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## II. Review of Research Projects

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### <Policy Proposal Research>

#### (1) CJK (China, Japan, and Korea) Joint Research Project

In November 1999, at a three-way summit held on the occasion of the ASEAN+3 Summit in Manila, leaders of the three participating countries, Japanese Prime Minister Keizo Obuchi, Chinese Prime Minister Zhu Rongji, and Korean President Kim Dae-jung, agreed to pursue joint research. This joint research, taking the form of a collaborative research project carried out by representative institutes in the three countries, has been ongoing since 2001.

The Action Plan for Promoting Trilateral Cooperation among China, Japan, and Korea (CJK) which was determined at the Trilateral Summit in December 2008, included a clause titled “Joint Research on China-Japan-Korea Trilateral Free Trade Agreement (CJK FTA)” which started in 2003 and will reach the conclusion phase in 2008, and further in-depth studies by three institutes. Under this Plan, in 2009, the Japan External Trade Organization (IDE-JETRO), together with the Development Research Center for the State Council of China (DRC) and the Korea Institute for International Economic Policy (KIEP), conducted joint research and proposed a policy brief at the meeting of the leaders of these three countries. A policy recommendation to upgrade Joint Research on the CJK FTA by commencing official discussions at the government level was accepted by the leaders and the Joint Study for a trilateral FTA was launched in May 2010, which included representatives of government, business, and academia from the three countries.

Aside from the separated and upgraded government level trilateral joint research on CJK FTA, the existing mechanism of academic trilateral joint research by IDE-JETRO, DRC, and KIEP has been maintained and further utilized to propose policy recommendations on trade, investments, and other comprehensive subjects among the three countries. In March 2010, a workshop for academic trilateral joint research was held in Sanya, China. The international symposium was also held in Seoul, Korea in May, together with a workshop.

Based on the discussions and agreements reached during the workshops and the symposium, the policy brief “Joint Report and Policy Recommendations on New Vision for Economic Cooperation between China, Japan, and Korea” was created and submitted to the CJK Trilateral Summit held in May 2010. In addition, workshops to discuss policy recommendations to the CJK Trilateral Summit 2011 were held in Chiba, Japan in September 2010, and in Pusan, Korea in March 2011.

**Leader:** KUROIWA Ikuo

**Members:** OZEKI Hiromichi, NABESHIMA Kaoru, HAYAKAWA Kazunobu, TANAKA Kiyoyasu, ISHIKAWA Yumiko

#### (2) Structural Adjustments in the Guangdong Economy and Issues in the Coordination of Japan-China Economics and Business

The economic relationship between Japan and China has become increasingly interdependent in terms of trade, direct investment, and human interaction since the end of the 1990s, in pace with the high growth of the Chinese economy, and practical economic integration has been advancing. In view of the future outlook, sound growth and development of the Chinese economy is indispensable to the sustainable growth of Japan, which cannot expect an expansion of demand in the future due to the declining birthrate and aging of the population. At the same time, Japanese technologies related to environmental and energy conservation and production are objects of envy for China, which is striving to change its methods of economic growth. Thus, the Japan-China economy has a complementary relationship, and it is desirable for Japan and China to have a deep understanding of the problems facing them and push forward with mutual cooperation and coordination in order to establish a favorable win-win economic relationship over the future. From such a standpoint, we have conducted research on “economic cooperation between Japan and China” since FY2005.

In FY2010, we conducted research focusing on structural adjustments and conversion of methods of growth in the Guangdong economy, which serves as

the driving force of the Chinese economy, and is important when considering future Japan-China economic cooperation. Specifically, we clarified the direction of future economic development in Guangdong Province and issues related to the coordination of Japan-China economics and business by conducting analysis concerning: 1) Japan's policies on industrial sophistication and small and mid-sized companies; 2) suggestions for industrial sophistication policies of the Guangdong Province, from the standpoints of economic theory, demonstration, and innovation; and 3) the economic relationship between Guangdong Province and Japan and East Asia (current status and challenges). We then compiled the findings in a final report. In addition to the final report, we also held a workshop with the Guangdong government to deepen mutual understanding of research findings.

**Organizer:** MARUYA Toyojiro

**Co-researchers:** OZEKI Hiromichi, IZUMI Nana, GOKAN Toshitaka, DING Ke, AMANO Shinya, YOKOTA Mitsushiro, IKEBE Ryo, FUKUKAWA Shinji (Chairman, The Machine Industry Memorial Foundation), KUCHIKI Akifumi (Professor, Nihon University), SUNAMI Atsushi (Associate Professor, National Graduate Institute for Policy Studies)

### (3) Korea-China FTA and its Effect on Third Parties

South Korea is now aggressively seeking to improve its own FTA network further. In this study we attempted to measure the effects of Korea's FTA on third parties, notably those on Japan. Considering a growing interest toward domestic agricultural measures to cope with the possible damages brought about by further FTAs, we also carried out a brief study of Korea's FTA-related agricultural measures.

In this study we measured the effects of Korea-China FTA, and compared the effects with those of Japan-China FTA. Official negotiations of both FTAs have not yet started, therefore, we introduced several assumptions that were led from Korea's and Japan's current FTA tariff concessions tables.

Korea-China FTA is estimated to increase Korea's exports to China by \$27.76 billion, and Japan is estimated to suffer by \$5.336 in Chinese market. On the other hands, China is estimated to increase exports by \$12.638 billion in Korean market, and Japan will suf-

fer by \$1.637 billion.

Japan will benefit substantially from the Japan-China FTA. Japan's additional exports due to Japan-China FTA are estimated to be \$46.675 billion.

Findings obtained from the study of Korea's FTA-related agricultural measures are as follows:

- (1) In the process of FTA negotiations, Korea persistently ruled out rice imports, and this has effectively suppressed resistance by farmers.
- (2) For Korea, whose economic performance now heavily depends on the external sector, enhancing manufacturing exports is the principal benefit of FTA.
- (3) Therefore, the idea is widely shared in Korea that shrinking the agricultural sector is inevitable.
- (4) The Korean government is attempting to offer income compensation to encourage inefficient farmers to close down or to assist large scale operation of efficient farmers.

**Organizer:** OKUDA Satoru

**Co-researchers:** WATANABE Yuichi

### (4) Investment Promotion Program for Africa

This program was established in the policy budget of the Japanese government as part of policy implementations in the Yokohama Action Plan at the 4th Tokyo International Conference on African Development in 2008, and has been implemented through the IDE budget. Its objective is to help Japanese companies enter the African continent. The project is based on two main themes:

1. To collect information on African businesses for publication.
2. To provide scientific methodologies to Japanese companies to elaborate policies for overcoming risks and costs involved in business in Africa.

In 2010, an information database on African businesses was completed, both in a Japanese and an English version. It has been made public on our website "African Growing Enterprises (AGE) Files."

We are also involved in three projects with Japanese companies engaged in African business. These projects provide scientific methodologies to the following companies to tackle problems in Africa and also to the Japanese business circle in general:

- 1) With Toyota South Africa on the HIV/AIDS problem

This project is designed to determine the HIV infection

rate in Toyota factories in South Africa, which has the largest HIV-infected population in the world. It will help Toyota draw up an effective HIV/AIDS treatment program for its employees. In 2010, HIV counseling and testing were conducted among employees. We are now preparing a policy proposal based on the collected data.

2) With Sumitomo Corporation on malaria prevention in Madagascar

This project aims to evaluate the social and economic effects of the Olyset Net, made by Sumitomo Chemical Co., Ltd. It will assist Sumitomo Corporation in efforts toward building nickel and cobalt production bases in Madagascar, to create a malaria prevention program as a CSR activity. In 2010, data was collected in collaboration with the National Statistics Office of Madagascar and Institut Pasteur de Madagascar. We are now preparing a policy recommendations based on the collected data.

3) With Mitsubishi Corporation on community development

This project is intended to help Hemic Ferrochrome (Pty) Ltd, a subsidiary of Mitsubishi Corporation and the only Japanese company that operates a mining site in Africa, to establish an effective development plan for its surrounding communities in South Africa. In 2010, a survey on households in communities was conducted. We are now preparing a policy proposal based on the collected data.

**Members of the Project:** HIRANO Katsumi, ITO Seiro, SATO Chizuko, KONO Hisaki, TSUKADA Kazuya, FUKUNISHI Takahiro, ICHIMURA Hidehiko (University of Tokyo), SAWADA Yasuyuki (University of Tokyo), OHIRA Satoshi (Keio University), FUWA Nobuhiko (Waseda University), KUDAMATSU Masayuki (Stockholm University), ARIMOTO Hiroshi (Hitotsubashi University), YAMAZAKI Jun-ichi (University of Tokyo)

## <Analytical Research Contributing to Policy Proposals>

### 【 1 】 Policy Issue Research

#### (1) India's Contemporary International Relations: The Way to Major Power

In this research project, the position of an emerging India in the international system has been analyzed. The various aspects of the international relations of India at present are examined as follows.

First, it is recognized that India must regard as most important the relationship with the United States in the present world system. This is because the United States is the sole superpower and has no serious pending problem with India. The relation with China, which is another emerging power in Asia, must be second to the United States because of the tension due to pending problems. However, it is significant that a sense of liberal mutual recognition and coexistence has been growing between the two countries with the deepening economic interdependency. In South Asia, it is Pakistan, with its nuclear weapons, which can be a serious restriction on India's emergence as a major power in the international system. Although Bangladesh, another Muslim state, cannot be a restriction on an emerging India, a prudent response by India might be necessary depending on whether the ruling party in Bangladesh is against India or not.

On the other hand, with its growing recognition as a major power in the world, India is expected to play a more extensive role in the international system, such as providing a developmental contribution to Africa or to peacekeeping operations. India's emphasis on the importance of Africa is intertwined with its growing demand for natural resources in Africa. India's popularity is also evident in East Asia if we observe the discourse of the East Asian Community or ASEAN plus 6, of which India is now considered to be an indispensable partner. Last, it is important to mention Indian immigrants abroad, who can be a unique diplomatic resource for India. For example, the Indian community in the United States is considered to have played an important role in the formation of favorable public opinion in the nuclear agreement between the two countries.

**Organizer:** KONDO Norio

**Co-researchers:** HORIMOTO Takenori (Professor, Department of Policy Management, Faculty of Policy Management, Shobi University), SATO Hiroshi (Researcher), IZUYAMA (YOSHIOKA) Marie (Chief, 6th Research Office, Research Department, The National Institute for Defense Studies), ITO Toru (Associate Professor, Department of International Relations, School of Humanities and Social Sciences, National Defense Academy of Japan), NAKATSU Masaaki (Doctoral student, Graduate School of Law, Senshu University), TAMARI Kazutosi (Research Fellow, The Japanese Society for the Promotion of Science), MURAYAMA Mayumi

## **(2) Economic Integration and Its Impact on Industrial Locations in CLMV**

Since CLMV countries joined the WTO and AFTA in the 1990s, they have removed or reduced trade barriers across borders and promoted integration with East Asian economies. At the same time, domestic economies have also been integrated through market liberalization and improvement of inland transportation and infrastructure. This parallel advancement in economic integration, which was induced by free movement of goods, services, firms, and people, has significantly affected industrial locations. In the first year of the project (2009), regional data of CLMV countries was collected and refined; in parallel, methods of analysis were explored. In the second year (2010), data collected in the first year was used to conduct statistical analysis on the spatial locations of firms. The following results were obtained: (1) the statistical analysis revealed the pattern of industrial location and factors of industrial locations; and (2) policy implications on industrial location and regional development policy were derived.

**Organizer:** KUROIWA Ikuo

**Co-researchers:** KEOLA Souknilanh, KUDO Toshihiro, HAYAKAWA Kazunobu, TSUBOTA Kenmei, ISHIZUKA Futaba, SAKATA Shozo, HATSUKANO Naomi, KUMAGAI Satoru, GOKAN Toshitaka, HAMAGUCHI Nobuaki (Professor, Kobe University)

## **(3) Disabled People and Government Policies in Southern Asian Countries: From the Viewpoint of “Disability and Development”**

This research project aims to review articles regarding disability and development in South Asian countries and to find the effects of the Disabled People’s Organizations Movement on these countries’ policies for poverty reduction and improvement of the lives of disabled people.

In the first chapter, the two common frameworks for this report were proposed. The first is development of disability laws and institutional systems for people with disabilities. The second is development of disabled people’s organizations (DPOs). The second chapter discusses the two types of DPO in India. Each has a different background and domain of activity. The situation provides the important implications for disability and development. In the third chapter, the current situation of special education in India and the efforts of NGOs and DPOs toward inclusive education was analyzed. The fourth chapter discussed the effect of democratization in Nepal in the 1990s on its PWDs and their policies for them. While these new trends brought PWDs more political participation and policy changes, they still have many challenges even in these aspects. In another chapter regarding Nepal, public interest litigation (PIL), DPO movements, and their advocates were discussed. Five PIL precedents were introduced, and the central issue of complaints, the role of the Supreme Court, and the implementation of court decisions have been left for further discussion. The sixth chapter argues that, although CAHD, which was invented as a tool for disability inclusive development in Bangladesh, works well, there are still problems of lack of ownership of DPOs and weak empowerment of deaf people. In the final chapter, the history of independent living (IL) of PWDs in Pakistan was reviewed with a focus on DPI Pakistan and the Milestone Society. The main issue is the possibility of IL in developing countries.

With this report, we found diversified development patterns of disability inclusive development in South Asian countries, and in most cases, the DPOs performed a significant role in the development.

**Organizer:** MORI Soya

**Co-researchers:** YAMAGATA Tatsufumi, TSUJITA Yuko, KOBAYASHI Masayuki, INOUE Kyoko (Pro-

fessor, Faculty of International Relations, Daito Bunka University), OKUHIRA Masako (Manager, International Training Section, Planning and Training Division, Japanese Society for Rehabilitation of Persons with Disabilities)

## 【 2 】 Regular Analytical Research Projects

### (1) Analysis of Current Affairs in Asia

Our project analyzed political, economic, and social development in 2010 in the 23 countries and regions of the Far East, East Asia, Southeast Asian, and South Asia. In addition to country- and region-specific reports, we investigated US policy toward Asia. In this project, we discussed ASEAN and the Russian Far East in region-specific reports.

In 2010, high growth of Asian economies served as a driving force of global economic recovery. Expansion of the economy was remarkable in China and India. China's GDP eventually exceeded that of Japan, to become the second largest in the world. Backed by overall economic recovery, many Asian developing economies practiced "exit strategies," raising domestic interest rate targets or reserve-requirement ratios. A global price hike in food grains and energy commodities gave warning of domestic inflation in several Asian developing economies. In several resource-rich countries, "resource boom" is becoming a reality, thanks to a surge in the price of natural resources.

As for political issues, in 2010, a general election was held in Myanmar for the first time since 1990, and consequently Aung San Suu Kyi was at last released after 7 and a half year's house arrest. North Korea bombarded South Korean Yeonpyeong Island, and this drastically escalated tension on the Korean Peninsula. China aggressively sought for its maritime rights and interests in East Asia, and this induced wariness against China in the neighboring countries of Japan, Korea, and ASEAN members. In Thailand, conflict between pro- and anti-Thaksin groups continued throughout 2010. More than 100,000 ISAF troops deployed to Afghanistan were not able to transform their disadvantageous situation. In the Philippines, Benigno Aquino III was elected the new president, and Kim Jong-Un emerged as the de facto next leader of North Korea.

These research results have been published in the

*Yearbook of Asian Affairs* 2011 (in Japanese) as well as in *Ajiken World Trends* (monthly journal in Japanese).

**Co-researchers:** Koji Murata (Doshisha University), Kunio Minato (Ritsumeikan University), Emi Mifune (Komazawa University), Shingo Mikamo (Shinshu University), Ayame Suzuki (Fukuoka Women's University), Kumiko Mizuno (PT. Jiji Pers Indonesia), Yoshie Shimane (Ryukoku University), Mitsue Osada (Tsukuba Gakuin University), Masami Mizuno (Nihon University), Satoru Okuda, Makoto Abe, Masahiko Nakagawa, Norihiro Sasaki, Ding Ke, Takayuki Takeuchi, Hiroshi Ikegami, Sanae Suzuki, Minoru Teramoto, Shozo Sakata, Naomi Hatsukano, Norihiko Yamada, Shin'ya Imaizumi, Koichi Kawamura, Miki Hamada, Toshihiro Kudo, Yuko Tsujita, Etsuyo Arai, Yoshihiro Nakanishi, Hitoshi Suzuki, Hideki Hirai-zumi

### (2) Compilation and Use of the 2005 International Input-Output Table II

The recent large-scale opening of markets in Asian countries (e.g. China's entry into the WTO in 2001) has promoted the relocation of production bases of multinational firms through an expansion of the mobility of labor, goods, and services. In addition, due to the emergence of new market economies such as the BRICs, the production networks in the Asia-Pacific region have become increasingly complex.

This study aimed to compile Asian and BRICs international input-output tables for the year 2005 in order to capture the above structural changes occurring in the world economy. In the study, we have developed analytical methods as well as estimation methodologies for the tables.

**Organizer:** INOMATA Satoshi

**Co-researchers:** KUWAMORI Hiroshi, TAMAMURA Chiharu, UCHIDA Yoko, SANO Takao

### (3) Compilation and Application of Trade Indices V: A Feature of Long-Term Trade Indices

Purpose of this research project is to focus on the data in conducting an examination of the problems of formulating world trade models, in addition to calculating trade indexes and examining their utilization.



This project has three main fields: (1) problems in the compilation and evaluation of world trade matrixes, the formulation of long-term time series trade data employing common trade classifications, improvement of the time series for international comparison, its consistency, and the correction of its consistency to the greatest possible degree; (2) formulation and evaluation of trade price indexes, the stability of unit values and the shift in units of quantity which occur when unit values are employed as values, continuous study of problems of unit values and the potential for their use when quality changes; and (3) investigation of international comparisons and economic analyses employing various trade indexes in addition to trade price indexes and the achievement of an understanding of trade structure which considers trends in technological choice.

**Organizer:** NODA Yosuke

**Co-researchers:** KINOSHITA Soshichi (Nagoya University), KUMAKURA Masanaga (Osaka City University), GEMMA Masahiko (Waseda University), KUROKO Masato, YOSHINO Hisao, KUMAGAI Satoru, MITSUO Hisayuki

#### **(4) Economic Modeling on Asia for Long-term Evaluation (EMALE)**

This research project attempts to provide an outlook regarding long-term growth prospects based on domestic demand expansion in Asian countries. Macro-econometric models, which give attention to demographic factors as determinants of consumption, are constructed, and alternative policy options for domestic demand expansion are discussed. First, consumption functions with demographic variables are estimated for Asian countries. Second, a prototype econometric model is constructed for China, and economic implications of demographic transition are discussed. Third, an overview of prospects of consumption demand of low income households in Asian countries is provided. Finally, issues regarding national accounts and macro-econometric model-building in China are discussed.

**Organizer:** NOGAMI Hiroki

**Co-researchers:** UEMURA Jinichi, OHIZUMI Keiichirō (Japan Research Institute, Economics Department, Center for Pacific Business Studies)

### **【 3 】 Spot Research Projects**

#### **(1) Democracy and Development in Bihar: The Case of Bihar**

In November 2005, the Bihar Assembly elections finally brought the Lalu Prasad Yadav-Rabri Devi regime to an end. A coalition government led by the Janata Dal (United) with the Bharatiya Janata Party replaced a 15-year-long rule, and Nitish Kumar of the JD(U) assumed office as the Chief Minister of Bihar. Since coming to power, the Nitish Kumar government has announced a slew of policy initiatives, and this has triggered optimism about the future of Bihar among the people of the state, as well as among observers of Indian affairs.

This research project attempts to investigate voters' political awareness and voting behavior in the Bihar Assembly elections in October-November 2010. In doing so, we try to reveal the performance of the Nitish Kumar government as well as the politico-economic underpinnings of India's poorest state.

**Organizer:** MINATO Kazuki (South Asian Studies Group, Area Studies Center, IDE)

**Co-researchers:** NAKAMIZO Kazuya (Visiting Associate Professor, Graduate School of Asian and African Studies, Kyoto University)

#### **(2) Power-succession in the Workers' Party of Korea**

This project analyzed current political and economic affairs concerning power-succession in the Democratic People's Republic of Korea. In September 2010, Kim Jong-Un, who was widely believed to be the successor to Kim Jong-Il, the present supreme leader of the Workers' Party and Democratic People's Republic of Korea, appeared in public for the first time. We re-confirmed that the preparation for inheritance in the WP had already begun, and attempted to explore the political and economic circumstances which the next leadership would face.

Nakagawa investigated the recent personnel changes in major organizations of the Party and the state. Mun Ho-Il examined macro-economical trends before and after the monetary replacement which was implemented at the end of 2009. Miyamoto reviewed international sanctions on the D.P.R.K., which the rocket

launches and nuclear experiments had provoked, and explored the possible measures of the government and the WP against them. Mun Songhui surveyed the external economic policies implemented over four decades. She focused on, for example, the introduction of industrial plants from western countries in the 1970s, and the organization of a new enterprise group intended to induce foreign investments in 2010. Pak researched the D.P.R.K's economic policies toward China, which is currently operating development plans in the region contiguous to D.P.R.K.

**Organizer:** NAKAGAWA Masahiko

**Co-researchers:** Moon Ho-Il(Institute of Economic Research, Hitotsubashi University) Miyamoto Satoru(Assoc.Professors., Seigakuin University), Mun Songhui(Graduate School of Humanities & Sociology Department of Korean Studies, University of Tokyo), Pak Jaehoon(Assoc.Professors., Korea University[Tokyo])

## 【4】 Collaborative Research Projects

### (1) Fukuoka Prefecture-IDE Joint Research “East Asia’s Economic Integration and Fukuoka’s Development”

The administration of Japanese prefectures and municipalities must maintain the vigor of the regional economy as birthrates are declining and the population is aging. To that end, they should take in the vitality of the growing Asian economy.

The “Fukuoka/Asia Special International Strategy Zone Plan,” which the Fukuoka prefectural government is attempting to promote, is aimed at deepening relations with East Asia and expanding the business opportunities of companies located in Fukuoka Prefecture by making Fukuoka a base in Asia in terms of state-of-the-art growth industries, environment, medical treatment, tourism, fashion, and the promotion of small and medium-sized companies. First, creation of business opportunities through the improvement of access to Asia is indispensable to making Fukuoka an industrial base in Asia. To achieve that goal, companies in Fukuoka must grow into “Asian companies” that play a role in the Asian region through the enhancement of their international development capabilities, in addition to the improvement of access of Fukuoka to Asia and vice versa.

Based on this understanding, the Fukuoka prefectural government and the Institute of Developing Economies, Japan External Trade Organization conducted joint research on “East Asian Economic Integration and Development of the Fukuoka Region” in FY2010. Workshops were held in Fukuoka Prefecture, with seminars held there at the time of each workshop. Through such seminars, reports were created on guidelines for entry into China. A symposium, “Fukuoka Developing with Asia,” was held jointly by Fukuoka Prefecture and IDE at ACROS Fukuoka on March 22, 2011. Fukuoka Prefecture Governor Wataru Aso and Takashi Shiroishi, President of IDE, delivered keynote speeches at the symposium.

**Organizer:** Toyojiro Maruya

**Research Topic:** Access between Fukuoka and Asia

**Organizer:** Daisuke Hiratsuka

**Co-Researchers:** Satoru Kumagai, Kenmei Tsubota, Hiroshi Hoshino(Kyushu University), Yoshihiro Kamayama (Kagawa University), Kentaro Nakajima (Hitotsubashi University),

**Research Topic:** Environment

**Organizer:** Michikazu Kojima

**Co-Researchers:** Shitaro Mine, Koide Hideo(Seinan Gakuin University), Nobuhiro Horii(Kyushu University), Toshizo Maeda(Institute for Global Environmental Strategies), Meiji Sato(Kyushu Techno Research Inc), Ryuichi Nagatsu (Fukuoka Prefecture), Kenya Ishida(Fukuoka Prefecture)

**Research Topic:** Automobile Parts

**Organizer:** Toyojiro Maruya

**Co-Researchers:** Kazuo Azuma(Toyota Motor(China) Investment Co., Ltd), Kiyoaki Shiotsugu(Kyushu University)

### (2) WTO-IDE Joint Research “Trade in Value-added in East Asia “

The “trade in value-added” approach enables us to redefine the relationships between countries of origin and destination in international trade. In contrast to the orthodox concept of trade balances based on foreign trade statistics, it focuses on the value-added contents of traded goods, and considers the contribution of countries to the generation of added value at each stage of the production process of a given commodity. For example, it is known that China’s exported goods use for their production a large amount of intermedi-

ate inputs supplied by neighboring Asian countries. Accordingly, a significant part of Chinese exports is attributable to foreign origins in terms of value-added.

The concept of “trade in value-added” is not necessarily new or surprising. It has already been studied widely at venues like the World Trade Organization, with the hope of bringing an alternative perspective for trade negotiations. In practice, however, the idea was hardly realized due to the lack of appropriate methodology or databases. The evaluation of “trade in value-added” requires a rigorous estimation of the value-added generation process, which cannot be captured by conventional trade statistics that only record the physical transfer of commodities across borders.

The international input-output table constructed by the Institute of Developing Economies, JETRO, is believed to offer a powerful analytical tool for this problem. This massive dataset combines national input-output tables of various countries at a given point of time. It provides a detailed map of international transactions of goods and services, and thus enables us to trace the value-added generation process of every commodity in every country at every production stage. The joint research aimed to synthesize the WTO’s knowledge and expertise on international trade and the IDE’s experience in constructing international input-output tables, and to contribute to the evaluation and analysis of “trade in value-added” in the field of international economics.

**Organizer:** INOMATA Satoshi

**Co-researchers:** MENG Bo, Hubert Escaith (Chief Statistician, WTO), Andreas Maurer (Statistician, WTO), Christophe Degain (Statistician, WTO)

## <Basic/ Comprehensive Research>

### (1) Laos: The New Development of “Chintanakan Mai”

So far, many previous studies have seen “Chintanakan Mai,” which was advocated at the 4th Congress of the Lao People’s Revolutionary Party in 1986, as one of the most important key factors to study in relation to present-day Laos. In a more limited sense, it is considered to be a policy of market-oriented economic reform called “New Economic Mechanism.” In a broad sense, it is considered to be a comprehensive reform

policy including social and political reform as well. Based on these perspectives, previous studies tended to see the year 1986 as a watershed of Laotian history, and to divide the history into two periods, before and after 1986: a period of socialism and a period of reform or market economy. Therefore, they tended to see current changes in Laos as the result or achievement of the reform started in 1986. The year 1986 is always a starting point for understanding Laos today. However, we reject this assumption and attempt to re-examine “Chintanakan Mai” through relativizing it into a history after 1975. According to our findings, “Chintanakan Mai” is not a watershed of Laotian history, but rather a temporary slogan to further postwar reconstruction. Next, we set up a new perspective that Laos has been on two overlapped processes, a long process to idealistic socialism since its foundation and a process to realistic nation-building. This means that we should locate Laos in this historical process in order to understand present changes. Of course, there are some gaps between the ideal and reality. Today, the Party is attempting to narrow the gaps. By doing this, it makes some institutional changes in many fields. This is the situation in Laos today. Based on this perspective, we research current movements and events in politics, the economy, and society in Laos today.

**Organizer:** YAMADA Norihiko

**Co-researchers:** KEOLA Souknilanh, SUZUKI Motoyoshi (Economic Advisor, Ministry of Finance and Economic Development, Sierra Leone), TOMITA Shinsuke (Assistant Professor, Graduate School of Agriculture and Life Science, The University of Tokyo), YANO Junko (PhD Researcher, Hitotsubashi University Graduate School of Language and Society), Phanhpakit ONPHANHDALA (Assistant Professor, Graduate School of International Cooperation Studies, Kobe University)

### (2) The Prospects of the Military Regime in Myanmar

More than twenty-two years have passed since the military took power by force in Myanmar in 1988. The newly-born military government tackled enormous challenges, that is, economic development and national reconciliation. The military government opened its door to the regional and global economy and inaugurated transition toward a market economy. The



military government held an election in 1990, although it eventually refused to transfer power to the National League for Democracy that had won a landslide victory. The military achieved a ceasefire with major ethnic insurgents. The international environment surrounding Myanmar has also drastically changed. Thus, the birth of a military government was indeed an historic event for Myanmar. Our study group takes stock of these events and identifies underlying changes, so that we can envisage a future of the post-military, and perhaps post-Thaw Shwe, era in this country.

**Organizer:** KUDO Toshihiro

**Co-researchers:** NAKANISHI Yoshihiro, YAMADA Miwa, INO Kenji (Professor, The University of Kitakyushu), TOSA Keiko (Professor, Tokyo University of Foreign Studies), MASUDA Tomoko (JICA Expert on Education), Tom Kramer (Research Fellow, Transnational Institute), Bi Shihong (Associate Professor, Yunnan University)

### (3) Conflict and State Formation in Africa and the Middle East

This research project examined conflicts in order to identify and conceptualize other dimensions of conflict beyond the obvious destructive aspects. Focusing particularly on Africa and the Middle East, the aim was to provide a mid-range transect of conflicts. The key concept of interest was “state formation,” which entails broad processes such as establishment of state institutions, nation-building and national integration, and consolidation of a particular power structure and political economy. We conducted case studies of six countries: Cote d’Ivoire, Iraq, Kenya, Lebanon, Somalia, and South Africa. These countries were selected to represent a transect of diverse conflicts in terms of historical background, nature, scale, and intensity, in order that we could examine the analytical validity of our concept of “state formation” which was expected to be used further to deepen our understandings of conflicts. The topics of the case studies were as follows: destabilization of Lebanon under sectarianism (Aoyama); amendment of the Constitution after post-election violence in Kenya (Tsuda); non-formal security organizations known in post-war Iraq as the “Awakening Councils” (Yamao); police sector reform in post-apartheid South Africa (Abe); reexamination of the notion of a “collapsed state” through the example

of Somalia (Endo); voter registration as the central task in the Ivorian peace process (Sato). This project, which began in April 2009, was completed in February 2011. The final report was published in January 2012.

**Organizer:** SATO Akira

**Co-researchers:** TSUDA Miwa, ENDO Mitsugi (Professor, Tokyo University), AOYAMA Hiroyuki (Associate Professor, Tokyo University of Foreign Studies), ABE Toshihiro (Associate Professor, Otani University), YAMAO Dai (Lecturer, Kyusyu University)

### (4) Local African Firms in the New Era of Globalization

The business environment in Africa has changed drastically since 2000. African firms benefited from an upsurge of commodity prices, preferential access to the OECD markets, increases in foreign direct investment in manufacturing and service sectors, and improvement of the investment climate. Meanwhile, the development community has recently recognized industrialization in poor countries as a strategy for poverty reduction and sustained economic growth.

Those favorable changes in the business environment may lead to improvement of the structural problems that have hindered the growth of African firms for more than two decades. This project explored changes in African producers based on original firm-level information in five countries, namely, pineapple farmers in Ghana, smallholders in Uganda, the export-oriented textile industry in Madagascar, furniture workshops in Tanzania, and the construction industry in Burkina Faso.

From these five case studies, we found significant changes occurring among local producers under times of economic growth. African farmers and firms have started to supply products to export markets in Ghana and Madagascar, smallholders have introduced new cash crops for beer industries in Uganda, local firms are challenging international bidding in Burkina Faso, and the cluster of workshops is expanding in Tanzania. In all cases except Tanzanian furniture workshops, producers absorbed new technologies and knowledge successfully through interaction with foreign firms or exporters. This is an encouraging result for sustaining growth in African countries. Although literature argued an absolute lack of capability of African producers, they are capable of exploiting new opportunities.

On the other hand, the case studies also showed a disparity in capability among producers, based particularly on levels of assets and education. In addition, some cases indicated a high risk in export markets. Expansion of domestic markets may be a key for broad-based growth of African producers.

**Organizer:** FUKUNISHI Takahiro

**Co-researchers:** Yessica C.Y. CHUNG (Research Associate, JICA Research Institute, Japan International Cooperation Agency), MUTO Megumi (Research Fellow, JICA Research Institute, Japan International Cooperation Agency), NISHIURA Akio (Professor, Soka University), SHIMOKOSHI Shinobu (Economist, JICA Research Institute, Japan International Cooperation Agency), SUZUKI Aya (Faculty Fellow, Foundation for Advanced Studies on International Development), TOKUORI Tomomi (Advisor, Japan International Cooperation Agency)

## (5) “Food Crisis” and Maize Supply in Developing Countries

The food crisis in 2008 changed our perspective toward grains. Since the 1980s, grain prices remained low in the international market, and it has been considered to be an inexpensive food with abundant supply. However, prices began to rise in the mid 2000s, reaching an historical record in 2008. Although prices dropped after the financial crisis, grain is no longer the inexpensive food it was in the past.

Many economists in international organizations and research institutes have analyzed the causes and consequences of the food crisis. These studies mainly adopted country and whole grains as a unit of analysis, and utilize data from the Food and Agricultural Organization and the United States Department of Agriculture. Their focus is on the international market as a whole. Therefore, except for certain important players in the international markets, such as the United States, we have little knowledge regarding changes in the supply and demand of grains in each individual country.

Instead of analyzing whole grains, we focused on a single crop. We selected maize because it is the most-produced grain in the world, and has wider variety of uses than other grains. We chose seven countries: principle producers, exporters, and consumers (the United States, China, Argentina, Brazil and Mexico), a country whose supply-demand structure has changed

significantly (Thailand), and a country in which maize is produced mainly for self-consumption (Malawi). Having understood the changes in demand for maize, we analyze the structure of maize production and its changes in recent years.

The results of this research project will be published as a volume in IDE Research Series, *Expanding Maize Supply and Demand in Developing Countries: Integration and Segmentation of its Market*, in Japanese.

**Organizer:** SHIMIZU Tatsuya

**Co-researchers:** HOKEN Hisatoshi, SHIGETOMI Shinichi, OE Tetsuo (Associate Professor, Meiji University), SHIMIZU Junichi (Senior Researcher, Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries), TAKANE Tsutomu (Professor, Tokyo University of Agriculture), TANI Hiroyuki (Professor, Sophia University)

## (6) Comprehensive Study on Cuba: Politics, Economy, and Society under the New Government of Raúl Castro

Since the end of the Cold War, Cuba has suffered from serious economic crises, while it has attracted much attention at events such as the 50th anniversary of the 1959 Cuban Revolution and the succession of power from Fidel Castro to his younger brother Raúl. In this project, we have examined the following questions: (1) Has Cuba’s totalitarian regime transformed into another type of regime? (2) Is the government attempting to resolve economic problems, and if so, how? (3) How can we evaluate Cuba’s famous social development under the economic crisis? (4) Has any social plurality emerged? (5) Has there been any alienation between Cuba and the United States? (6) What role has the Bolivarian Alliance for the Americas (ALBA) regional agreement played in Cuba’s politics and economy?

Our discoveries through the project are as follows: (1) Cuba’s revolutionary regime has been transforming from Juan Linz’s totalitarian regime to a post-totalitarian regime. (2) With the continuing problems of a dual exchange rate system and restrictions on hard currency, the Raúl Castro administration has attempted to shift from politics- and ideology-oriented economic policy toward rational economic management. (3) Linda Cook’s Cuban socialist welfare state model marked its peak in the 1980s, and after the suspension of Soviet economic assistance, the model has been fading.

(4) Although racism had long been assumed to be a resolved social issue, and therefore politically invisible until the end of the Cold War, it has become visible due to claims mainly by Afro-Cuban groups, yet their complaints are varied and it has been difficult to unify them into a national movement. (5) The identity gap related to the monasticism of the Cuban regime between Cuba and the United States has caused a long-standing confrontation between the two countries, and thus as long as Cuba persists in its current political system, the confrontational relations will continue. (6) Cuba's interests in ALBA are mainly economic, as it was beneficial for Cuba to exchange favorably priced petroleum from Venezuela and healthcare personnel exports.

**Organizer:** YAMAOKA Kanako

**Co-researchers:** USAMI Koichi, TANAKA Takashi (Professor, College of International Studies, Chubu University), KOZAKI Tomomi (Professor, Department of Economics, Senshu University), KOIKE Yasuhiro (Professor, School of Foreign Studies, Aichi Prefectural University), KUDO Takako (Associate Professor, Faculty of Economics, Keio University)

### **(7) How Chinese Industries Have Developed?: Trace the development path in 30 years**

China has achieved striking economic development since it initiated its open-door policy in 1978, becoming the world's second largest economic in 2010. Market structures within each of the various industries of China are extremely diverse compared to India, which has a population that is similar to China's, or compared to Japan, which China has recently surpassed in terms of total GDP. This fact implies that fixed costs, which constitute the cost of entering an industries, are low but have not decrease, and that variable costs are low, thereby facilitating a longer stay in the market. Therefore, we explore fixed cost, variable costs, and other factors that have determined the developmental path in the past, and which can be used to predict the future development of industries in China. In regard to entry cost, we focus on technology and distribution channels. We also refer to food production, energy policy, and the labor market.

**Organizer:** WATANABE Mariko

**Co-researchers:** DING Ke, HOKEN Hisa-

toshi, KIMURA Koichiro, YAMAGUCHI Mami, ASUYAMA Yoko, MARUKAWA Tomoo (Professor, Tokyo University), OHARA Moriki (Associate Professor, Ryukoku University), HORII Nobuhiro (Associate Professor, Kyushu University)

### **(8) Social Welfare and Governmentality in Emerging Countries**

Emerging countries in Asia, Latin America, and Africa have witnessed rapid development of social welfare in the last decade. Economic development and democratization, as well as increasing support from the World Bank and other international relief institutions, are background factors in this development. This project aims to examine how and on what groundwork the social welfare system is structured and operated in emerging countries in Asia and Latin America. The study thereby elucidates how social welfare institutions operate to govern people. Most existing studies on social welfare in developed and emerging countries have maintained that the provision of welfare should be improved through establishing universal social rights. On the other hand, few studies on developed countries address how the provision of welfare has served to maintain social order by intervening in people's lives and conditioning people to behave as ideal citizens. Following the latter approach, this project aims to offer critical interpretations of social welfare practices in emerging countries. The idea of governmentality that was proposed by Michel Foucault is one of the pivotal ideas in our analysis. The concept of governmentality refers to the complex processes by which policies not only impose conditions but also influence people's indigenous norms of conduct so that they themselves contribute, not necessarily consciously, to a government's model of social order. Cases from educational reform in India, urban redevelopment projects in the Philippines, social assistance programs in Turkey, and social welfare for the aged in Argentina will be examined. Project members largely focus on the work of neo-liberalism as new governmentality, while paying attention to the historical and cultural context of the respective countries.

**Organizer:** MURAKAMI Kaoru

**Co-researchers:** USAMI Koichi, YONEMURA Akio, OSHIKAWA Fumiko (Professor, Center for Integrated Area Studies, Kyoto University), SEKI Koki (Associ-

ate Professor, Graduate School for International Development and Cooperation, Hiroshima University)

### **(9) Political Participation by “the Excluded” in Latin America**

Through this research project, we aim to explore the origins and changes of political (or democratic) practices in progressive local governments in the age of “left turns” in Latin America. Paying special attention to “the excluded” group that grew under the era of “neoliberalism,” we attempt to grasp by what sort of measures and to what extent local governments have accomplished the “political inclusion” of “the excluded,” and, at the same time, have influenced national (democratic) politics in each case.

**Organizer:** UETANI Naokatsu

**Co-researchers:** KONTA Ryohei, UKEDAHiroyuki (Tokyo University of Foreign Studies), FUNAKI Ritsuko (Chuo University)

### **(10) Political, Economic, and Social Issues in Latin America**

Latin American countries took great benefit from an increase in the prices of primary products until 2008. However, many of these countries were affected by the latest economic crisis. Many leftist governments which were formed criticizing neo-liberal policies introduced in the 1990’s are now facing serious economic situations. The countries in this region have serious social problems such as drugs and poverty. Despite such circumstances, there is limited Japanese-language media coverage of Latin American affairs. This project aims to analyze actual Latin American situations from the viewpoints of political science, economics, sociology, and international relations. We have published two volumes of a journal titled “Latin American Report” vol. 28, no. 1 & no. 2.

**Organizer:** USAMI Koichi

**Co-researchers:** KONTA Ryohei, YONEMURA Akio, YAMAOKA Kanako, SAKAGUCHI Aki, KITANO Koichi, SHIMIZU Tatsuya, UETANI Naokatsu, MURAI Tomoko

### **(11) Firm, Market and Industry in Developing Economies: Exploring a New Industrial Development Theory**

How can developing economies become developed economies? A key is the development of industries that constitute the supply side of the economy. How should business and industries be grown, and how should the market mechanism be grown and utilized to reach this target? Policymakers have been seeking for the answer to these questions, and academics have been able to present a number of anecdotal answers, but never a clear systematic answer. Foundational research and policy implications were not interrelated with each other. Looking at the current progress of developmental studies, it can be seen that more focus is placed on public policy related to health, risks, and education. Few studies address the issue of how to grow the industry.

IDE has a long history of fieldwork on businesses, markets, and industrial development in developing economies. The approaches were diverse, including management studies, sociology, and history. In this context, intensive interviews and deepened material investigation as the main method of approach has been the advantage of IDE research. IDE has accumulated a large amount of knowledge regarding industrial development in developing economies. Recent developments in economics, particularly in industrial organization, can shed light on the field. Effective integration of these approaches is expected to give more analytical and practical knowledge on how to

This project is motivated by a desire to intensify and deepen inter-approach communication regarding research on industrial development.

**Organizer:** WATANABE Mariko

**Co-researchers:** KAWAKAMI Momoko, MACHI-KITA Tomohiro, FUJITA Mai, HAYAKAWA Kazunobu

### **(12) Dealing with Differences: The Politics of Tolerance in Developing Countries**

Why and how do individuals, groups, and states acquire attitudes or institutions that accommodate differences in ethnicity, religion, and ideas? This research project aims to answer this question through the examination of (1) contact with and perceived threat from out-groups, (2) institutions that deter inter-group con-

flict or majoritarian tyranny, and (3) the way in which the state defines its citizens. Case studies including India, Turkey, and Kazakhstan reveal conditions that enhance political tolerance despite political instability/insecurity.

In the first year of this two-year research project, literature reviews and preliminary analysis of data were conducted, yielding the following findings. First, a literature review on political tolerance showed that individual-level determinants such as authoritarianism, education, contact, and threat perception had robust effects on tolerance. What are less known are the mediating factors that enhance or reduce these effects. In recent years, increasing attention has been directed toward the impact of contextual factors on threat and contact effects. Second, a preliminary analysis of the Punjab conflict in India was conducted with a three-player outbidding model, as adapted from the conventional two-player outbidding model. The three-player model accounted for the ultimate end of the ethnic conflict better than the two-player model did. Third, a literature review on post-Soviet Kazakhstan politics found that the major focus in research shifted from ethnic politics (especially on Kazakhization and ethnic Russians) to authoritarianism, after color revolutions swept through post-Soviet countries.

**Organizer:** HAZAMA Yasushi

**Co-researchers:** KONDO Norio, OKA Natsuko

### (13) Comparative Studies on Political Institutions in Southeast Asia

The main purpose of this research project is to show how political institutions influence policy outcomes as well as the stability of political regimes in Southeast Asia. The original ASEAN members-Indonesia, Thailand, Malaysia, the Philippines, and Singapore-have developed institutions for representative government since their independence. Although all the five countries have experienced authoritarian rule, the Philippines, Thailand, and Indonesia accomplished full-scale democratization in the past two decades. Malaysia and Singapore still cannot be seen as democracies; nevertheless, political parties and elections are essential tools for rulers to assume and exert power even in these countries.

Five countries have been put in relatively similar structural conditions. None of the five societies are im-

mune to political tensions arising from a religious or ethnic divide. To a greater or lesser extent, they have succeeded in industrialization and experienced rapid economic growth. However, their records of policy performance and political stability vary. We will attempt to show how political institutions function as mediating factors between social structure and political performance by comparative studies of five cases.

**Organizer:** NAKAMURA Masashi

**Co-researchers:** SUZUKI Sanae, SHIGETOMI Shin-ichi, KAWANAKA Takeshi, KAWAMURA Koichi, AOKI-OKABE Maki

### (14) The Change in Social Contract in Egypt

The purpose of this research project was to analyze the so-called “Social Contract” in Egypt in terms of its effectiveness and modification. In Egypt, fulfilling the terms of the social contract is regarded as a condition of a *de jure* government. However, during the last 40 years it seems that the validity of the social contract has been changing due to the political and economic conditions surrounding Egypt. Therefore, in this project we reconsidered the effectiveness of the social contract during the Mubarak regime, in particular.

In the preliminary report titled “Changes in the Social Contract in Egypt” (in Japanese), we discussed the modification of the social contract from various point of views such as economic policy, social welfare policy, labor movements, and political awareness.

**Organizer:** INO Takeji (Professor, Wayo Women’s University)

**Co-researchers:** TSUCHIYA Ichiki, YAMADA Toshikazu, SUZUKI Emi (Associate Professor, Waseda University), IWASAKI Erina (Lecturer, Kyoritsu Women’s University), KANAYA Misa (Collaborative Researcher, Sophia University)

### (15) The Rise of Multinational Corporations from Middle East

The purpose of this research project is to analyze the nature of multinational Arab firms. Enterprises in the region have expanded their activities since many Arab nations began implementing economic reform programs in the 1990s. Moreover, some large enterprises have recently expanded their activities beyond their



borders. In this project, we focused on those newly multinational corporations (MNCs) from the Arab Middle East, and analyzed them in terms of their nature and competitiveness.

In 2010, the first year of the two-year project, we discussed the competitive advantages of newly multinational corporations from emerging countries in general, and collected basic information on MNCs from GCC countries and Egypt. In the preliminary report titled “The Rise of Multinational Corporations from the Middle East” (in Japanese), we mainly focused on the case of MNCs from Saudi Arabia, Dubai, and Egypt.

**Organizer:** TSUCHIYA Ichiki

**Co-researchers:** SAITO Jun, FUKUDA Sadashi, NAGAOKA Shinsuke (Research Fellow, Kyoto University), HOSOI Takeru (Associate Professor, Kokugakuin University)

## **(16) Social Transformation in Post-transition South Africa**

This research project explores various aspects of transformation in “post-transition” South Africa. Although the unequal character of South African society has its origins in the apartheid era, challenges the country is now facing cannot be explained by the “legacies of apartheid” alone, and a closer look at the dynamics of change in “post-transition” era, i.e., the period after political transition from apartheid to non-racial democracy, is warranted. For this purpose, we explore both domestic and international/transnational aspects, as we perceive that the South African transition took place in the context of rapid integration into the post-cold war world order with liberal democracy and market economy as the two main pillars, both in terms of its origin and process. Topics covered vary across political, economic, and social terrain, and include democratization and traditional authority (by Yoshihiko Fujimoto), trade and investment (South Africa’s WTO policy by Akiko Yanai, Chinese FDI by Koichiro Kimura, and South Africa’s FDI on the African continent by Akio Nishiura), agricultural development (by Chizuko Sato), immigrants and xenophobia (Chinese immigrants by Eiichi Yoshida and immigrants from neighboring African countries by Akiyo Aminaka), and civil society’s role in social development (by Kumiko Makino).

In FY2010, which was the first year of the two-year project, we invited five distinguished academics

(Prof. Shin Kawashima, Prof. Scarlett Cornelissen, Prof. Hussein Solomon, Prof. Katsuhiko Kitagawa, and Prof. Jeremy Seekings) for seminars to share their views on the international relations of South Africa, a comparative perspective on its social policy, and the historical context of its transition. At the end of the fiscal year, a report titled “Social Transformation in Post-transition South Africa: An Interim Report” was published in Japanese.

**Organizer:** MAKINO Kumiko

**Co-researchers:** SATO Chizuko, YOSHIDA Eiichi, KIMURA Koichiro, YANAI Akiko, NISHIURA Akio (Professor, Soka University), FUJIMOTO Yoshihiko (PhD candidate, Hiroshima University), AMINAKA Akiyo (Research Fellow, Japan Society for the Promotion of Science)

## **(17) Analysis of the Social Policy for the Victims of Agent Orange/Dioxin in Vietnam**

This research program focused on social policy concerning the victims of Agent Orange sprayed by U.S. forces during the Vietnam War, the livelihood of the victims, and the role of the nation’s social policy on the livelihood of the victims. In addition, this research program was based on two analytical works. First, it was based on an analysis of Vietnamese government documents to determine the content and transformation of social policy concerning victims of Agent Orange. Second, it was based on field research at one village in the Cam Lo District, Quang Tri Province, to obtain micro-level data, with the purpose of clarifying the nature of the livelihoods of the victims of Agent Orange and the role of social policy in it. Through the first of the activities, it was discovered that variations and the volume of social policy had been increasing since its first implementation at the national level in 2000. In particular, the amount of supplementary benefits (tro cap) increased dramatically. Through the second activity, it was discovered that not only for the victims but also for their families, supplementary benefits given by the Vietnamese government played a significant role in the maintenance of livelihood. In addition, the main actors supporting the victims were “Family” and “State.” The chief of numerous roles of the “Family” was to provide direct care for the victims. The “State” mainly played a role in providing supplementary benefits and medical support. However, there are many people who are still

waiting for the support of the country. Problems of the third generation, former soldiers of the Saigon government, remain unresolved. However, several cases were discovered in which the Vietnamese government applied a policy for the disabled to those people who have been assumed to have been affected by Agent Orange. The result of this research project was published in the *Ajia keizai* vol.53, No.1.

**Organizer:** TERAMOTO Minoru

### **(18) Firm Organization, Non-regular Workers, and International Trade**

One of the most striking facets of the Japanese and Korean labor market is the growing dependence on non-permanent workers. This paper reviews the important facts on the Japanese and Korean labor market's reliance on non-permanent workers. This project investigates the structure of the employment relationships in businesses in a globalizing economy, taking into account the fact that only firms with superior characteristics are engaged in international activity, such as exports, FDI, and global outsourcing. Firms in major Asian economies including Japan and Korea have come to use non-regular employees aggressively in recent years. The project aims at determining policy implications for labor policy as well as trade policy for these economies. We statistically test predictions derived from the framework using publicized data regarding Japan and Korea. For this purpose, *Non-permanent Jobs and Globalization: An Overview* by Tomohiro Machikita and Hitoshi Sato attempts to develop a theoretical framework in which firms choose the extent to which they use non-regular employees along with regular employees in an open economy. Due to the limitation of data in this paper, we also show case studies on a cross-country basis in order to supplement statistical analysis.

In addition, we use a simple model that highlights the role of the expected firing cost of permanent workers to propose three possible channels through which economic globalization may influence the relative demand of firms for non-permanent workers: tighter competition in product markets, increasing opportunities in foreign direct investment or foreign outsourcing, and global R&D competition. Two of the three channels are empirically tested in *Non-permanent Jobs and Globalization: Evidence from Japan* by Tomohiro

Machikita and Hitoshi Sato. We use the framework to examine the impact of various economic changes, such as a reduction in trade costs and the economic development of emerging economies. We also describe the recent shift from permanent to non-permanent in South Korea. The case of South Korea is particularly important in that the shift in the labor force began accelerating rapidly in the mid-1990s, approximately at the same time as in Japan. *What Explains Changes in the Prevalence of Non-regular Employment in South Korea?* by Yuichi Takayasu shows that company and industry-level sales volatility is the main determinant of a rapid shift from permanent to non-permanent workers.

**Organizer:** SATO Hitoshi (RIETI)

**Co-researchers:** MACHIKITA Tomohiro, TAKAYASU Yuichi (Associate Professor, Daito Bunka University)

### **(19) Governance Problems in Public Financial Management in Developing Economies**

The purpose of this research project is to identify problems associated with fiscal governance in developing economies, and to show how we might cope with such problems. During the second year of the two-year project period, research team members worked to prepare a final report, which includes policy proposals, based on the literature surveys and interviews with experts carried out in the previous year. Performing an empirical analysis from the view point of "tax effort," Prof. Hanai confirmed that poor tax effort is the result of poor performances not only in economic activities, but also in tax administration and formation of an efficient tax system. Reviewing patterns of debt problems and the development of research on public debt management, Kashiwabara studied the institutional limitations or governance-related problems a developing country may face during the control of public debt. As a part of searching for improvement of efficiency in the support systems for developing countries, Prof. Kohama studied problems in the decision-making mechanism, which is equivalent to "governance," of international aid agencies. Making a comprehensive survey of the definitions of "governance" and availabilities of the governance-related indices by international aid agencies, Prof. Kondo identified what "fiscal governance" is. Nogami explored the importance of "accountability"

to achieve an efficient fiscal system. Building a theoretical model, which includes endogenous change of the level of fiscal governance, Oyamada studied the effects of fiscal reform on the transitional path of the macroeconomy. Finally, Prof. Someya prepared solutions to the problems in pension system reforms in developing economies, considering the proposals made by the World Bank to fit to various purposes and risks in the reform process.

**Organizer:** OYAMADA Kazuhiko

**Co-researchers:** HANAI Kiyohito (Professor, Faculty of Economics, Seijo University), KASHIWABARA Chie, KOHAMA Hirohisa (Professor of Economics, Faculty of International Relations, University of Shizuoka), KONDO Masanori (Senior Associate Professor of Economics, College of Liberal Arts, International Christian University), NOGAMI Hiroki, SOMEYA Masakazu (Associate Professor, Faculty of Economics, Chiba Keizai University)

## **(20) The Changing Legislative Process in Thailand**

This two-year study analyzed the legislative process in Thailand, focusing on institutional reform since the 1990s and its consequences. The research team consists of five researchers of Thai studies in the fields of law, political science, and sociology. The study covered parliamentary reform (Imaizumi), reform of the governmental bill draft process (Iida), as well as enhanced parliamentary and judicial control of the treaty-making process under the 2007 Constitution (Aoki). The study revealed that the emphasis on the people's political participation under the political reform movement since the 1990s has been reflected in the series of institutional reforms. The most prominent institutional change is the direct initiative which was introduced by the 1997 Constitution, which requires no fewer than fifty thousand voters to propose a bill directly to the parliament. The 2007 Constitution reinforced this type of people's participation by reducing the required number of voters to ten thousand. The study also contains two case studies of the process of particular legislation relating to consumer protection (Nishizawa) and the empowerment of disabled persons (Yoshimura). These case studies examine what factors enabled such legislation, as well as how the advocates for such legislation utilized the legislative process.

The study also considered the role of the interim parliaments that were frequently formed after a military coup and consisted of appointed members. It reveals that although an interim parliament is in operation for a relatively short period of time after a coup, it played a rather important role in law-making in Thailand. The statistics show that the volume of legislation increases under an interim parliament, because it is less likely for government bills to face strong protests.

**Organizer:** IMAIZUMI Shinya

**Co-researchers:** AOKI-OKABE Maki, IIDA Junzo (Professor, Faculty of Law, Soka University), NISHIZAWA Kikuo (Associate Professor, Kochi Junior College), YOSHIMURA Chie (Graduate School of Asian and African Area Studies, Kyoto University)

## **(21) Global Recession and Economic Policies in Developing Countries**

The global recession, triggered by "Lehman Shock" in late 2008, had a grave impact on the economies of developing countries. However, the magnitude of the impact differs between countries. Those who suffered most are the countries in middle and eastern Europe and CIS countries. Although some Asian countries also suffered a decline in exports, many of them have been successful in containing the damage.

On the other hand, some people blame excess savings in East Asia for the bubble in the U.S. real estate market, and consequently the occurrence of the sub-prime loan problem and Lehman Shock. According to their view, excess saving in these countries provided excess liquidity to the U.S. market by way of an inflow of net capital from those countries to the U.S. Such a story is convenient for American policymakers, but should be investigated critically.

We study the impact of global recession on developing countries and evaluate their policy responses. In addition, we analyze the policy of accumulating foreign reserves in developing countries, the background of the policy, and its economic consequences.

The project includes case studies as well as overall analyses. The countries/areas we focus on are Indonesia, the Philippines, Thailand, China, India, and Latvia (plus one or two emerging European countries).

**Organizer:** KUNIMUNE Kozo

**Co-researchers:** INOUE Takeshi, KASHIWABARA

Chie, NGUYEN Quoc Hung, SATO Hitoshi (Research Institute of Economy, Trade & Industry), SHIMANE Yoshie (Associate Professor, Ryukoku University), KOHSAKA Akira (Professor, Kwansei Gakuin University), KOMATSU Masaaki (Professor, Hiroshima University Graduate School for International Development and Cooperation), MATSUZAWA Yuusuke (lecturer, Bunri University of Hospitality Faculty of Service Management), SONE Yasuo (Associate Professor, Nihon University College of Economics), MIENO Fumiharu (Professor, Graduate School of International Cooperation Studies, Kobe University), INOGUCHI Masahiro (Associate Professor, Kyoto Sangyo University)

## **(22) Employment of Persons with Disabilities in Developing Countries**

Issues related to disability are a critical part of poverty reduction, and employment of persons with disabilities is one of the core issues. Labor and employment are important not only for securing subsistence income, but also for establishing basic human rights, e.g. the right to work and the principle of non-discrimination supported by equal opportunity and reasonable accommodation. The UN Convention on the Rights of Persons with Disabilities (CRPD) also recognizes the right of persons with disabilities to work on an equal basis with others. The objective of this research project is to focus on the equalization of opportunities and promotion of employment of persons with disabilities through legislation, and reveal the roles of and problems facing the current labor and employment laws in developing countries. This research project researched and analyzed (1) the employment law system related to persons with disabilities, including laws, rules, and guidelines, (2) the actual employment situation of persons with disabilities based on the employment law system, and (3) cases of litigation and complaints regarding employment of persons with disabilities in each country, to examine the feasibility of the rights established in CRPD, such as the right to work and non-discrimination. In addition, the project collected and analyzed good practice cases in target countries to provide suggestions for an effective employment law system related to persons with disabilities.

This project mainly focuses on general employment in the open labor market. However, through this year's discussion, promotion of sheltered employment

and development of self-employment were reaffirmed as being critically important in developing countries. Accordingly, these will be examined next year in relation to general employment if needed in the target countries. Additionally, several issues which were discovered, such as the double count problem in the quota system, employment in the public sector, and evaluation of special subsidiaries for persons with disabilities, will also be discussed.

**Organizer:** KOBAYASHI Masayuki

**Co-researchers:** MORI Soya, ASANO Noriyuki (Associate Professor, Osaka Ohtani University), KAWASHIMA Satoshi (Project Researcher, the University of Tokyo), SAI Takanori (DPI-Japan), NISHIZAWA Kikuo (Associate Professor, Kochi Junior College), SAITO Yoshihisa (Associate Professor, Kobe University)

## **(23) Productivity of the Corporations in China's Electrical and Electronics Industries: A Relation between Foreign and Local Corporations**

Does foreign direct investment (FDI) in developing countries affect the growth of local firms in the host countries? We investigated whether FDI has a positive or negative effect, using a dataset on China's electrical and electronics industries at the corporate-level. Our results showed that FDI is likely to have a negative effect on growth for firms in sectors with large disparities in technology and less experience in business. The main points of our study are summarized below.

First, we discussed how characteristics of different sectors affect productivity. We found that every sector in the electrical and electronics industry faces technological disparities, which vary in size from small to large. To understand this factor, we compared it to the ratio of sales by foreign firms to total sales in the sector. Although this relationship requires more rigorous analysis, it seems reasonable to say that the business experience of local firms correlates to technological disparities in the sector as a whole.

Next, we conducted a regression analysis to determine the effects of FDI on the growth of local firms. This analysis found that FDI has different effects in each sector. As shown in the first half of Table 6, the coefficients of cross terms are different.

Finally, we compared our findings on technologi-

cal disparities and sales by foreign firms with findings in the regression model and found that there seems to be a relationship between the negative effects of FDI and technological disparities. Sectors with large technological disparities tend to suffer greater negative effects. Moreover, based on the relationship between technological disparities and business experiences, it seems possible to say that sectors with lower levels of experience tend to suffer negative effects.

**Organizer:** KIMURA Koichiro

#### **(24) Economic Policies and Economic Structures of Transition Economies in Southeast Asia: A Comparative Study of Myanmar and Vietnam**

It has become a prevalent view that good institutions are indispensable for economic growth. With regard to the recent economic performance of Myanmar and Vietnam, this research project addresses two related questions: to what extent institutions account for their contrasting economic performances, and why the paths of institutional development diverged so much between the two countries. While there is a large gap in economic performances between the two countries, their initial economic conditions were similar to each other when they launched economic reforms and integration into the international market in the late 1980s. By comparing the financial systems, the agricultural sectors, and the industrial sectors of each country, this project studies the impacts of economic institutions on economic performance and the dynamics of institutional development or stagnation.

In the first year of the two-year project, following points are clarified. First, while both countries began economic reforms in the midst of a standstill of economic controls, the extent of deregulation and penetration of the market mechanism, and the degree of liberalization of the economy, differed substantially. Such differences in the direction of reform might be related to the subsequent contrasting paths of institutional development in the two countries. Second, determinants of performance in export industries under international competition include not only domestic factors such as institutions, but also exogenous foreign factors.

Following such clarification in the first year, this study project in 2011 will investigate what factors account for changes or stagnation of institutions in the

two countries. It aims to contribute to the literature on institutions and economic growth by offering an anecdotal account regarding Myanmar and Vietnam.

**Organizer:** KUBO Koji

**Co-researchers:** FUJITA Mai, KUDO Toshihiro, TSUKADA Kazunari, WATANABE Shin'ichi (Professor, International University of Japan), GOTO Kenta (Ass. Professor, Kansai University)

#### **(25) The Korean Technology Network with Japan**

The purpose of this study is to clarify the causes of the South Korean trade deficit with Japan which has been a issue of negotiation for many years, and to contribute to the formulation of a solution.

The South Korean government has insisted that the South Korean trade deficit with Japan occurred because South Korea was required to import Japanese “parts and materials,” the production of which is an area of technological weakness for small and medium-sized South Korean companies. The South Korean government insists that if Japanese small and medium-sized companies producing such “parts and materials” would invest in South Korea, the issue would be solved.

Accordingly, the research team began to analyze what commodities cause the trade deficit with Japan. The team concluded that the main products causing the trade deficit are capital goods and industrial supplies. These commodities are not products made by small and medium-sized companies, but rather products produced by large companies in Japan.

On the other hand, the basic reason for the South Korean trade deficit is found in the business model which South Korea selected: rapid economic growth including building of a technology network with Japan, and importing of technologies, industrial supplies, and capital goods since the diplomatic normalization of Japan-South Korea relations. The trade deficit with Japan is a kind of value for the enjoyment of profit of the late departure.

The study team took up semiconductors, LCD panels, and mobile phones to demonstrate “the technical network with Japan” in the background of the trade deficit.

As a result, the imported items and trends in the amount of money imported from Japan showed the ne-



cessity of importing.

**Organizer:** MIZUNO Junko

**Co-researchers:** ITO Yoshimi (Emeritus professor, Tokyo Institute of Technology), FUJITA Toru (Senior Analyst, Sumitomo Shoji Research Institute, Inc.), MITARAI Hisami (Senior Staff, Nomura Research Institute), ABE Makoto, HAYAKAWA Kazunobu, JUN Je-Goo (Visiting Research Fellow, IDE-JETRO)

## (26) Pacific Island Nations under Globalization

According to Marxist historian Eric Hobsbaum, the capitalist system oscillates between the open market phase (“the age of capital”) and the closed market phase (“the age of empire”). In 20 years of the open market phase beginning with the collapse of the Berlin Wall in 1989, the GDP of the world economy tripled, world trade increased five-fold, and financial assets ballooned 3,000%. This process is called “globalization.”

However, globalization died suddenly on September 15, 2008, with the occurrence of “Lehman Shock.” The G20 coordinated fiscal expenditure of 6 trillion dollars and put off the sudden death. As a result, the enormous debt of private financial companies was transferred to the debt of governments all over the world, thereby engendering sovereign risks. Now, such sovereign risks threaten default by European countries and collapse of the Euro.

Currently, the governments of the world are advancing block economy policy, reducing the exchange rate, and dumping and enclosing resources.

Pacific island nations were excluded from the process of globalization, but now, in the new “age of empire,” the increased prices of resources and technological advancement for the exploitation of seabed mines, oil fields, gas fields, and rare earth have turned the 200-mile exclusive economic zones of the islands into rich economic resource zones.

Economic empires have now begun to take notice of the Pacific island nations. Accordingly, the Pacific island countries, on their part, have begun to employ diplomatic tactics. Ironically, after the demise of globalization, the Pacific island nations are entering their own global geopolitical stage.

**Organizer:** SHIOTA Mitsuki

**Co-researchers:** KAZAMA Kazuhiro (Associate Professor, Graduate School of Humanities and Social Sciences, University of Tsukuba), BABA Jun (Research Fellow, The Japan Society for the Promotion of Science / Tokyo University of Foreign Studies), ISHIMORI Daichi (Junior Fellow, Research Institute for Languages and Cultures of Asia and Africa, Tokyo University of Foreign Studies), TANAHASHI Satoshi (Professor, Ochanomizu University), KUROSAKI Takehiro (Oceania Division, Asian and Oceanian Affairs Bureau, Ministry of Foreign Affairs), ICHIKAWA Tetsu (Program Coordinator, Rikkyo University), NIWA Norio (Assistant Professor, Center for Research Development, National Museum of Ethnology)

## (27) Comparative Studies on Governance of Local Governments in Southeast Asia

Since the 1990s, as part of the state restructuring scheme for democratization or for political stability, many countries in Southeast Asia have established more decentralized local administration systems. Many of the administration services are now delivered by local governments. And some new welfare services for residents, such as nursing care insurance and social insurance services, are often under responsibility of local administrative organizations. However, the substantial characteristics of service delivery systems under the decentralization schemes in each country seem to be very different according to the central-local relationship and types of decentralization.

For the final output in our two-year research project, the research team focused on the notions of “government” and “governance” in the field of public administration. By using “government,” our team describes the service system mostly using the resources and rules of either the central or local governments. In applying the notion of “government,” we can make an analysis on the theme of the relationship between the central and local governments (“the central-local government relations”) as well as on the penetration of rules and laws in local governments (“government rules”). On the other hand, by using “governance,” we can focus on new service delivery systems other than “government,” meaning that multiple actors such as private sectors, NGOs, and residential groups also participate in the decision-making, delivery, and enforcement of the administrative services with the government. By using these two notions and a mixture of these, our team

made a comparison of the local administrative system in each country of Southeast Asia. Each chapter describes the characteristics, changes before and after the decentralization, and challenges for local governments in the era of decentralization.

**Organizer:** NAGAI Fumio (Professor, Osaka City University)

**Co-researchers:** AKIZUKI Kengo (Professor, Kyoto University), NISHIMURA Kenichi (Associate Professor, Osaka University), OKAMOTO Masaaki (Associate Professor, Kyoto University), SAKUMA Miho (Researcher, International Development Center of Japan), KAWANO Motoko (Fellow, National Graduate Institute for Policy Studies), SHIMAGAMI Motoko (Researcher, Kyoto University), FUNATSU Tsuruyo

### **(28) Comprehensive Study on Taiwan III: Centripetal and Centrifugal Force in Taiwanese Society**

Taiwan is a small country compared to Japan. It comprises an area slightly smaller than Kyushu and has a population of 23 million, less than one fifth of Japan's population. Internally, however, Taiwan entails a multi-layered ethnic social structure, and externally, it has a very complicated and peculiar relation with China. Furthermore, these internal and external factors often interact with each other. As a consequence, the answers to questions such as what Taiwanese society is and whether Taiwanese society will be sustainable in the future are not obvious. Since Taiwan's future will have a significant impact on the whole of East Asia, including Japan, neighboring countries need to observe its social dynamics.

Our project examined the direction in which this intricate society is moving today. In particular, we attempted to determine whether Taiwanese society is becoming more coherent or more divergent. We reached the following three conclusions. First, although Taiwanese society evidently has ethnic cleavages, they are not so serious that they can dismantle the society. It is the premise of each ethnic group's behavior that Taiwan is its only stage. Second, "China" continues to be a threat to Taiwanese society. The society has almost completed its embrace of the "China" which Kuomintang brought in and oppressed before democratization. But under growing economic relations, some Taiwanese have begun to settle down on

the mainland and to feel an identity with "China." Although the number is very limited now, the impact on society may be increasing bit by bit. Third, Taiwanese society also has a capacity to intensify its coherency, such as with active social movements. They have contributed to constructing innovative institutions as well as to consolidating a young democracy.

We are planning to publish the results of our research in FY2011.

**Organizer:** SATO Yukihiro

**Co-researchers:** TERAOKA Tadayoshi, NUMAZAKI Ichiro (Professor, Tohoku University), WU Rwei-ren (Assistant Research Fellow, Institute of Taiwan History, Academia Sinica), Kaku SECHIYAMA (Professor, University of Tokyo), MATSUKANE Kimimasa (Associate Professor, Utsunomiya University), KAMIZURU Hisahiko (Assistant Professor, Prefectural University of Hiroshima), ISHIGAKI Naoki (Lecturer, Okinawa International University), TANOUE Tomoyoshi (doctoral course student, University of Tokyo), KAWAKAMI Momoko, IKEGAMI Hiroshi

### **(29) Elimination of Child Labor in a Multi-actor Approach**

Child labor is one of the most important development issues facing the world, and it demands immediate attention. The urgency has grown in the wake of the world economic crisis, which impeded the elimination of child labor. This is why the international community must make efforts toward this goal.

Japan, which depends heavily on imports from developing countries, is far behind the conventions adopted by developed countries to minimize the risks of victimizing children in developing countries. It lacks the laws and regulations to deny imports produced through child labor. The eradication of child labor is yet to enter the mainstream for Japanese ODA.

In the meantime, awareness of this issue among Japanese citizens is gradually rising as interest in other social issues, including the environment and fair trade, grows. Japanese corporations have also started to embrace corporate social responsibility and adopt codes to restrict products made with child labor. Thus, now is the best time for various actors in Japan, i.e., the government, citizens, and businesses, to work together to contribute to the eradication of child labor in the world.

This research project invites key members of the above-mentioned actor groups to contribute to a book on Japan's ideal approaches toward child labor eradication. The project focuses on how seemingly independent actors in Japan should be integrated and which approaches should be taken by each actor.

In the end of the first fiscal year, a PDF version of the interim report (in Japanese) was published. The contents of the interim report will be refined and augmented for the final output to be published towards the middle of 2012.

**Organizer:** YAMAGATA Tatsufumi

**Co-researchers:** NAKAMURA Mari, KAIDA Machiko (Japan International Center for the Rights of the Child), SHIROKI Tomoko (Action against Child Exploitation), HORIUCHI Mitsuko (Bunkyo Gakuin University), IRIGAKI Hidetoshi (Japan International Cooperation Agency), KITAZAWA Koh (Fair Trade Resource Center), FUJINO Atsuko (Kyoto Sangyo University)

### (30) International Comparison of Environmental Policy Development from Historical Viewpoint

In order to implement environment policy efficiently in developing countries, it is possible to refer to the experience of advanced nations, but in many cases, direct transfer of a policy and an institution is not necessarily easy. The nature of the developing process of the environment policies of East Asian countries can be clarified through comparison with the historical developmental process of developed countries. In addition, we will attempt to create an analytical framework for the comparative study of an environmental problem and policy. Moreover, we aim to clarify the subject of the system formation for the share in question with advanced nations and a developing country regarding policy concerns, with indispensable international cooperation, such as global warming problems.

**Organizer:** TERAOKA Tadayoshi

**Co-researchers:** FUNATSU Tsuruyo, OTUKA Kenji, KITAGAWA Susumu (Assistant Professor, University of Yamanashi), OIKAWA Hiroki (Associate Professor, Yokohama National University)

### (31) Economic Integration and Recycling in Asia

Economic integration in Asia has also expanded the trade of recyclable waste. Japan, Korea, and other countries that export recyclable waste and which have established domestic recycling systems, face a shortage of recyclable waste due to an increase in exports of recyclable waste. On the other hand, importing countries face problems of pollution from the recycling process, as well as imported scrap contaminated with hazardous waste. This study group investigates international trade of recyclable waste and the regulations on importing and exporting. Based on an understanding of the current situation, the study group clarifies issues related to recycling and international trade of recyclable waste within the Asian region, and makes policy recommendations.

**Organizer:** KOJIMA Michikazu

**Co-researchers:** MICHIDA Etsuyo, TERAOKA Tadayoshi, SAKATA Shozo, Vella Atienza, YOSHIDA Aya, Researcher, National Institute for Environmental Studies  
MURAKAMI (SUZUKI) Rie Researcher, National Institute for Environmental Studies  
SASAKI So, Senior Analyst, Mitsubishi UFJ research and Consulting Co., Ltd  
TSURUTA Jun, Associate Professor, Japan Coast Guard Academy

### (32) Trade and Environment: For Sustainable Development of Developing Countries

In recent years, two factors have complicated discussions on trade and the environment. One is the addition of the concept of sustainable development, and the concern is that some national laws regarding environmental protection in developed countries impede the economic development of developing countries. The other is the proliferation of bilateral FTAs/EPAs as a means to promote free trade. Some FTAs, which have their own various environmental provisions, force countries to face complex situations in which they must manage several environmental commitments at the same time.

Under these circumstances, the trade-environment discourse has entered a new phase. Considerable attention is given to the design of regimes which can

achieve sustainable development in developing countries while adjusting promotion of free trade and environmental protection. Due to the variety of research fields and approaches to the trade-environment interface, it is necessary to determine how and on what one should conduct the examination as the first step for future substantive and intensive research. In order to establish the points for argument, this study started by exploring the policies and existing institutions to delineate the problems that developing countries are faced with. We examined a wide range of trade-environment issues such as (i) forest products trade and sustainable forest management, (ii) environmental regulation and its impact on the electric industry, (iii) development issues in global warming, (iv) the impact of biofuel policies on trade and the environment, (v) the principle of common but differentiated responsibilities in multilateral environmental agreements, and (vi) environmental issues in WTO negotiations.

The results of this study led to a new research project conducted in 2011-12 that will discuss the benefits and drawbacks of policies and measures regarding trade-environment issues from a developing country's perspective.

**Organizer:** YANAI Akiko

**Co-researchers:** MICHIDA Etsuyo, KOJIMA Michikazu

### **(33) Reform of Local Governance for Environmental Conservation and Restoration in River and Lake Basins, China**

In China, issues of water pollution in river and lake basins are still serious although the government has implemented many measures, such as control of the total pollution load, in a series of five-year plans in major basins. In the Lake Tai ("Tai-Hu" in Chinese) Basin, one of the typical basins combating water pollution in China, a series of new initiatives for environmental conservation and restoration have continued since the water crisis that occurred in 2007. This research project focuses not only on industrial point source control, but also on urban and rural non-point source control of wastewater effluents and other environmental restoration measurements in basins for the purpose of exploring methods of reforming local governance related to environmental conservation and restoration in the Lake Tai Basin, based on on-going policy reform including

a social experiment of dialogue between stakeholders in the basin. Through this research project, we would like to contribute to building effective governance for environmental conservation and restoration to achieve environmental and social sustainability in river and lake basins in China. During this fiscal year, we have published not only a Japanese report which compiles research papers written by members via the IDE website, but also "Stakeholder Involvement in Water Environment Conservation in China and Japan: Building Effective Governance in the Tai Lake Basin" as IDE Joint Research Program Series No. 155, based on a joint research project with the Center for Environmental Management and Policy (CEMP), Nanjing University (China). In December, we held an international workshop on "Building New Clean Water Networks in China" in JETRO Tokyo with the China Environment Forum (CEF) at the Woodrow Wilson International Center for Scholars (Washington D.C.) and CEMP, funded by the Japan Foundation's Center for Global Partnership.

**Organizer:** OTSUKA Kenji

**Co-researchers:** ISONO Yayoi (Professor of Tokyo Keizai University), MIZUOCHI Motoyuki (Senior Research Fellow of National Institute for Environmental Studies), FUJITA Kaori (Professor of Kinki University), YAMADA Nanae

### **(34) Skill Formation Systems, Skill Distribution, and Comparative Advantage: A Comparison of China and India**

In recent years, China and India have achieved rapid industrial development and substantial economic growth, and their presence in the global economy has expanded. However, the two countries differ substantially in their industrial development processes. Based on GDP and export data, it seems that China has a comparative advantage in manufacturing while India has one in services, such as the software industry. Thus, this research has empirically examined the different comparative advantages of two emerging economic giants, China and India, in relation to the different skill distribution patterns in each country. By utilizing industry export data on China and India from 1983 to 2000, we have found that a country with a greater dispersion of skills (i.e., India, especially in the earlier years) has higher exports in industries with

shorter production chains, whereas a country with a more equal dispersion of skills (i.e., China, especially in the later years) is found to have higher exports in industries with longer production chains. Production chains generally tend to be longer in manufacturing industries than in agricultural, mining, and service industries. Consequently, our empirical results indicate that the difference in skill distribution between China and India has influenced the patterns of their comparative advantages. This empirical evidence supports our assumption that the likely mechanism for these results is the negative impact of low-skilled workers on input quality, which accumulates and becomes larger as the length of production chains and the proportion of low-skilled workers in the economy increase.

**Organizer:** ASUYAMA Yoko

### **(35) Legal Analysis of Anti Human Trafficking Framework in the Great Mekong Sub-region**

In the Great Mekong Sub-region, in particular where the North-South and East-West Corridors have developed to facilitate infrastructural economic growth, the prevention and suppression of human trafficking are extremely important to sound economic and social development. By comparative analysis of COMMIT (Memorandum of Understanding on Cooperation against Trafficking in Persons in the Greater Mekong Sub-Region), a multilateral agreement in the region, and 3 bilateral legal instruments, namely Memorandum of Understanding between Thailand and Cambodia, Thailand and Laos, and Thailand and Myanmar, this research clarified the effectiveness and shortcomings of the current legal framework against human trafficking in the region. The analysis focused on comparisons of rights and obligations of the countries of origin and destination for victims of human trafficking, and implementation of those provisions, such as the legal status of victims under domestic laws, victims as witnesses in criminal proceedings, victim-protection programs, restitution, repatriation, and mutual cooperation between legal officers. The main findings are, first, that there is a prejudice against foreign victims by legal officers under domestic laws before it becomes a bilateral issue; second, that victim's hold conflicting interests between appearance at a public hearing as a witness and an earlier return to his or her home country; third, that there is difficulty in the vic-

tim's exercise of rights to seek damages from offenders; fourth, there is the issue of obtaining the sending country's non-interference in identification of victims by the receiving country, and the receiving country's non-interference in follow-up on returnees in the home country; and fifth, that there is a mismatch of expertise in bilateral cooperation between different ministries. Among the three MoUs, the one between Thailand and Myanmar established in 2009 has the most comprehensive and elaborated provisions, reflecting the 2008 Anti-human Trafficking Law in Thailand, and exemplifies the effectiveness of the COMMIT framework. The remaining research issue is how China concludes bilateral instruments with other countries in the region, as the China factor becomes more influential in human trafficking issues in the Great Mekong Sub-region.

**Organizer:** YAMADA Miwa

## **<Funded Research>**

### **(1) Impact Evaluation of Pasak River Irrigation System**

We evaluate the impact of the Pasak River Irrigation Scheme in Thailand at the household level using a difference-in-differences estimator. We have conducted a series of household surveys to construct a panel of data. Difficulties in evaluating infrastructural projects are well known, and this will be a unique contribution to policymakers. The study has been commissioned by the Japan International Cooperation Agency.

**Organizer:** ITO Seiro (Director, Development Strategies Study Group, Development Studies Center)

**Co-researchers:** OHIRA Satoshi (Associate Professor, Faculty of Economics, Keio University), TSUKADA Kazunari (Macroeconomic Study Group, Development Studies Center)

### **(2) Impact Evaluation on Small scale Irrigation Management Project (Indonesia)**

This research aims to evaluate the impact of the Small-scale Irrigation Scheme, initially funded by the Japan Bank International Cooperation (which merged with JICA in 2009). The study site is the Kelara Karalloe irrigation scheme (KK) in Indonesia. The target



households consist of (1) 390 rice-growing farmers around KK, including 210 irrigation beneficiaries (30 upstream; 60 midstream; 120 downstream) and 180 non-beneficiaries, as well as (2) around 400 irrigation beneficiaries living near the boundary at which crop choice changes sharply from paddy to palawija in the dry season due to different water accessibility.

Based on the first data set, we estimated how rice yield in the rainy season is different within irrigation streams as well as between irrigation beneficiaries and non-beneficiaries. We found that the irrigation scheme does have greater impact on upper and middle stream plots relative to other plots due to better water accessibility and manageability. By contrast, it does not have any statistically significant yield impact on downstream plots compared with non-irrigated areas.

In addition, using the second data set, we estimated how crop income in the dry season is different between paddy and palawija-growing farmers, based on the concept of regression discontinuity design. Surprisingly, we found that the average income of paddy farmers is not necessarily greater than with palawija, which requires less water and which farmers prefer to cultivate less than paddies. The likely reason is that the marginal (in terms of water availability) paddy plots are riskier, more vulnerable, and could be less profitable than neighboring palawija plots. The detail of these findings are reported in *Impact Evaluation Report on Small Scale Irrigation Management Project (Indonesia)*, Tokyo: JICA.

**Organizer:** TAKAHASHI Kazushi

**Co-researchers:** ITO Seiro

### **(3) Food Industry Development and Trade of Processed Food Products in Asia**

This ongoing study aims to investigate the determinants of trade patterns of processed food products in Asia. We focus in particular on the role of growth strategies of export firms. First, as a case study, we conducted interviews with a number of managers in frozen-seafood processing firms in Thailand. Most firms we surveyed have concentrated on foreign markets, rather than the domestic market, since their foundation. Both quantitative and qualitative information suggest that the firm's effort to upgrade its quality management system is an important prerequisite to success in expanding foreign sales. Although these

firms pursue further quality upgrades, they have recently suffered from increased domestic wage levels as the country develops, reducing the comparative advantage of this labor-intensive industry. Second, we empirically estimated the average product quality of processed food exported by Asian countries for each HS 6-digit category. Based on the standard heterogeneous firm models, we derive the key equation that enables us to calculate the average product quality using detailed bilateral trade data. We find large disparities in the level of product quality between countries. In general, rich countries in terms of per capita GDP export high-quality products to the rest of the world. China, a rapidly growing exporter of processed food products, is characterized by the relatively low quality levels and therefore, at the current stage, low labor costs are considered to be a main source of international competitiveness of this country. On the other hand, some ASEAN countries show higher levels of average product quality and they rank between China and Japan.

**Organizer:** OKAMOTO Ikuko

**Co-researchers:** TSUKADA Kazunari

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

### **(1) Technology Diffusion of the System of Rice Intensification and Its Economic Impacts on Household Welfare: The Case of Rural Indonesia**

This research aims to identify the determinants of the adoption of a newly-introduced rice-growing technology called the System of Rice Intensification (SRI), and its economic impact on household welfare, in rural Indonesia.

As a first step toward that goal, I conducted propensity score matching (PSM) analysis this year, which allowed me to examine the determinants and impact in a relatively rigorous and integrated manner. Outcome variables include not only paddy yield and rice income, but also total household income, which is largely ignored in the existing literature.

Admittedly, however, a major drawback of PSM in estimation is that it assumes that the decision to adopt the technology is determined purely by observable factors, which will not reflect the reality. To overcome

this shortcoming inherent in PSM, I explicitly incorporated several important, but generally unobservable factors, such as risk preference and social networks, into regressors. To do so, I conducted a simple experimental game on risk preference and constructed network variables from the survey instruments.

Based on this specification, I found that better water and labor availability, having technology advisors who have experience in adopting SRI, and risk-lovingness are among the key contributors to adoption of SRI. Controlling for such individual heterogeneity, SRI generates yield gains of about 40% to 60% on average. However, due presumably to the increased use of family labor on the farm, I found some evidence that SRI lowers household off-farm income. Net welfare gains are statistically insignificant and the result is robust.

**Organizer:** TAKAHASHI Kazushi

## (2) Analysis of Poverty Reduction Policies in India Using Field Experiments

To understand the impediments to affordable medical insurance for the poor in India, we have conducted field experiments that aim to isolate moral hazards from adverse selection. This year, we conducted a follow-up survey to the experiment. We have also supported creation of a rural medical database with our partner organization and collected baseline medical data.

**Organizer:** ITO Seiro (Director, Development Strategies Study Group, Development Studies Center)

**Co-researchers:** KONO Hisaki (Overseas Research Fellow, Cambridge, MA, USA)

## (3) The Basic Studies on Chinese Businessmen in Myanmar

This project aims to study Chinese society and Chinese entrepreneurs in Myanmar. In FY2010, the final year of the project, I had two agendas. The first was to publish the research results. Some of the research results had already been published in my book, *Gunsei Biruma no Kenryoku Kozo*, in 2009. I gave a presentation about the project at the “2010 International Burma Studies Conference” in France in June, 2010. The presentation received many useful comments from international scholars. The second agenda was preparation

for an archive of documents related to Myanmar Chinese history. I hired two research assistants who were fluent in Chinese, and drew up a document list and a chronological table based on 陳孝奇's book. Additionally, PDF files were made from original documents collected from the “Chinese Library” (華僑圖書館) in Yangon. I hope that these documents will be open to public sometime in FY2011.

**Organizer:** NAKANISHI Yoshihiro

## (4) The Assembler-Supplier Relationship and the Growth of Local Suppliers in the Vietnamese Motorcycle Industry

This research focuses on the Vietnamese motorcycle industry, in which the competition between subsidiaries of Japanese motorcycle manufacturers and local Vietnamese motorcycle assemblers that initially assembled Chinese imported components brought about enormous industrial dynamism. This research aims to analyze how the changing assembler-supplier relationship in this industry affected the local component suppliers' capability building trajectories during the decade beginning in the late 1990s.

The final year of this three-year project focused on analyzing the transformation of the assembler-supplier relationships between Japanese motorcycle manufacturers and Vietnamese motorcycle assemblers. The key findings of the analysis are as follows. (1) Assembler-supplier relationships in this industry were transformed primarily as a result of adaptation and competition between two distinct models of industrial organization transplanted from abroad: the Japanese model, which is characterized by long-term and close relationships between the motorcycle manufacturer and a limited number of suppliers, and the Chinese model, which is based on intense competition between many motorcycle manufacturers and suppliers engaging in on-the-spot transactions. (2) Japanese motorcycle manufacturers adapted their original model to the new market and policy environment, while making active attempts to create the conditions necessary for the effective functioning of the adapted model, such as launching low-priced products and nurturing supplier capabilities. By contrast, the transformation of the Chinese organizational model, which was inherited by Vietnamese motorcycle assemblers, is explained primarily by the assemblers' mobilization of the incidental emergence

of new supplier capabilities.

**Organizer:** FUJITA Mai

### **(5) Local Firm's Learning through Foreign Direct Investment in sub-Saharan Africa: The Case of Garment Industry in Madagascar**

In its role to lead economic growth and poverty alleviation, the expectation for growth of the manufacturing sector has been increasing recently in sub-Saharan Africa. Among poor African countries, the most significant growth has been seen in the garment industry, but growth is mostly attributed to foreign firms. Since local firms have learned through foreign direct investment (FDI) in many developing countries, investigation of the learning process will reveal obstacles to growth of African firms. This research project investigates the Malagasy garment industry, which has a 20-year history of export-oriented FDI.

FY2010 was the second year of the 4-year project. Though in-depth interviews with local firms were scheduled, the research plan was changed due to an unexpected change in market access. Duty-free access to the U.S. market has been suspended since the beginning of 2010, as a result of the undemocratic regime change in Madagascar. This has caused a serious adverse impact on exports from Madagascar, resulting in a decrease in garment exports of nearly 60%. To understand the impact on local exporters, the survey of firms was conducted in 2010 as a follow-up to the 2009 survey.

With a smaller sample size, in-depth interviews were also conducted at 10 local firms and 3 foreign firms. They revealed that movement of workers and expatriates resulting from FDI played a critical role in participation in exporting by local firms, as seen in Asian countries. Subcontracting work by FDI firms also supported local exporters, which do not have business relationships with buyers in export markets. The survey of firms in 2009 suggested that local exporters were as productive as foreign firms on average and the results indicate effective learning by local firms.

In FY2011, a survey of firms will be conducted again and the impact of suspended preferential access will be examined.

**Organizer:** FUKUNISHI Takahiro

### **(6) International Migration of Nurses and its Impact on the Health System of the Sending Countries : Case Studies of the Philippines, South Africa, Ghana and Zimbabwe**

From the late 1990s to the mid-2000s, international migration of nurses from developing countries to industrialized countries increased dramatically. One of the major destination countries was the UK, which had initiated a large-scale recruitment of foreign nurses in order to expand the workforce in its National Health Service (NHS). This study aims to describe the scale and general trend of nurse migration from four source countries (the Philippines, South Africa, Ghana, and Zimbabwe) to the UK as well as other destination countries in the past 20 years, and to examine the impact of rapid expansion of the international market for nurses on the health system of these four source countries.

In FY2010, I examined the Zimbabwean case study. The emigration of Zimbabwean nurses began in the early 1990s when the Zimbabwean economy experienced rapid decline under the Structural Adjustment Program. The exodus of nurses accelerated after 2000 due to the deepening political and economic crisis of the country. The major destination for Zimbabwean nurses varied from neighboring southern African countries such as South Africa and Botswana to the UK, Australia, and New Zealand. Contrary to South Africa and Ghana, the emigration of Zimbabwean nurses continued after the large-scale recruitment of foreign nurses by NHS hospitals in the UK largely ceased around 2005. This was due to the continued domestic economic crisis in Zimbabwe, most notably the escalation of hyper-inflation. Following the formation of the Government of National Unity in February 2009, the Zimbabwean dollar was abolished and replaced by the multi-currency system. The introduction of the U.S. dollar stabilized the economy, and payment of salaries to public sector workers was resumed. However, the country is far from stable politically, and those who left the country during the crisis are yet to return.

**Organizer:** SATO Chizuko

### **(7) Qualitative Study about Social Mobility of Rural-Urban Migrants in Modern China**

This project focuses on personal change in social posi-

tion. China today is in the process of urbanization and industrialization, and rural sector is decreasing in size and in the quantity of job opportunities. Accordingly, we take particular notice of migrants from rural China. Deregulation of the domestic labor market created a significant opportunity for the major category of rural-urban migrants called “Nongmingong.” Although there was an increase in the number of job opportunities, the question of what kind of change in social position is being achieved remains. From this perspective, we conducted a number of studies as indicated below.

A series of interviews with migrant workers from rural areas was conducted in the coastal areas of Beijing and Shenzhen. The main findings from these interviews are, first, that in both types of migration, individuals are living a day-to-day existence, and second, there are, therefore, few factory workers that are willing to continue working in the position in the future. This displays a clear contrast with self-employed migrants who are, for the most part, willing to stay in urban areas. Further, both categories of migrants all hope to operate their own businesses someday in the future. This seems to be a result of the difficult situation faced by migrants.

Another study was conducted in several town and villages in rural Sichuan. The target area is now facing a significant change in its employment environment. The area sent most of its local laborers to outside regions in the 1980s, in particular to coastal areas such as Guangdong, which currently has a large number of industries and a significant demand for laborers today. Most of the laborers returning to their home regions are married women. In addition, we can observe a significant change in the location of employment for young laborers who are new graduates from local junior high schools. We argue that these changes actually show the difficulty of migration.

**Organizer:** Mami Yamaguchi

### **(8) Microcredit Field Experiments: Loan Maturity and Group Lending**

A theoretical analysis shows that lending maturity changes a portfolio (the combination of borrowing from MFIs and from money lenders) and the decision to invest, that in group lending which utilizes existing social capital, negative shocks which occur with low probability can destroy the social capital, and that it

is impossible to achieve both “group lending utilizing social capital” and “group lending enhancing social capital.” Empirical analysis using experimental data collected in Vietnam shows that, compared with individual lending, group lending tends to result in lower repayment rates, and that the distribution of investment return will affect the decision to repay, given the same expected return. Our experiment on microinsurance shows that providing opportunities to choose one of two insurances will achieve a higher uptake rate than selling only one insurance policy, and that the uncovered negative shock in the previous period increases the uptake rate in the current period, and that framing income distribution does not affect the decision for uptake. We also investigate the relationship between intra-household decision-making and present bias, given the recent literature showing that present bias has an important implication for savings and microcredit participation. Even though present-biased individuals can potentially delegate the consumption and financial decision-making to his/her time-consistent spouse, our results indicate that present-biased individuals turn over less income to their time-consistent spouses and are more likely to manage cash themselves. Further, time-consistent wives whose husbands are present-biased are more likely to join ROSCA to protect the household budget.

**Organizer:** KONO Hisaki

### **(9) Job Search and Matching in Urban Labor Market: Networks in the Chinatown vs. Agglomeration**

Labor markets in developing economies in turbulent times have undergone a significant transformation over the past three decades. Urban population has grown, while market size and job vacancy, as well as congestion, have also grown across countries. To understand the evidence and theory of spatial mismatch between unemployment and job vacancy in economic geography, we must describe the strategic behavior of job-seekers and establishments thoroughly. Such structural underpinnings of search-match frictions in urban labor markets provide the fine empirical strategy and evaluation method of active labor market programs to achieve wage growth, higher match quality, and flexible turnovers. At the same time, recent empirical and theoretical studies have (re-)emphasized the role of

informal job networks on job searches and matching in developing economies, as well as labor markets in developed economies.

This study proposes a new mechanism linking job search-matching, networks, and market size in developing economies to detect the explicit role of the urban landscape, i.e., Chinatown and urban agglomeration. It investigates the testable implications of these informal linkages in Chinatown and urban agglomeration using survey data and establishment-level data gathered from developing economies such as Indonesia, Thailand, or other developing economies. To characterize the search-matching mechanism in urban labor markets, this study describes the skill formation process and the returns to general and specific skill. It identifies the key players (information hubs) of the formation of job networks. In addition, we investigate the geographic extent of job networks and its quality. Based on these points of view, we compare the roles (complementarity and substitutability) of informal transactions with formal transactions in urban labor markets to seek optimal unemployment levels, durations, and long-term match quality. This research has investigated the inside of the urban landscape of Chinatowns and the relationship between entrepreneurship and residential choice based on theoretical characterization of urban labor markets.

**Organizer:** MACHIKITA Tomohiro

### **(10) Location Choice of Multinational Enterprises and Impacts of FDI on Investors' Performance at Home: Evidence from Various Types of FDI**

The purpose of this research project is to examine the impact of foreign direct investment (FDI) on host and home economies according to FDI type. Specifically, I investigate two topics: (i) choice of location by multinational enterprises (MNEs), and (ii) the impact of overseas investment by MNEs on their performance at home. In particular, my analysis is conducted according to various types of FDI, including not only traditional FDI types but also those proposed in the 2000s. In FY2010, my research focused on (1) analysis of the simultaneous choices of location and traditional FDI types, (2) the choice of FDI from among traditional FDI types and export-platform FDI, and (3) the impact of traditional FDI types on investor performance at

home. The first analysis is novel in terms of its two-dimensional choice analysis. The second is a somewhat comprehensive analysis of FDI in terms of incorporating a new FDI type, that of an export-platform FDI. The third analysis is conducted under the differentiation of the impact on technical efficiency and resource efficiency. In FY2011, I will continue these studies and complete a portion of them.

**Organizer:** HAYAKAWA Kazunobu