studies), Yasuhiro Matsuda (Senior Fellow, The National Institute for Defense Studies), Mitsutoyo Matsumoto (Associate Professor, Nagasaki University of Foreign Studies), Yukihito Sato, Takayuki Takeuchi

61. The Central-Local Relationship in Thailand: Analysis of the Thai Local Administrative Organizations

Organizer: Tsuruyo Funatsu

Since the 1990's, Thailand has established a more decentralized local administration system in accordance with the democratization process. The central-local relationship in Thailand underwent a massive change, especially after introducing the direct election system of Mayor/ President of local administrative organizations throughout the country. However, the decentralization process in Thailand is still characterized as "guided-decentralization" under the supervision

of the central government over local administration organizations. In fact, the autonomy and efficiency of the local administrative organizations are still in question in terms of fiscal autonomy as well as functions delegated from the central authorities. In this context, it is important to focus on the changing central-local relationship in Thailand by exploring the questions of local autonomy, relations with local residents, and the relationship of the local administrative organizations with the central authorities.

In this two-year research project, we investigated these issues first through conducting a survey of the Thai local administrative organizations jointly with the Faculty of Political Science, Thammasat University. And secondly, we added qualitative data such as the size of the local administrative organizations and regional differences into the statistical analysis by conducting case studies and interviews. Among our findings in the course of our tentative analysis, we found that the stratified structures between urban and rural local organizations are one of the main factors that affect the performance of local government and the central-local relationship. The outcome of the first year of research was published in two research reports entitled, “Preliminary Results: The Survey of Local Administrative Organizations in Thailand.” and Local Government in Thailand —Analysis of the Local Administrative Organization Survey (JRP Series No.147).

Co-researchers: Fumio Nagai (Osaka City University), Kazuhiro Kagoya (Kanto Gakuin University)

<Overseas Joint Studies in Singapore, China and Indonesia>

62. Expansion of Production Networks into the Less Developed ASEAN Region: Implications for the Development Strategy

Organizer: Ikuo Kuroiwa

Considering geographical proximity, as well as economic, social and cultural affinity, experience of industrial development in the more developed ASEAN region would be most relevant to the less developed ASEAN region. In the more developed region, a rapid decline in transport and logistics costs has reduced service link costs so that production networks

of multinational corporations (MNCs) have extended into the region. Industries in the region then utilized this opportunity to participate in production networks and gain access to market and transferred technology from leading firms. Furthermore, development of the industry cluster has strengthened the competitiveness of industries. However, as a result of the spatial concentration of economic activity in the more developed region, land and labor costs - as well as pollution and congestion costs - inevitably soared, and some economic activities - especially standardized land and/or labor intensive activities - started to shift to the less developed regions. In this study, we consider the implications of expanding production networks into the less developed ASEAN region - notably Laos, Cambodia, Vietnam, and Indonesia. In addition, we identify how the governments in this region can play a leading role to attract FDI; to forge production networks extending into the less developed regions; and to develop competitive industrial clusters.

Co-researchers: Toh Mun Heng, Ng Kwan Kee (National University of Singapore); Dennis Hew, Sanchita Basu Das (Institute of Southeast Asian Studies), Rahul Sen (Auckland University of Technology), Rajah Rasiah (University of Malaya), Fukunari Kimura (Keio University), Motoyoshi Suzuki (Japan International Cooperation Agency), Bui Quang Tuan (Institute of World Economics and Politics)

63. An Empirical Study on Corporate and Industrial Growth in China: Strategy, Competition and Institution on Agro-industry in China

Organizer: Mariko Watanabe

This year is the 30th anniversary of the start of Reform and the Open Door Policy in 1978. China's policy and politics are turning in a direction whereby the “distribution of fruits of reform” is stressed more than the “growth first” policy. At the same time, China is beginning to use up its ‘unlimited’ labor supply. This dramatic change in the fundamental conditions of the economy has changed the nature of competition, strategies of firms, and transactions with farmers. To understand what is happening now, we examined the hog industry as a case study of this year's project.

Different from the pharmaceutical industry, the government rarely intervenes in the agro-industry. However, food safety has become a major issue of

the industry, the firm or the supplier is pursuing food safety under market competition via their organizational adjustment, innovation and strategy. In 2007, an acute hike in the price of pork became a major issue in society. This is attributed to fundamental changes to the labor market in rural areas: the firm's strategy relies on human wave are no more feasible, shortage or price hike of agro-products will continue unless there is improved efficiency via reform of the supply system. In order to secure sustainable supply and safety of the agro-products, reform of the transaction mode and organizational reform is necessary.

In order to explore the answer to the question; how to realize this efficiency reform, the project is pursuing (1) how the products in the hog industry are transacted, (2) how the transactions with the farmer are organized, then to consider (3) how the financial system can support this efficiency reform (including lending, settlement, futures and insurance). The project focuses on related institutions, the firm's strategy, decision-making and the nature of competition. The project will conduct a data survey to grasp the profiles of this industry.

This project started in September 2007, designed questionnaires in November to January, started preliminary research in January, and the questionnaire was conducted in March 2008. The project report will come out in September 2008.

Co-researchers: Wang Jimin (Chinese Academy of Agricultural Economy), Shi Huaqiang (China Banking and Regulatory Commission), Miyata Sachiko (World Bank).

64. Regional Development Policy after the Direct Election of a Local Head in Indonesia

Organizer: Kazuhisa Matsui

This study, conducted from November 2006 to August 2007, analyzed the impact of the direct election of a local head, starting from 2005 on the formulation and implementation of regional development policies in East Indonesia. Our study group met seven times in April, July and August, 2007 in Makassar and Jakarta. The study findings were published as the "Regional Development Policy and Direct Local-Head Election in Democratizing East Indonesia" ASED No.76 in December 2007.

In our report, Chapter I explains the general situ-

ation of the regional development policy and direct local-head election in the context of East Indonesia development. After that, there are six case-studies showing the process of regional development planning and its documents, with a case study of Gowa District in South Sulawesi (Chapter II); the regional development policy of Tana Toraja District in South Sulawesi and the alleviation of poverty (Chapter III); the impact of the local head election of the newly-built Bone Bolango District in Gorontalo (Chapter IV); the pro-peace public policy and regional development in Ambon City (Chapter V); some issues of Papua Special Autonomy (Chapter VI); and the regional development policy and local finance in North Sulawesi (Chapter VII).

Through this joint study, we obtained the following findings: (1) direct election of a local head results in centralization of political power at the local level; (2) the vision and mission of the winner of the locally elected head automatically form the basic principle of the regional development policy; (3) there are few significant differences in the contents of vision and mission before and after introducing the direct election of a local head; (4) concern for public service delivery of the education and health sector remains low after direct election of a local head; (5) collaboration in the regional development policy formulation between Ambon City government and the people for peace-building is very useful; and (6) the Papua Special Autonomy has many internal institutional contradictions.

Co-researchers: Abdul Madjid Sallatu (Hasanuddin University), T. R. Andi Lolo (Hasanuddin University), Lucky Sondakh (Sam Ratulangi University), S. L. H. V. Joyce Lopian (Sam Ratulangi University), Fenty Puluhuluwa (Gorontalo National University), Tonny D. Pareila (Pattimura University), Mohammad A. Musa'ad (Cenderawasih University)

65. Comparison of the Industrial Development Processes of Two Large Late Industrializing Economies: China and India

Organizer: Moriki Ohara

Under this project, we aimed to grasp distinctive features in the processes of industrial development in China and India. First, we examined the development processes of three industries in the two countries, the textile industry, the IT industry (hardware and software), and the motorcycle industry. In each chapter,

the stylized “East Asian Model” is applied for comparison. Regarding characteristics that China and India have in common, we need to further examine: (1) the multi-layered nature of society, (2) the weakness of central government, (3) the potentially huge domestic market, (4) the historically self-reliant manufacturing experience, and (5) the higher degree of global integration and wider technological gaps with advanced countries. At the same time, we identified China’s differences from India in such areas as: (1) the emergence of numerous firms, (2) the severe price-oriented competition, (3) the mass-production impetus, (4) the open, flexible, but “isolated” division of labor, (5) the less mature and less fair competitive rules, and (6) the active role of local government.

The chapters includes “Industrial Development Process in China and India: Building and Governance of Competitive Industries in Emerging Large-Scale Market Societies” (Ohara), “Characteristics and Capabilities of the Textile and Apparel Industry in India: Potential Challenges and Strategies” (Chandra), “Boom and Bust: The First Wave of Industrialization in China’s Post-Reform Textile and Apparel Industries” (Dallas), “The Role of the State in Late Industrialization: the Domestic Policy Context for India’s Software Production and Exports, 1970-2000” (Parthasarathy), “New Roles of Local Government in China’s Industrial Development – Driving Human Resource Formation in the Information Service Industry” (Lin), “Electronic Information Industry in China: History Review and Current Status Analysis” (Xie), “Integration of Inter-firm Relations in the Development Process of Asian Late-Industrializers - A Comparative Study of the Motorcycle Industry in China, Taiwan, and India” (Ohara), and “How an Indigenous Maker became Competitive through Trial and Error: A Case Study of Bajaj Auto Ltd” (Shimane).

Co-researchers: Balaji Parthasarathy (Indian Institute of Information Technology, Bangalore), Xiaoxia Xie (Institute of Industrial Economics), Mark Dallas (University of California, Berkeley), Lin Hong (Shandong Institute of East Asian Studies), Pankaj Chandra (Indian Institute of Management, Ahmedabad), Yoshie Shimane (Institute of Developing Economies)

<Commissioned Projects>

66. Free Trade Agreements in Asia: The Way Ahead

Organizer: Daisuke Hiratsuka

This study was commissioned by the Asian Development Bank (ADB). Japanese firms advanced overseas in particular in Asia, which has contributed to the formation of production networks in East Asia (see Hiratsuka, 2007). Thanks to the development of production networks, de facto economic integration has developed. In addition, in recent years, free trade agreements (FTAs) have proliferated in East Asia. Japan has been no exception. The proliferation of FTAs might create an overlapping FTA problem or the so-called spaghetti bowl problem across countries in which exporters face different tariffs and rules of origin (ROO). What are the expected consequences?

There have been numerous ex ante studies on the impacts of FTAs in which they assume that any firm can maximize profits by utilizing the FTA preferential tariffs without any additional costs. In reality, however, FTAs require certificates of origin, which impose additional administrative costs on firms. It is doubtful whether firms really use FTAs because FTAs are not compulsory. How much firms can really utilize FTAs depends on how much firms have information about FTAs.

Our study concluded that at present FTAs are not well known and not well utilized by Japanese firms. There are several reasons for the low utilization. Firms do not know much about FTAs. There are some trade arrangements through which tariffs are completely exempted, such as the Information Technology Agreement (ITA) and the special exemption of tariff under the Board of Investment Laws. Phase-out tariff reduction schedules, under which tariffs are gradually reduced over several years, lower the motivation to use FTAs. The administration required in preparing a document for certificate of origin is cumbersome. As a result, in general, SMEs do not use FTAs, meaning that SMEs are penalized in utilizing FTAs. Only a few EPAs with large economic partners are utilized by Japanese firms. Bilateral FTAs are no more beneficial than plurilateral FTAs in particular in East Asia where production networks have developed.

Co-researchers: Fukunari Kimura (Keio University), Akifumi Kuchiki, Hironobu Kitagawa, Ryo Mizuno, So Umezaki, Ikumo Isono, Hitoshi Sato

67. A Guide on ODA Program Evaluation and its Application

Organizer: Seiro Ito

We authored a guide on ODA program evaluation for the practitioners. We surveyed most of the popular estimation techniques in social science research, and we showed their uses with examples. We have further attached an application of the techniques on measuring the impacts of an irrigation project in Indonesia using the household data we collected.

Co-researcher: Kazushi Takahashi

68. Legal Analysis on the Promotion of Capital Markets and Consumer Protection Systems in Asia

Organizer: Masayuki Kobayashi

This study was commissioned by the Financial Services Agency (FSA) of Japan. This study surveyed the current situation of consumer protection in the financial sector development in Asian countries that are trying to develop their capital markets and to examine their future legal needs. Legal issues were identified by examining the development of consumer protection regarding securities transactions in each Asian country referring to legislation and measures taken in the developed countries such as the Financial Instruments and Exchange Act of Japan. For example, consumer contract laws applying to financial business, regulations on securities transactions, and systems for consumer protection were examined. The study covers Korea, China, Hong Kong, Vietnam, Thailand, the Philippines, Malaysia, Indonesia and India.

In the country report, an abstract of the general consumer contact, situation regarding security regulations, code of business conduct (e.g. prohibitions against fraudulent, unsolicited offers, and suitability principle, etc.) of Asian countries were surveyed and examined. Also, based on the country report, important issues such as current movements in consumer protection against securities transactions in developing countries, cross-border Internet transactions, and financial ADR were discussed. It was found that most Asian countries

provided codes of business conduct regarding securities transactions in some kind of form. However, the content and extent of the regulations vary from country to country reflecting each particular economical and social situation. In particular, some countries were relaxed on prohibiting unsolicited offers to allow businesses to expand their customer.

Co-researchers: Tsuneo Matsumoto (Hitotsubashi University), Tetsuo Morishita (Sophia University), Takeshi Kawana (Waseda University), Masao Yanaga (Tsukuba University), Koichi Hosokawa (Japan Women's University), Zhou Yongbing (Hitotsubashi University), Yoko Ogimoto (Nomura Research Institute, Ltd.), Motoaki Tazawa (Meijo University), Seo Hee-Seok (Yongsan University); Izumi Chibana, Rika Nakagawa, Shin'ya Imaizumi

69. Socioeconomic Study for Assisting Formulation of a Project Implementation Policy in Indonesia for the New JICA

Organizer: Yuri Sato

Indonesia is the largest recipient of assistance of the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC), both of which were integrated in 2008. This study was commissioned to IDE by JICA in order to examine the new JICA country policy for Indonesia. The study analyzed the effects and defects of Japan's assistance to Indonesia by reviewing the consistency of Japan's assistance with Indonesia's development policy over the past 40 years, and recommends in what and how Japan should assist Indonesia in line with her mid-term development issues.

The main study findings are as follows. It is essential for Japan to assist Indonesia to graduate from ODA appropriately for its economic level by around 2020. Japan's assistance in the past has largely been consistent with Indonesian development policy and has achieved effects in developing infrastructure and human resources, and creating systems. However, the effects were low and unsustainable where the recipient had low commitment. The logics of the need to continue projects were sometimes not persuasive. The development issues for Indonesia looking toward 2020 are to achieve high growth and high employment to reduce poverty and disparity. A "two-faceted growth strategy by region" and a "two-faceted strategy of growth and

poverty reduction” are effective for attaining the best scenario. Based on both two-faceted strategies, we explored the priority assistance areas in which Japan’s strengths are leveraged. We also recommended that the donor=receiver relationship of Japan and Indonesia in the past should be changed into “collaboration (*kerjasama*),” and that Japan’s method of assistance should be in line with Indonesia’s transition toward the future graduation from ODA.

We prepared the study findings in a report entitled “Socioeconomic Study for Assisting Formulation of a Policy Implementation Plan in Indonesia for the New JICA” and submitted it to JICA in August 2007.

Co-researchers: Kazushi Takahashi, Koichi Kawamura, Nobuhiro Aizawa, Etsuyo Michida, Takayuki Higashikata, Kazuhisa Matsui

70. Study for International Cooperation to Asia in the Field of 3R

Organizer: Michikazu Kojima

The project was commissioned by Japan’s Ministry of Economy, Trade and Industry.

The study prepared a road map of international cooperation in the field of 3R to Thailand, Indonesia, Philippines, Malaysia, Vietnam, China and India. The road map shows the necessity of awareness raising for bureaucrats and industrial associations, the priority of technology transfer, and capacity development for conducting collection programs and establishing related legislation for each country.

To prepare the road map, we reviewed previous needs survey, the Japanese experience and cases of international cooperation on 3R. Interviews with bureaucrats, experts and industries were conducted in Thailand, Indonesia, Philippines, Malaysia and Vietnam. We also proposed preparation to make international cooperation effective, such as coordination between international cooperation schemes and studies on the Japanese experience.

Co-researchers: Hideki Wada (Waste Policy Institute), Akihisa Mori (Kyoto University), Aya Yoshida (National Institute for Environmental Studies), So Sasaki (Mitsubishi UFJ research and Consulting Co., Ltd), Shozo Sakata

Advisory Committee: Shuji Owada (Waseda University), Yoshifumi Fujii (Bunkyo University), Tetsuo

Tsuyuguchi (JFE Engineering Corporation), Hiroshi Mizoguchi (City of Kitakyushu), Minoru Naki (Clean Japan Center)

<Projects funded by Grants-in-Aid for Scientific Research>

71. Building the Expertise on China and the Chinese in Indonesia

Organizer: Nobuhiro Aizawa

Within this decade, the presence of China has risen dramatically in Southeast Asian countries. Among Southeast Asian countries, Indonesia has the largest overseas Chinese population. Therefore, the rise of China had a great impact not only on the diplomatic relations between the two countries but also affected policies regarding Chinese Indonesians. Regulations implemented in the Cold War era that limited the cultural activities of the Chinese in the late 1960s to the 90s were abolished and Chinese New Year has been given national holiday status in Indonesia. So far, the current political transition has been favorable for the Chinese in Indonesia.

However, Indonesian history tells us that issues regarding the Chinese may shake the political stability of the country. Therefore, each government following the former president Suharto has been very careful in dealing with the issue of the Chinese while strengthening ties with China through diplomacy.

This research focuses on how Presidents Habibie, Abdurrahman Wahid, Megawati Soekarnoputri, Susilo Bambang Yudhoyono prepared, tried and implemented their policies in relation to China and Chinese Indonesians. In order to understand this question, special focus will be placed on studies on crucial expertise within the policymaking process.

The initial research findings were published in *Tonan Ajia Kenkyu* (Southeast Asian Studies) Vol.45 No.1 entitled *Depoliticizing the Chinese Issue*.

72. Recycling in Asia and Policies for Managing International Trade of Recyclable Resources and Promoting 3R

Organizer: Michikazu Kojima

This research is funded by a grant in aid for scientific

research on waste management, provided by the Ministry of Environment, Japan. The purpose of this research is to formulate policy proposals on the management regime of recyclable resources in Asia and legal systems for domestic recycling, taking into account the international trade of recyclable resources, based on a study on the present conditions of the recycling systems and industries.

To collect basic information on recycling systems, we are conducting field surveys, interviews with government officials, business people and researchers. In Vietnam, we are conducting a questionnaire survey on recycling villages, with the Institute of Economics in National Center for Social Sciences.

Regarding recycling of electric and electrical waste, the relationship between the legal EPR system and exports are reviewed. Voluntary collection programs in Asian Countries are reviewed.

On the system concerning transboundary movements of recyclable resources, we are studying regulations on the import and export of hazardous waste and recyclables. To identify problems in implementing such regulations, case studies on illegal shipment and the impact of the tightening regulations are conducted.

Co-researchers: Jun Tsuruta (Japan Coast Guard Academy), Rie Murakami-Suzuki (National Institute for Environmental Studies), Aya Yoshida (National Institute for Environmental Studies), So Sasaki (Mitsubishi UFJ research and Consulting Co., Ltd), Chung Sung Woo Hokkaido University Tadayoshi Terao, Shozo Sakata, Hajime Sato