

# Outline of Projects Implemented in Fiscal Year 2002

Research activities undertaken by the Institute are grouped into four categories based on themes and methods of analyses. They are: "Area Studies," "Development Studies," "Studies on Economic Cooperation," and "Standby Research for Specific Development Issues." In FY2002, approximately fifty research topics were studies within Japan. With the additional activities of the Institute's overseas researchers, the total number of research topics undertaken during the year amounted to as many as eighty.

## Area Studies

Area Studies aims to grasp the structures and current situations of developing regions through analyses of their economies, politics, and societies, and to clarify current issues and prospects in the medium- and long-term perspective. In FY2002, two country studies on Vietnam and Cambodia were conducted under the priority project entitled: "Studies on Development Perspectives of CLMV Countries (Cambodia, Laos, Myanmar, and Vietnam)."

Other area studies conducted during the fiscal year included analyses of current affairs in Asia, the Middle East, Latin America, Africa, and other areas, as well as ongoing studies on basic issues involving the economic and political structures of developing countries.

## Development Studies

The purpose of Development Studies research projects is to elucidate the development mechanisms of developing countries and regions, and to analyze their development processes, thereby contributing to the formulation of their development strategies from the viewpoint of globalization.

In FY2002, econometric research continued, mainly on the Asian region. This

included Asian international input-output studies and projections for the Asian industrializing region. Other Development Studies projects covered fundamental research on financing, enterprises, education, the environment, and the economies in transition, and other important topics concerning the economies and development of developing countries.

## Studies on Economic Cooperation

Under this category, theoretical and corroborative research is conducted on various problems relating to economic cooperation on the basis of the results of Area Studies and Development Studies.

In FY2002, one priority research project, "Economic Cooperation and Legal Systems," was carried out. This was done with the objective of laying a foundation for legal systems related to economic structural reforms in Asian countries. For APEC research, two projects were organized to study various problems, including trade and investment in the APEC region. There were also ongoing research projects dealing with such matters as foreign direct investment, institutional issues, and development aid involving economic cooperation.

## Standby Research for Specific Development Issues

Standby research projects are designed to handle suddenly occurring events in a quick and competent manner. These projects involve the analysis and investigation, on an ad hoc basis, of current topics and urgent issues that are drawing attention both within Japan and abroad. In FY2002, the following projects were organized: "China in the Period of the Sixteenth Congress of the Communist Party of China: Generational

Changes and the Transition of Political and Economic System,” “Upgrading Industries and Enhancing Competitiveness in ASEAN,” “Globalization Carried on Human Feet: Cross-Border Diffusion of New Knowledge,” and “Social Capacity Development for Environmental Management in Asia: Japan’s Environmental ODA after Johannesburg Summit 2002.”

### *Major Priority Research Topics*

#### **S**udies on Development Perspectives of CLMV Countries

Studies are made on issues that four countries (Cambodia, Laos, Myanmar, and Vietnam) will face in their efforts to create AFTA (ASEAN Free Trade Area) in order to propose development strategies as well as help promote trade and investment, and provide research to help in the design of economic cooperation policies. The ASEAN membership has been expanded with the participation of the four countries. Organized in FY2002 under this priority research were two studies entitled: “Regional Economic Integration and Vietnam” and “Cambodia after Joining ASEAN.”

#### **T**he Industrial Structure of the Asia-Pacific Region

This priority research is designed to provide a more effective tool in the analysis of the industrial structure of the Asia-Pacific region and economic interdependence, as well as to shed more light on economic development mechanisms. Under the research, Asian international input-output tables were compiled in 1975, 1985, 1990, and 1995. Under another five-year plan, the table will be pre-

pared for 2000. A two-year project was also carried designed to enable the preparation of an interregional input-output table for China. To do this, it was necessary to analyze regional industrial structures and their interdependence in China featuring its vast national land resources and regional diversity. In FY2002, two projects were organized entitled, “Trade Matrix for Asia-Pacific Region, 2000” and “Multi-regional Input-Output Model for China, 2000.”

#### **E**conomic Cooperation and Legal Systems

This priority research is designed to propose solutions to problems with legal systems in Asian countries (common laws, social structures and cultures). It is also designed to boost the effectiveness of Japan’s aid for improving legal systems in Asia. As in the previous fiscal year, the priority research was conducted with an eye to consolidating the foundations for economy-related laws, which proved to be vulnerable in the aftermath of the Asian economic crisis. Also organized in fiscal 2002 was a study entitled, “Socioeconomic Changes and the Law in Asia.”

# Review of Research Activities

during Fiscal Year 2002

(Researchers whose affiliation is not specified are staff members of IDE.)

## PRIORITY PROJECTS

### *Studies on Development Perspectives of CLMV (Cambodia, Laos, Myanmar, and Vietnam)*

#### **Regional Economic Integration and Vietnam**

*Organizer:* Akie Ishida

This study is an investigation of the changes in the regional integration process in Vietnam, in the areas of politics, administration, economy, and society, from the viewpoint of area studies. Administrative reform is an important issue that Vietnam is currently facing. A historical analysis of the structure of central administrative organizations shows that in fact a decentralized system exists in the current Vietnamese society. At the provincial level, competition for development among all provinces in Vietnam puts pressures on provincial administrators and people living in rural areas. From a diplomatic aspect, the stance of the Vietnam government for the Mekong River region development is analyzed, particularly relating to the China-ASEAN FTA framework. Regarding the impact of economic reform and trade liberalization upon the economy, we found two aspects. One is that of encouraging development and the other is a negative effect on society. The findings of this study project are as follows: from a case study of the northern rural area, "rule of equality" of the traditional economy is working as a system to relieve risk of uncertainty for peasants. In the Mekong Delta region, new experiments in agricultural production and distribution systems are starting in order to compete in the world market. In the central highland region, one of the special areas in relations to geography and ethnicity, the issues for development are

immigrants and a land system. In order to develop competitive industries, the formation of production linkages is a key issue in Vietnam, so appropriate institutions and policy-making systems to develop the linkages are necessary. From a social aspect, the relations between the Poverty Reduction Strategy Paper (PRSP) and Vietnamese poverty reduction policies (XDGN) are examined.

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

#### **Cambodia after Joining ASEAN**

*Organizer:* Naoko Amakawa

Cambodia becoming a member of ASEAN in 1999 was the last step in rejoining the international community. Our basic recognition was that many aspects of the Cambodian socio-economy have changed or have been pressing to change as part of rejoining the international community.

The results of our project were compiled in a book, "Cambodia after Joining ASEAN: The Recent Changing Situation of Its Socio-Economy" (in Japanese). Chapter 1, "Procreation Process of Labor Force and School Education," analyzed the present condition of the development process of the labor force and the roles of school education in the participation of the labor market. Chapter 2, "Present State of Childbirth and Its Changing Traditions," examined today's problems and the possibilities of reproductive health/rights under conditions such that the traditional way of thinking and practices and the modern ones face each other in the area of childbirth. Chapter 3, "Local Industry in Rural Cambodia," studied the economic characteristics of the silk weaving industry's production and distribution. Chapter 4, "Institutions for Foreign Investment in

Indochina Countries,” tried to reveal decisive factors through examining the fluctuations of foreign investment in Indochina countries after the 1990s. Chapter 5, “Income and Labor of Rural Households,” showed the diversity of income sources of rural households and the variety of the importance of farming income in rural livelihoods. Chapter 6, “Recent Trends of Law-Making in Cambodia,” analyzed new legislation relating to what kind of changes Cambodia confronts during the process of freeing itself from a society in conflict. Chapter 7, “Rural Labor Market in Samrong Torng,” studied the situation of the labor market in which rural people are participating.

On the basis of this year’s research results, we will conduct the second year’s project, “Socioeconomic Transformation in Cambodia after Joining ASEAN.”

*Co-researchers:* Miwa Takahashi (Aikoku Gakuen University), Kenji Yotsumoto (Nagoya Keizai University), Yukiko Sakanashi (Visiting Research Fellow, IDE); Shina Matsuura, Emi Kōjin

### *The Industrial Structure of the Asia-Pacific Region*

#### **The Industrial Structure of the Asia-Pacific Region (II)**

*Organizer:* Jun Nakamura

The Institute initiated a new project in 2001 with a view to constructing Asian international input-output tables (multilateral table) for 2000 covering the Republic of Korea, Indonesia, Thailand, the Philippines, China, Malaysia, Singapore, Taiwan, Japan, and the United States, which constitutes new sector classifications corresponding to the changes in industrial structure in this region. In addition, we compiled the interregional input-output table of China (interregional table of China) launched over two years as a new project in order to study the interrelation between each province in recent rapid economic development.

In this fiscal year, we published the “Trade

Matrix for Asia-Pacific Region, 2000” and the “Multi-regional Input-Output Model for China, 2000” as products of the project. Research activities dealt with the development of theoretical and practical methods for the compilation of a multilateral input-output table and interregional table of China. Furthermore, various studies like time series analysis and interdependency in this region were done using the multilateral table issued in previous projects. The project proceeded in cooperation with various counterparts of the following institutes in each Asian country.

Overseas counterpart institutions:

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

*Adviser:* Takao Sano (Gifu Shotoku Gakuin University)

*Co-researchers:* Yoshifumi Ishikawa (Fuji Tokoha University), Kōzō Kiyota (Yokohama National University), Masatoshi Yokohashi (Applied Research Institute), Takeo Ihara (Kagawa University), Shirō Hioki (Tohoku University), Takaaki Kanazawa (Wakayama University), Mitsuo Yamada (Chukyo University); Nobuhiro Okamoto, Yōko Uchida, Kazuhiko Oyamada, Shin’ya Arakawa, Satoshi Inomata

### *Economic Cooperation and Legal Systems*

#### **Socioeconomic Changes and the Law in Asia**

*Organizer:* Naoyuki Sakumoto

This research project comes under the third

and final year of the three-year project titled “Economic Cooperation and Legal Systems.” In this research, we were mandated to clarify the role of law in a rapidly changing Asia where we can see remarkable changes in the environment surrounding Asian law. Globalization, marketization, democratization, and decentralization are among the major changes that have affected the role of law in Asia. With such a research objective, we organized an international workshop in Chiba and conducted several joint research projects with research counterparts.

Based on the past two-year research results, we focused our research interest in examining the role of law in Asia on three areas; law and socioeconomic changes in Asia, governance and judicial review in Asia, and judicial system and ADR in Asia.

Following are the major findings of our study. Economic transaction-related laws are emerging in Asia in line with globalization and marketization movements. Development of social laws in Asian countries is an outstanding phenomenon in Asia. Economic and social laws are best developed together in such a changing environment. Second are the democratization and decentralization movements in Asia that are greatly affecting the Asian legal environment. We understand that the most important issue especially after the transition to democracy in Asian countries is how to consolidate and institutionalize democratization by means of law in each country. The introduction of constitutional courts, judicial review, human rights commissions, ombudsmen, and local autonomy are some of the new developments in Asia. Judicial reforms are actively being carried out in many Asian countries to establish the rule of law principle. In response to the increase in the number of legal disputes, ADR is widely accepted in many Asian countries as an alternative tool to resolve legal disputes.

*Co-researchers:* Nobuyuki Yasuda (Nagoya University), Shin'ichi Ago (Kyushu University), Masaki Ina (Asia University); Masayuki

Kobayashi, Miwa Yamada, Shin'ya Imaizumi, Izumi Chibana

## STANDBY RESEARCH FOR SPECIFIC DEVELOPMENT ISSUES

This program was implemented in 1994 to analyze urgent topics related to developing countries with a view to promptly fulfilling the needs of government, industrial sector, and academic circles. The standby research for specific development issues has the following two characteristics which differentiate it from ordinary research projects.

Firstly, topics can be selected at any time in response to the international situation in addition to the ordinary projects whose topics are determined at the beginning of each fiscal year. Secondly, the results can be published rapidly and promptly distributed worldwide. Taking advantage of the program, we set up four task force in FY2002. Three of them were published in English (see pp. 66–67 for details).

### China in the Period of the Sixteenth Congress of the Communist Party of China: Generational Changes and the Transition of Political and Economic Systems

*Organizer:* Yasuo Ōnishi

China's political and economic systems are now confronted with structural transformation. In the political field, China gropes with new administrative systems adapted for market transition and globalization of the economy. In the economic field, China promotes the privatization of state-owned enterprises and the development of private enterprises. These policy targets need a fundamental change of systems and it is expected that the Sixteenth Congress of the Communist Party of China will reply to them.

By analyzing the discussions of the congress, this project aims to bring out China's

correspondence to the structural transformation mentioned above, to preview the future of China's political and economic systems in the next five to ten years. The study results were published in English titled *China's New Leadership* (IDE Sport Survey No. 26) and in Japanese (IDE Topic Report No. 48), in March and February 2003, respectively.

Chapter 1 pointed out that the goal of the economic reform is a market economy with Chinese characteristics. Chapter 2 analyzed the content and issues of the important thought of the Three Represents, the new guiding principle of the Communist Party of China. Chapter 3 investigated the personnel changes and policymaking process of foreign policy of the Jiang Zemin era. Chapter 4 clarified that China needs establishment of the rule of law by reforming the judicial system. Chapter 5 clarified the actual conditions and issues in the privatization of large-sized state-owned enterprises.

*Co-researchers:* Yoshifumi Nakai, Masayuki Kobayashi, Ken'ichi Imai, Norihiro Sasaki

### Upgrading Industries and Enhancing Competitiveness in ASEAN

*Organizer:* Ippei Yamazawa

Japan and ASEAN at the government level have been taking several steps toward realization of Japan-ASEAN Comprehensive Economic Partnership (AJCEP) including free trade agreements (FTAs). Assisting AJCEP at the government level, the Institute of Developing Economies proposed five research institutes in ASEAN study how to upgrade industries and enhance competitiveness.

ASEAN is in the process of market integration. In 2003, Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand are to reduce tariffs to less than 5 per cent except for temporary exclusions and sensitive lists, in 2006 for Vietnam, in 2008 for Laos and Myanmar, and in 2010 for Cambodia. Japan-ASEAN FTA, hence, will generate a single market for Japan and ASEAN. Each country has to adopt market-oriented

policies to strengthen competitiveness instead of maintaining protectionist policies.

It may be beneficial for each country to share common information regarding the level of competitiveness by industry to avoid excess competition and upgrade industry to enhance competitiveness. With such awareness, the task force team has studied how to measure the competitiveness of ASEAN and Japan and the effect of an ASEAN-Japan FTA, and prepared to work out a vision and tasks ahead aiming to input the framework of AJCEP at the government level.

*Co-researchers:* Kōichi Ishikawa (JETRO); Yōsuke Noda, Daisuke Hiratsuka, Hikari Ishido, Kazuhiko Oyama, Tomoko Kubota

### Globalization Carried on Human Feet: Cross-Border Diffusion of New Knowledge

*Organizer:* Katsumi Hirano

IDE held one session in the Fourth Annual Conference of Global Development Network (GDN) in Cairo, January 18–21, 2003. This project was organized to prepare for that session and complete presentations to be delivered.

We voluntarily determined four criteria in deciding our session theme, that is, (1) to emphasize the conference theme, "Globalization and Equity," (2) to include presentations by activists in developing countries, (3) to focus on the Middle East and sub-Saharan Africa considering the venue of the conference, and (4) to present information at the grass roots of developing economies. From those viewpoints, we selected extension activities as our topic.

To accommodate poor countries in the era of globalization, human input at the grass-roots level is quite important to facilitate globalization with equity. Extensionist is the conveyer of developmental ideas and technologies on feet. Based on that concept, "Globalization Carried on Human Feet" was set as the session title.

In Cairo, we made four presentations on agricultural extension and livelihood exten-

sion. Hirano and Satō reported mainly on the Japanese experience in this regard, and another two speakers invited from Senegal and Yemen reported on their own activities as extensionists. All papers have been published as an IDE Spot Survey titled *Globalization Carried on Human Feet*, which is available on the IDE website.

*Co-researchers:* Hiroshi K. Satō, Tatsufumi Yamagata

### **Social Capacity Development for Environmental Management in Asia: Japan's Environmental ODA after Johannesburg Summit 2002**

*Organizer:* Akifumi Kuchiki

This report presented Social Capacity Development for Environmental Management (SCEM) and Social Environmental Management System (SEMS), new concepts for evaluating the process of capacity development in the environment in developing countries and for proposing appropriate international cooperation approaches for the development stages. This report presented a new analysis framework and its application to selected Asian countries as well as reviewed historical development of cooperation approaches for developing countries, especially those which are experiencing rapid economic growth and industrial pollution. SCEM is defined as the capacity to manage environmental problems as a whole society of the main three actors; government, businesses, and citizens. The stages and essential benchmarks of SEMS in developing countries were presented. SEMS has the following three development stages: system-making stage, system-working stage, and self-management stage. We applied the SEMS analysis framework and important indicators to selected Asian countries including China, Thailand, and Indonesia. China completed its system-making stage and entered the system-working stage around 1994 and now is shifting toward the self-management stage. Thailand was once ready for the system-working stage around 1995 but some more time is needed to

finalize system working due to the financial crisis in 1997. Indonesia does not have a sufficient environmental information system at its system-making stage.

*Co-researchers:* Setyo S. Moersidik (University of Indonesia), Qwanruedee Chotichanathawewong (Thailand Environment Institute), Sareeya Chairattananont (Thailand Environment Institute), Ren Yong (Policy Research Center for Environment and Economy, China), Shunji Matsuoka (Hiroshima University), Akimasa Fujiwara (Hiroshima University), Naoko Honda (graduate student, Hiroshima University); Hiroki Nogami

## ASIA

### **Joint Studies on Economic Development Policies in ASEAN and Neighboring Countries**

*Coordinator:* Tadahiro Jūjō

This project was initiated in 1987 to analyze the policies relating to economic development implemented in the ASEAN and neighboring countries. The project is being undertaken in collaboration with academic circles, government officials, and other experts from the countries under study. The major objectives are to analyze, from a historical perspective, changes in the national development strategies and policies of these countries, and to identify the orientation of policies to achieve economic development in the future. In FY2002 six study teams were organized: one each in Myanmar, Thailand, Brazil, Côte d'Ivoire, Peru, and Indonesia. The six teams conducted the following studies.

### **Agro-Based Industry in Myanmar: Prospects and Challenges**

*Organizer:* Toshihiro Kudō (in Yangon)

After over half a century since gaining her

independence in 1948, Myanmar still remains as an agricultural country, although almost all of her neighbors have successfully achieved a significant level of industrialization and structural changes. Nevertheless, a group of Myanmar economists strongly argued that in spite of its relatively rich agricultural potential, industrial development should be the main focus of Myanmar's economic strategy because, with the expanding population approaching the limits of available virgin land, and rapidly exhausting its natural resources such as forest reserves, more emphasis on industrialization and economic modernization is needed to ensure a sustained growth and raise the living standard of the people in Myanmar.

The question is "how?" Myanmar's industrial sector is underdeveloped. Most manufactured products tend to be more resource-based, having little value added and technological inputs. Currently, over 80 per cent of the value of manufacturing output falls into the food and beverage sub-sector alone. As a matter of fact, the internal structure of the manufacturing sector is characterized by the dominance of agro-based industries such as rice, oil, sugar, and textile.

Under such conditions, it may be neither possible nor desirable for Myanmar to seek so-called leapfrog-type industrialization with heavy and high-tech industries. Rather, the country should utilize its natural resources more effectively. In this study, we tried to search for a new industrial development strategy with an emphasis on agro-based industry, which can combine the industrial sector with natural resources. Myanmar has significant land and water resources, low-cost labor, and ecological varieties together with proximity to markets in East Asia, the Middle East, Southeast Asia, and South Asia, which would seem to allow agro-based industry in Myanmar to rapidly develop into a major foreign exchange earner, if certain conditions could be met. This can be called a Newly Agro-Based Industrializing Country (NAIC)-type development strategy. The

applicability of this strategy to Myanmar was examined in this study.

First, we tried to understand the current situations of the agro-based industry of Myanmar. Secondly, we studied the public policies and strategies regarding the agro-based industry. Thirdly, based on these two factors, we tried to identify the issues and constraints that Myanmar's agro-based industry is facing and suggest ways and means for its further development. According to the above-mentioned objectives, we have successfully described nine crop sub-sectors such as rice industry, sugar industry, and cotton textile industry.

The findings and analysis were compiled in a book titled *Agro-Based Industry in Myanmar: Prospects and Challenges*, edited by U Tin Htut Oo and Toshihiro Kudo (ASEDP Series No. 67, March 2003). However, our study has not yet been finalized. As a result, this book can be considered an interim report. We intend to expand and revise the contents and analyses with further field surveys and other information. Nevertheless, considering the extreme paucity of information on agro-based industry in Myanmar, we hope this book may well serve as a basis for further discussion.

*Co-researchers:* Aung Hlaing (Department of Agricultural Planning, Ministry of Agriculture and Irrigation; DAP, MOAI), Aung Kyi (DAP, MOAI), Aung Shwe (Myanmar Agriculture Service, Ministry of Agriculture and Irrigation; MAS, MOAI), Boon Thein (DAP, MOAI), Hla Kyaw (DAP, MOAI), Kyaw Myint (Myanmar Agriculture Service, Ministry of Agriculture and Irrigation; MAS, MOAI), Maung Maung Yi (MAS, MOAI), Mya Hlaing (Myanmar Perennial Crop Enterprise, Ministry of Agriculture and Irrigation; MPCE, MOAI), Myo Oo (Myanmar Agricultural Produce Trading, Ministry of Commerce), Pye Tin (Myanmar Cotton and Sericulture Enterprise, Ministry of Agriculture and Irrigation), San Thein (MSE, MOAI), Tin Htut Oo (DAP, MOAI), Tin Maung Oo (Livestock Breeding and Veterinary Department, Min-



istry of Livestock and Fisheries), Tin Maung Shwe (MAS, MOAI), Tin Nwe (MAS, MOAI), Ye Gaung (Myanmar Jute Industries, Ministry of Agriculture and Irrigation).

### Human Resource Development toward a Knowledge-Based Economy: The Case of Thailand

*Organizer:* Minoru Makishima (in Bangkok)

Globalization plays a crucial role in integrating and converging knowledge and economic activities between developed and developing countries. One measure of a nation's economic development in the future can be evaluating its "information, communications, and technology" (ICT) development. Improving ICT human resources in developing countries to keep up with those in developed countries can narrow the disparity in the digital divide between the two countries.

In this study, we examined the Thai ICT sector and analyzed the potential for Thailand entering into a "knowledge-based economy" (KBE). Since a smooth transition to KBE depends substantially upon appropriate and desirable ICT human resources, special emphasis is given to the ICT human resource development in Thailand. The research highlighted four major aspects: the labor market in ICT-related industry, education development towards KBE, science and technology (S&T) development towards KBE, and ICT manpower development. It also provided three case studies to present the current ICT situation of three regions of Thailand. The research findings not only reflected strengths for the Thai government to sustain and weaknesses to improve, but highlighted issues entitled to support from Japanese technical cooperation as well as from other international bodies.

The results obtained were compiled in a book titled *Human Resource Development Toward A Knowledge-Based Economy: The Case of Thailand*, edited by Minoru Makishima and Somchai Suksiriserekul (ASEDB Series No. 66, March 2003).

*Co-researchers:* Chanin Mephokee (Thammasat University), Kulvitra Bhangananda (Office of the National Education Commission), Patarapong Intarakumnerd (National Science and Technology Development Agency), Pituma Panthawi (National Electronics and Computer Technology Center), Somchai Suksiriserekul (Thammasat University), Luechai Chulasai (Chiang Mai University), Theerapong Intarachai (Bank of Thailand)

### Economic Liberalization under the Cardoso Administration and Structural Changes in Brazilian Industry

*Organizer:* Nobuaki Hamaguchi (in Rio de Janeiro)

This study tried to identify the effects of economic liberalization on the Brazilian production structure. Aggregate investment level remained low due to macroeconomic volatility derived from vulnerability to external shocks and an underdeveloped domestic financial market. At the sectoral level, four patterns of competitive strategies and adaptation to liberalization were identified: (i) integration with logistics and energy and consolidation of leading firms through M&As in the commodity sector; (ii) modernization of capital goods and relocation to low labor cost regions in the traditional goods sector; (iii) internationalization of production systems by the consumer durable goods sector; and (iv) decline of the capital goods sector due to a fragile technological base and a deficient production system. A study on ownership structure change identified that M&As in the private sector were partly responsible for market concentration but did not result in decline of efficiency. Privatization, on the other hand, contributed to reestablishing government fiscal stability but did not succeed in increasing the public service supply capacity. Finally, the globalization benefited some technology-based industries by providing export markets and opportunities for strategic alliances with foreign firms, where local innovation systems

were more effectively utilized. This study was conducted with the researchers of Instituto de Economia, Universidade Federal do Rio de Janeiro (IE-UFRJ).

*Co-researchers:* João Carlos Ferraz (IE-UFRJ), Carlos Frederico Leão Rocha (IE-UFRJ), David Kupfer (IE-UFRJ), Mariana lootty (IE-UFRJ)

### **Structural Change in Côte d'Ivoire's Local Governance**

*Organizer:* Akira Satō (in Abidjan)

The decentralization and deconcentration program implemented by the Ivorian government from the 1990s prescribed transfer of responsibility to local governments and also the creation of elected councils in administrative bodies of all levels so as to promote local governments' autonomy in decision making with enhanced political participation of the population. In expectation that this reorganization would necessarily cause some structural changes in local governance, we set up this project focusing on this decentralization process in Côte d'Ivoire. On the basis of information obtained through interviews at the Ministry of the Interior and consultation at various documentation centers, we had three remarks as follows: first, the historical significance of the decentralization program in the 1990s resided notably in the enhanced political participation accelerated by the introduction of a multi-party system in 1990; secondly, the demarcation of competence between central and local governments has not yet been well defined because of the political upheaval starting at the end of 1999; thirdly, the actual organization, containing 56 departments, 244 sub-prefectures, and 195 communes, each of them equipped with councils, seems to be too fragmented and will impose a serious financial burden on the central government. Our research results will be published in fiscal year 2003.

*Co-researchers:* Adiko Aimée Rodrigue (Ivorian Center for Studies on Economy and Society: CIREs), Manso Lasm (University of Cocody)

### **Integration of the Rural Economy into the Market through Forced Migration: Case Studies in Ayacucho, Peru**

*Organizer:* Tatsuya Shimizu (in Lima)

The rural economy in the Peruvian Andes is characterized by poverty and isolation from the rest of the national economy. Many peasants have been practicing agriculture for self-sufficiency, and they have been the poorest people in the country for many years. During the 1980s, this situation worsened when terrorist activities increased in the area. Many peasants were forced to seek refuge in nearby cities, abandoning their farms and crops and losing animal stocks. When terrorist activities in the area started to fade out in the mid-1990s, the peasants began to return to their homes. The objective of this study is to evaluate the economic effect of this forced migration among peasants. It is true that many peasants have not yet recovered from the damages caused by terrorism. They frequently abandoned their land and lost all animal stocks they had, and remained to be very poor. However, this forced migration resulted in changes among the peasants. Some increased participation in the local and regional labor market to diversify income sources. Others increased production of crops directed for regional and national markets. We believe that the forced migration helped the rural economy in this part of the Peruvian Andes to integrate into the market economy.

*Co-researchers:* Alfredo Valencia (Center of Population Promotion and Development, Lima), Jeffrey Gamarra (Institute of Research and Promotion for Development and Peace, Ayacucho)

### **Regional Autonomy and Socioeconomic Development in Indonesia: A Multidimensional Analysis**

*Organizer:* Muneo Takahashi (in Jakarta)

The full-dress decentralization policies that began around the beginning of this century brought a lot of changes to the political,

economic, and social systems in every region of Indonesia. This study was done aiming at explaining the process of the policy making, and synthetically grasping the influences of the policies on Indonesian society, especially on local societies.

In the political field, the relationship between the process of democratization and decentralization after Soeharto's step-down was analyzed. In the legal field, the crucial problems in terms of legal consistency and consequences of the two basic laws were explained, and the orientations of their revisions were indicated.

We analyzed the influences on economic fields: first, the influence of local economic regulations, especially on taxes, levies, etc., on investment activities; secondly, the influence on domestic trade at a theoretical level. In the field of public finance, four main issues accompanied by the implementation of the two basic laws were examined. In the investment field, we asserted that the investment distribution would be minimally influenced by the decentralization policies. In the social field, the conflicts relating to authority, resources, customs, and culture were focused on. The characteristics of urbanization and population distribution in the last forty years were also examined from the viewpoints of decentralization and Japanese experiences.

The results of this study were published in a book titled *Regional Autonomy and Socio-Economic Development in Indonesia — A Multidimensional Analysis*, edited by T. A. Legowo and Muneo Takahashi (ASEDP Series No. 65, March 2003)

*Co-researchers:* Tommi A. Legowo (Centre for Strategic and International Studies: CSIS), Ignasius Ismanto (CSIS), P. Agung Pambudhi (Regional Autonomy Watch), Titik Anas (CSIS), Yose Rizal Damuri (CSIS), Raymond Atje (CSIS), Medelina K. Hendyio (CSIS)

## Asia General

### Analysis of Current Affairs in Asia

*Organizer:* Mitsuo Fukushima

Research on the political, economic, and social development in the countries and regions of the Far East, East Asia, Southeast Asia, South Asia, and Central Asia was conducted by the Area Studies Department I. The results of the research project were published in the "Yearbook of Asian Affairs, 2003" (in Japanese) which contains twenty-four reports of current analysis on Asian countries and regions, and three on wider regional issues such as ASEAN, the relationship between Japan and Asian countries, and U.S. Asian policy. The outcomes of the research project have also been published in the "Ajiken World Trends" (monthly, in Japanese).

*Co-researchers:* Toshiya Hoshino (Osaka University), Takashi Kawakami (Hokuriku University), Shin'ichi Koibuchi (Asia University), Liu Wenfu (China expert), Emi Mifune (Chubu University), Satoshi Saitō (Junior College of Takasaki University of Health and Welfare), Sueo Sudō (Nanzan University), Kyōko Tanaka (Nanzan University), Sō Yamane (Osaka University of Foreign Studies); Naoko Amakawa, Etsuyo Arai, Hiroki Fukamachi, Tsuruyo Funatsu, Shigeki Higashi, Hideki Hiraizumi, Kyōko Inoue, Gaku Katō, Takeshi Kawanaka, Norio Kondō, Momoe Makino, Kazuhisa Matsui, Shina Matsuura, Junko Mizuno, Mayumi Murayama, Yoshifumi Nakai, Masahiko Nakagawa, Masashi Nakamura, Hisaya Oda, Moriki Ōhara, Ikuko Okamoto, Yasuo Ōnishi, Shōzō Sakata, Yuri Sato, Yurika Suzuki, Yūko Tsujita, Shūji Uchikawa, Norihiko Yamada

### Projections for Asian Industrializing Region (PAIR)

*Organizer:* Mitsuru Toida

Asian NIEs, ASEAN, and China attained a high level of economic growth in the latter

half of the 1980s and the first half of the 1990s while generally succeeding in industrialization of their economies. Although the levels of industrialization differ depending on the economies, these economies can be referred to as the “Asian industrializing region.” The economies of this region were severely hit by the Asian currency crisis. However, they recovered quickly with the help of the global IT revolution. A recession in the IT industry and the 9.11 incidents in 2001 caused a decline in the Asian economies.

We realized the increasing importance of studying the Asian industrializing region in a worldwide perspective. We initiated a project entitled, “Projections for Asian Industrializing Region (PAIR),” in fiscal year 1991. Based on macroeconomic models, the PAIR project analyzed the economic structure of the economies in the “Asian industrializing region” and provided economic forecasts for them.

We invited experts from overseas research institutions to join the project from each country and area in the Asian industrializing region as well as from developed economies.

*Co-researchers:* Yoshihisa Inada (Konan University), Eric D. Ramstetter (International Center for the Study of East Asian Development, Kitakyushu); Daisuke Hiratsuka, Chinami Yamaji, Jinichi Uemura, Hiroko Uchimura, Etsuyo Michida

### **Economic Cooperation in Asia and Japan**

*Organizer:* Chiharu Tamamura

The purpose of this research project (commissioned by the Ministry of Economic, Trade and Industry) is to provide basic information and analysis on the current status of the economies, politics, and social conditions in the East Asian countries to help the Japanese government set up reasonable and effective policies for economic cooperation with those countries.

In FY2002 the project conducted research on industrial structures of those countries

and their interlinkage. It also examined the restructuring of Japanese-capitalized enterprises running their business in the East Asian region, and discussed what economic cooperation was needed between Japan and this region for achieving mutual, sustainable development. China, Indonesia, and Malaysia were taken up as country studies. Also some quantitative analysis of the economic relations between ASEAN and China were conducted.

*Co-researchers:* Hiroshi Akama (Bank of Japan), Noriyuki Yanagawa (University of Tokyo), Shin'ichi Watanabe (International University of Japan), Naoyoshi Noguchi (JETRO); Michio Kimura, Shigeru Itoga, Katsuhiko Satō, Masami Ishida, Mari Fujii, Mariko Watanabe, Sō Umezaki, Hisatoshi Hōken, Gaku Katō, Shigeru Nakamoto, Sanae Suzuki

### **Seeking Mechanisms for FTAs to Promote Multilateral Liberalization**

*Organizer:* Jirō Okamoto

Under the assumption that “the proliferation of free trade agreements (FTAs) will not necessarily assure smooth economic transactions between the contracting parties or the promotion of multilateral liberalization,” we continued our research building on last year’s results.

A review of economics literature indicated that emphases were put more on the dynamic aspect of FTAs, such as economies of scale, increased competition, and investment flows, in recent years. Institutional analysis showed that dysfunction of the WTO to assure reciprocity has caused incentives for countries to move towards FTAs. From the viewpoint of international political economy, it was pointed out that, among existing frameworks, constructivist perspectives explained the current FTA phenomena best, though not perfectly. In case studies, we picked eight countries in the Asia-Pacific region and analyzed their FTA policies and their objectives (incentives). Their objectives were diversified; some recognized that achieving economic (relative)

gains were the most important, while others had an intention to apply their FTA contents to multilateral rules. For some, political objectives, such as promoting security and creating new concepts of regions, were perceived to be more important than direct economic gains.

Based on these analyses and observations, we discussed how the recent surge should be understood and which FTA multilateralization mechanisms were most effective. The results of our research were published as *Whither Free Trade Agreements?: Proliferation, Evaluation and Multilateralization* (Development Perspective Series No. 2).

*Co-researchers:* Stephen Hoadley (University of Auckland), Mikio Kuwayama (ECLAC, United Nations), Fumio Nagai (Osaka City University), Tatsushi Ogita (Fuji Research Institute Corp.), Satoshi Ōyane (Kanazawa University), María-Cristina Rosas (National Autonomous University of Mexico), Atsushi Yamada (Hitotsubashi University), Gen Yamamoto (Japan Society for the Promotion of Science); Sanae Suzuki, Akiko Yanai

### Trade, Investment, and International Labor Migration in APEC Member Economies

*Organizer:* Yasuko Hayase

The main purpose of this study is to explore the relations among international labor migration, trade, and investment in APEC member economies. This study consists mainly of the following research topics: (1) empirical studies on the linkages among international labor migration (ILM), trade, and FDI in selected APEC member economies (an application of the Heckscher-Ohlin model and other statistical analysis), (2) studies on economic development and ILM in Malaysia, Singapore, Taiwan, and Vietnam, (3) a note on data adjustments to include foreign direct investment in an applied general equilibrium model of global trade, (4) studies on the structure of trade in commodities in East Asia and trade in services in China, and (5) empirical studies

on ILM and remittances in the Philippines and the United States. In addition, timeseries ILM statistics by each APEC member economy from 1980 to 2000 is compiled and shows international comparability; this will be helpful for users in understanding recent migration trends within the APEC region. The results of the research project have been published titled *International Migration in APEC Member Economies: Its Relations with Trade, Investment and Economic Development* (IDE APEC Study Center Series).

*Co-researchers:* Xiaoning Gong (United Nations Statistical Institute for Asia and the Pacific), Shōichi Itō (Kwansei Gakuin University), Hiroshi Kojima (National Institute of Population and Social Security Research), Yoshio Yoshida (Asahi University), Machiko Watanabe (Meikai University), Ching-lung Tsay (Institute of Economics, Academia Sinica, Taiwan; Visiting Research Fellow, IDE); Hikari Ishido, Futaba Ishizuka, Yōsuke Noda, Kazuhiko Oyamada

### Reexamination of Environmental Policies in Asia

*Organizer:* Tadayoshi Terao

Governments, people, and private businesses in East and Southeast Asia have tried to take prompt measure to reduce environmental pollution, but they have not been able to fully overcome the serious degradation caused by rapid economic development. Although the Japanese experience of controlling environmental pollution during rapid economic development might be an example of successful pollution control without serious adverse effects on economic development, we need to examine the conditions and measures that make environmental pollution control policies effective, as in the case of Japan after its high-growth period. We also have to consider the differences between developing countries today and Japan in the 1970s. In particular the effects of globalization on domestic environmental policies in Asia need to be analyzed to avoid overgeneralization of the

Japanese experience regarding environmental pollution control.

In this research project, we focused on specific examples of policies for environmental pollution control in Mainland China (information disclosure and public participation; air pollution and the coal industry), the Republic of Korea (politics of environmental movements), Taiwan (democratization and decentralization), Indonesia (water pollution control program supported by the World Bank), Thailand (waste management in a local city), and India (environmental policy and the role of the court). We also examined some international aspects of environmental policies, such as the environmental guidelines of Japanese development assistance, and the process of setting international standards for vehicle emission regulations. Through these analyses we tried to present specific conditions for effective environmental pollution control when a country is undergoing economic development and rapid social transformation.

*Co-researchers:* Yoshifumi Fujii (Bunkyo University), Ryō Fujikura (Ritsumeikan University), Hideaki Shiroyama (University of Tokyo); Kenji Ōtsuka, Michikazu Kojima, Nobuhiro Horii, Yūko Tsujita

### The Response of Japan's Local Manufacturing Industry to the Rise of Asian Countries

*Organizer:* Mitsuhiro Seki (Hitotsubashi University)

Many major Japanese assemblers and parts makers have shifted their production bases to East Asia, especially to China. As a result, the hollowing-out of industry has become a serious problem in Japan. Small and medium-sized manufacturing industries which have formed the core of Japanese regional economies have suffered from sharply decreasing orders.

The objective of this project was to examine the extent that Japanese local manufacturers have been affected by the shift of production to East Asia and how they have responded to the rise in the competitive-

ness of other Asian countries and the resulting industrial hollowing-out.

For this purpose, we conducted field surveys on the production bases in Asian countries and Japan, including areas such as Tokyo, Chiba, and Gifu, and considered the following measures: (1) shifting their production bases overseas, (2) business alliances with Asian countries, (3) business cooperation and alliances with domestic companies, and (4) specializing in advanced technology.

We had fruitful discussions and could share ideas because staff from several local governments participated in the meetings where many case studies were carried out. The final report was published in March 2003 with the hope of providing useful information to small and medium-sized enterprises and local governments in Japan.

*Co-researchers:* Mamoru Kitajima (Japan Society for the Promotion of Machine Industry), Yukio Watanabe (Keio University), Shigemi Furuta (Hong Kong Trade Development Council), Roger Z. Y. Huang (CDM Corporation), Teruyoshi Kubota (Overseas Economic Research Institute, Korea Economic Research Center), Nee Pai Chee (Embassy of the Republic of Singapore), Kazukimi Takagi (Gifu Economic and Industrial Promotion Center), Masako Tomizuka (Chiba Industry Advancement Center), Nobuo Iida (Chiba Industry Advancement Center), Takuji Yamada (Tokyo Metropolitan Government), Shūji Baba (Tokyo Metropolitan Government), Ryō Ikebe (JETRO); Daisuke Hiratsuka, Masami Ishida, Ken'ichi Imai, Kazuhiro Nagai

### Research on Supply and Demand in the Asian Machinery Industry

*Organizer:* Junko Mizuno

The main purpose of this project was to explore the factors behind the recent growth in the Asian capital goods industry, with the machine tool and the die and mold industries being representative examples. The research was designed to take into consideration the expansion of final demand and

technological development. Our premise was that the demand for final products fosters the capital goods industry while the international competitiveness of final products depends on one's competitiveness in capital goods. The focus of inter-industry analysis was mainly the automotive and parts industry since this industry is a major user of capital goods. The countries researched included Korea, Taiwan, China, Thailand, the Philippines, Singapore, Malaysia, and India. Joint studies with an industrial association or a research institute in each country were also conducted.

In the final report we presented some suggestions and implications about the response of the Japanese machinery industry to the growth of this industry in other countries of Asia. Japanese companies should: (1) in the areas of general-purpose machine centers (MCs) and NC (numerically controlled) lathes, put top priority on customer satisfaction through the development of new machine models, and produce high value-added machines assembled from high-quality internationally supplied parts, (2) pursue the possibility of mass-producing many kinds of high-quality MCs and NC lathes, and (3) realize horizontal and vertical divisions of labor with overseas manufacturers by differentiating dies and molds that require extensive high-technology to produce from those that require only generalized know-how.

*Co-researchers:* Yoshimi Itō (Prof. Emeritus, Tokyo Institute of Technology), Isamu Komatsu (Komatsu Technical Office), Yoshio Shima (Houko Co., Ltd.), Kiyoshi Ido (Information Digital Office Inc.), Etsujirō Yokota (Kuroda Precision Industries Ltd.), Sōichi Hachiga (Japan Machine Tool Builders' Association), Kazuhisa Yamagiwa (Tokyo University of Technology); Shūji Uchikawa, Ken'ichi Imai, Shigeki Higashi, Moriki Ōhara, Yōko Uchida, Keisuke Sasaki

## East Asia

### Small and Medium-Sized Enterprises in East Asia: With a Focus on the Formation of Industrial Linkages

*Organizer:* Yōichi Koike (Takushoku University)

The purpose of this research project was to analyze the current situation and future prospects for small and medium-sized enterprises (SMEs) in East Asia, with a special focus on the impact of globalization. The project also attempted to reveal the significance of industrial linkages for the upgrading of industrial sectors. For this purpose, we focused on the electronics industry, which has experienced a drastic globalization and continuously sustained the exported industrialization of the region in the past few decades. As case studies, we analyzed the development of SMEs in the Korean mobile phone manufacturing sector, the changing position of SMEs in the Taiwanese PC industry, a joint venture of a Japanese SME with a Taiwanese company, and linkage formation of the Malaysian home appliance industry. The diversity of industrial linkages in the region's electronics industry and their role for the industrial development were revealed. The results of the study were compiled in a book titled "Industrial Linkages and Small and Medium-Sized Enterprises: The Case of Electronics Industry in East Asia" (in Japanese).

*Co-researchers:* Shigeru Matsushima (Hosei University), Makoto Anazawa (Otaru University of Commerce); Michio Kimura, Makoto Abe, Momoko Kawakami

### The Technological Development and International Competitiveness of the Capital Goods Industry in East Asia

*Organizer:* Junko Mizuno

In recent years through technological advancement, machine tools have attained a high level of accuracy that only skilled technicians could produce in the past. Also

through the development of computer software technology, the preparation of drawings for dies and molds has become much easier than in the past.

In Korea and Taiwan the die and mold industry has been developed to a level where it can now be regarded as a “process industry.” Enterprises not only in these two economies but in other Asian countries as well acknowledge that there are limits on the technology that can go into hardware. Asian mold manufacturing companies outside of Japan are now capable of equipping themselves with machinery, and they can manufacture dies and molds of an acceptable accuracy. Therefore, when a die or a mold of the same quality and accuracy is available in these countries, the offshore production base for dies and molds tends to shift to the country or enterprise that offers the lowest production cost.

Therefore, Japanese manufacturers need to ally themselves with overseas partners for production, technical tie-ups, sales, and so forth. This project sought to show several patterns of Japanese alliances with East Asian economies.

*Co-researchers:* Yoshimi Itō (Prof. Emeritus, Tokyo Institute of Technology), Etsujirō Yokota (Kuroda Precision Industries Ltd), Sōichi Hachiga (Japan Machine Tool Builders’ Association), Shigemi Yahata (Japan Institute of Labour Research Director), Makoto Fujimoto (graduate student, University of Tokyo)

### **Analysis of Industrial Structure in the Democratic People’s Republic of Korea**

*Organizer:* Masahiko Nakagawa

It is evident that the economy of the Democratic People’s Republic of Korea (D.P.R.K.) has been stagnant since the mid-1980s. In the 1990s the economy experienced hardships: the breakdown of international socialist market and flood damages. Nevertheless, the launch of a rocket in 1998 showed industrial potential and the leadership of the D.P.R.K. continues pushing ahead with the

construction of heavy industry.

We analyzed the process of industrialization and social changes of the D.P.R.K. and determined how the ruling party and the government sustain the socialistic economic system. We focused on the industrial policies of the Workers’ Party (WP), the roles of party-government organizations, and the population changes occurring with industrialization.

Nakagawa analyzed the formations of “the Lines of Building an Independent National Economy,” the self-reliance economic policies of the WP. Miyamoto investigated the “Chollima Movement,” the production emulation organized in factories, farms, and schools. Moon examined the relations between the process of economic reforms and the movement of population. Mimura studied “Law-Abiding Spirits,” the education in law observed by the WP. The reports will be published in *Ajia keizai* (in Japanese).

*Co-researchers:* Satoru Miyamoto (graduate student, Kobe University), Moon Ho-Il (graduate student, Hitotsubashi University), Mitsuhiro Mimura (Economic Research Institute of Northeast Asia, Niigata)

### **The Thirtieth Anniversary of the Normalization of Sino-Japanese Diplomatic Relations: Problems and Prospects**

*Organizer:* Daisuke Hiratsuka

The year 2002 marked the thirtieth anniversary of the normalization of Sino-Japanese diplomatic relations. During those three decades, Sino-Japanese relations developed rapidly, and in the 1990s entered a period of maturity. However, since the latter half of the 1990s, there has been a structural change in the relations brought about by China’s economic development.

This research project was commissioned by the Ministry of Foreign Affairs. The project analyzed the problems and prospects of Sino-Japanese diplomatic relations. We organized a study team for China Institute of Contemporary International Relations (CICIR) and carried out field surveys. We



also held a symposium with CICIR in Nagasaki City, Japan. The results of the study were published in Japanese as a working paper.

*Co-researchers:* Mitsuhiro Seki (Hitotsubashi University), Liu Zhongwei (CICIR), Xu Guoxiong (CICIR), Ma Junwei (CICIR), Zhao Jinping (Development Research Center of the State Council), Wang Zhen (Shanghai Academy of Social Science); Yasuo Ōnishi, Norihiro Sasaki

### Proposal on Basic Plan of Economic Exchange Promotion in East Asia

*Organizer:* Shōichi Yamashita (International Center for the Study of East Asian Development, Kitakyushu)

Kitakyushu City established “the East Asian City Council” in 1991 to promote exchange between main cities in Pan-Pacific cities, and held conferences of businessmen and government officers until 1993. It started to hold a conference of mayors every two years from 1993. Its current participating cities cover the following ten cities from three countries: Japan (Kitakyushu City, Shimonoseki City, and Fukuoka City), Korea (Incheon City, Busan City, and Ulsan City), and China (Qingdao City, Dalian City, Tianjin City, and Yantai City). The East Asian City Council proposed to establish “Economic Exchange Promotion Organization in East Asia” to promote economic cooperation toward regional integration in the Pan-Pacific cities.

The aim of our project is to prepare the basic scheme for establishing the Economic Exchange Promotion Organization in East Asia. The scheme will be approved at a conference of the mayors to be held in Kitakyushu City in 2004. We made an interim report of fiscal year 2002 and will complete the final report by December 2003. The interim report surveyed the current situations of the cities on the promising industries, infrastructure, marketing, trade, international investment, and problems of environment, security, and labor. A research

committee organized by our institute implemented the survey together with research institutes recommended by the member cities.

*Co-researchers:* Shunji Matsuoka (Hiroshima University), Shinji Kaneko (Hiroshima University), Noriatsu Matsui (Yamaguchi University), Kengo Ishida (Kitakyushu City Government); Mitsuhiro Kagami, Akifumi Kuchiki, Kōichirō Kimura

### Southeast Asia

#### Decentralization and Development Administration in Indonesia

*Organizer:* Kazuhisa Matsui

Decentralization can be regarded as a good opportunity for local autonomy and participatory development in the process of democratization. On the other hand, decentralization has the bad effect of weakening fiscal sustainability and increasing local power struggles.

In Indonesia, following the collapse of the Soeharto regime in 1998, two laws on local autonomy and fiscal decentralization were enacted in 1999, and the decentralization process officially started in 2001. To date there have been some studies on decentralization in Indonesia, but they have been mainly analyses of decentralization from the perspective of the central government.

In this study we examined problems based on our field survey experiences in Aceh, Riau, South Sulawesi, and other regions of Indonesia. We sought to view the problems from dual central-local viewpoints, emphasizing central and local actors' interaction. We analyzed the impact and role of decentralization on the functioning of the development administration in Indonesia.

We focused on (1) fiscal decentralization from dual central-local perspectives, (2) central-local political conflicts in the problem of establishing a new local government in Riau, (3) village-level autonomy and reorganization of village administration in Tana Toraja,

South Sulawesi, (4) village community reaction to the current decentralization drive in Barru, South Sulawesi, and (5) enactment of the Aceh Special Autonomy Law and the reaction from local politicians and people.

*Co-researchers:* Yasuo Fukao (Asia University), Motoko Shimagami (graduate student, Kyoto University), Kazuko Oguni (graduate student, Chiba University), Yoshimi Nishi (graduate student, University of Tokyo)

### South Asia

#### Indian Parliamentary Elections after Independence

*Organizer:* Norio Kondō

In this study, the long-term voting behavior was analyzed focusing on the relationship with socioeconomic variables. The electoral data from 1957 to 1999 were correlated with socioeconomic variables. The periodization of political history was based on voter turnout, the number of candidates, and the votes polled by the Indian National Congress. This revealed that the 1970s were the most turbulent time and, in effect, became a transitional period.

Voter turnout is more clearly correlated with socioeconomic variables than with the votes polled by parties. It is clear that the former aspect of voting behavior is more embedded in the society than the latter. Among socioeconomic variables, literacy is the most important variable explaining turnout.

Although it was shown that socioeconomic variables play a role in politicizing people and promoting voter turnout, the effectiveness of this role gradually decrease with socioeconomic development. Finally, although quantitative measurement was difficult, it was shown that the impact of a strong and widespread political event induced more people to participate in elections.

## MIDDLE EAST

#### Structural Changes of Economy and Society in the Middle East under Economic Liberalization and Globalization

*Organizer:* Yōko Iwasaki

The main focus of the project was on the relationship between economic conditions including functioning economic systems in the Middle Eastern countries, and social and political phenomena. Apart from very ordinary ideological analysis concerning so-called Islamic fundamentalism, another economic logic was found, which greatly influences those countries' social and political development processes. Various topics were studied in the course of the research, which gives us lively images of the economic life of countries examined; Egypt, Iran, Afghanistan, and Saudi Arabia.

The research topics are as follows: Egypt's modern statistics and formation of a nation-state (Katō), agricultural development policies and growth performance in Egypt since the 1950s (Tsuchiya), debates on the Egyptianization of capital and employment in Egypt in the 1940s (Ikeda), Afghanistan's short history (Suzuki), books' resale-price maintenance system in Iran (Iwasaki), and local publications in various areas before and after the Islamic Revolution in Iran (Hachioshi). The study results were published in the journal, "the Contemporary Middle East," No. 34 (only Fukuda's paper on No. 35).

*Co-researchers:* Hiroshi Katō (Hitotsubashi University), Makoto Hachioshi (Tokyo University of Foreign Studies), Misako Ikeda (Koryo Women's College); Sadashi Fukuda, Hitoshi Suzuki, Ichiki Tsuchiya

#### Popular Organizations in the Middle East: Between the State and Individuals

*Organizer:* Keiko Sakai

In the contemporary Middle East, we have witnessed the frequent use of violence, ei-

ther by the state or by individuals. September 11 would seem to have paved the way for interpreting this in the context of Islam. However, we cast doubt on this interpretation and instead would like to shed light on the relationship between the state and the society, or the state and the individuals in the Middle East in order to understand the radicalization of conflicts. Problems in the relationship between the state and society in the Middle East are often typified by the lack of “democratic channels,” and by the tenacity of the authoritarian regimes. This was the case in Iraq until it provoked U.S. intervention which topple the regime. It might be too simplistic an understanding, however, to see Islam as now providing a social bond that can reorganize atomized individuals in order to confront the aggrandized state apparatus. In this two-year study group, we sought to analyze how the state strives to mobilize its people, and how the society tries to establish an independence from the state. In a mid-term report we published lists of Syrian political parties and Iraqi opposition political organizations. We also published several research papers on Egypt, Turkey, Iran, and the Middle East peace process.

*Co-researchers:* Akifumi Ikeda (Toyo Eiwa Women’s College), Yasuyuki Matsunaga (Nihon University), Emi Suzuki (graduate student, University of Tokyo); Hiroyuki Aoyama, Yasushi Hazama, Satoshi Ikeuchi

### **The Oil Policy of Oil-Producing Countries in the Middle East and U.S.-Iraq / Israel-Palestine Conflicts**

*Organizer:* Sadashi Fukuda

This project was organized at the request of the Ministry of Economy, Trade and Industry to analyze the influence of U.S.-Iraq / Israel-Palestine conflicts on oil producing countries in the Middle East.

The political situation in the Middle East has been changing greatly since the 9.11 attacks. The tension between the United States and Iraq finally developed into war on Iraq. The Israel-Palestine disputes which

created a disastrous situation in Palestine as well as in Israel have continued. These tensions and disputes have strongly influenced the Gulf countries and their oil policies. The Gulf region has huge resources of oil and natural gas. The region, providing 85–90 per cent of Japan’s total imports of crude oil, has significant importance for Japan.

Our research project aimed at analyzing the political and economic situation of oil-producing countries in the Middle East, especially in the Gulf region. We also analyzed the influence of U.S.-Iraq tension/war and Israel-Palestine conflicts on the Gulf countries. A report on our studies will be compiled in the next fiscal year.

*Co-researchers:* Mitsuhiro Ono (Institute for International Trade and Investment), Reiji Takeishi (Fujitsu Research Institute), Kenji Tomita (Oita Prefectural College of Arts and Culture), Isamu Nakajima (Middle East Research Institute of Japan), Masaki Matsuo (graduate student, Tohoku University), Kōji Mutō (Ritsumeikan Asia Pacific University), Hideomi Mutō (Asia University), Ahmed Abdalla (Visiting Research Fellow, IDE); Keiko Sakai, Hitoshi Suzuki, Ichiki Tsuchiya, Satoshi Ikeuchi

## AFRICA

### **New Augments on African Economies**

*Organizer:* Katsumi Hirano

The recent progress in development economics has been stimulated through Africa studies. This close relationship between development economics and Africa studies was brought about with the accumulation of economic data in sub-Saharan African countries after the 1980s. Furthermore, many of the debates on development and development cooperation in the world are proceeding in the venue of Africa. While being the biggest ODA recipient during the years of 1981 to 1998, sub-Saharan Africa is the

only developing region that is suffering a decrease in per capita GNP and serious poverty.

In Japan, however, development economics and Africa studies are barely connected. Development economists show little interest in Africa and Africanists tend to do their work outside the stream of economics. The intellectual dominance of Asia studies in Japanese academics made Japanese thought on development somehow unique in international society.

Our project was established to bridge the gap between Africa studies and economics in Japan to introduce to Japanese society new ideas carried by Africa studies at the frontier of development economics. We reviewed in detail the most recent work on growth regression and development microeconomics focused on Africa, and analyzed the issues of debt reduction, migrant workers, and HIV/AIDS. The agricultural sector, which is widely recognized as a key to economic recovery in Africa, is also discussed from various perspectives. The products were published as I.D.E. Research Series No. 529 titled "Toward the Economics of Sub-Saharan Africa" (in Japanese).

*Co-researchers:* Hideo Akabayashi (Keio University), Yōichi Mine (Chubu University), Tōru Nakamura (Kobe Gakuin University), Akio Nishiura (Soka University), Hiroyuki Sudō (Nagoya Bunri University), Motoki Takahashi (Kobe University); Takahiro Fukunishi, Hiroki Nogami, Tatsufumi Yamagata

## LATIN AMERICA

### Chilean Re-democratization and the Right Group

*Organizer:* Hideho Yoshida

During seventeen years of military dictatorship, Chilean rightist parties (Alliance for Chile) cooperated with the regime. After the return to the civilian regime in 1990, the

rightist parties became the opposition. This group was unpopular because of the massive human rights violations and as a collaborator with an undemocratic 1980 political constitution during the military regime.

This study aimed at clarifying the reasons for the big advancement of these groups in the parliamentary and presidential elections since 1997. In effect, these rightist groups are considered to represent next government.

### Poverty and Education: Comparative Analysis between Mexico and Brazil

*Organizer:* Akio Yonemura

Both Mexico and Brazil have high poverty levels, although their national economic levels are high compared with other developing countries. They also have children who do not complete even primary education, which will keep them and their families in poverty. Since 1990, international organizations, such as the World Bank, have been giving them education assistance to alleviate the massive problem and improve their situation. This study was aimed at analyzing, from a comparative viewpoint, education developments and their socioeconomic effects on poverty reduction in these two countries.

The report consists of the following chapters. In the Introduction the analytical framework of the study is discussed, clarifying Mexico's and Brazil's positions in Latin American countries in terms of poverty and education levels. Chapter 1 deals with the strategy for education of the Mixe people (a Mexican ethnic group) in their survival tactics. Chapter 2 analyzes the determinants of the poor diffusion of education for Otomí (another Mexican ethnic group). Chapter 3 describes the Brazilian education system and the present educational situation. It also discusses a scholarship program for the poor, Programa Nacional do Bolsa Escola. Chapter 4 analyzes the history of Monti Azul Association, a community-based volunteer organization in São Paulo, Brazil. Finally, Chapter 5 deals with Hirschman's works of

political economy on poverty in Latin America.

*Co-researchers:* Hiroshi Ukeda (graduate student, University of Tokyo), Daisuke Ōnuki (JICA); Hiroki Nogami, Ryōhei Konta

## GENERAL

### Governance and Aid Policy

*Organizer:* Ikuo Kuroiwa

Governance has been an increasingly important issue for the developing world since the 1980s. In the Asian context, the governance issue has attracted great attention since the Asian crisis, which hit the region in 1997. This is because poor governance, as well as weakness in the financial sector, was considered one of the most important factors that caused the economic crisis in Asia, and governance reform was given a first priority in countries like Indonesia.

This research program covers major topics of governance, such as the rule of law, rent seeking, corruption, decentralization, democracy, and monitoring and management of development projects. It also focuses on the theoretical aspects as well as empirical studies of governance.

*Co-researchers:* Yasutami Shimomura (Hosei University), Yutaka Ōnishi (Osaka City University), Minoru O'uchi (Shumei University); Futaba Ishizuka, Miwa Yamada, Gaku Katō

### Development Aid and People's Organizations

*Organizer:* Hiroshi K. Satō

The world development strategy is shifting its focus on poverty reduction. A wider range of development projects are also being implemented using participatory approaches. In these approaches, donor intervention is more socially oriented than other conventional aid activities such as infrastructure building (including schools, health cen-

ters, water services, and roads), or human resource development (such as primary education and vocational training). Therefore, in the process of "participatory development," it is crucial for development practitioners to establish suitable and sustainable "people's organizations" that will be the stage for participation of the target group. Thus, many donor agencies have made efforts to establish "democratic" people's organizations, employing relevant experts, consultants, and volunteers, and spending a substantial amount of time and money for "social preparation."

In our research project, we examined donors' strategy of promoting people's organizations and the effects on target communities. We put special emphasis on the difference between two types of people's organizations. One is an organization designed for receiving and digesting aid and the other is an organization designed for empowering its members. In addition, as a theoretical aspect, the ability of people's organizations to effectively absorb assistance resources and to create a foundation for self-sustaining development was examined.

*Co-researchers:* Masami Mizuno (Policy Research Institute, Ministry of Agriculture, Forestry and Fisheries), Kazuko Oguni (Chiba University), Masafumi Ikeno (Koei General Institute), Yoshiko Isono (Towa University); Mayumi Murayama, Ryōhei Konta

### Gender and Development in Developing Countries and Japan in the Era of Globalization

*Organizer:* Mayumi Murayama

Globalization has had a tremendous influence on human lives and relationships, of which gender relationships are one of the most important issues of concern. A notable feature of gender impacts of globalization is that a change in one place is closely linked with changes in other places. On this premise, we organized a project to take a compound view to look at gender issues of both Japan and developing countries.

The two-year project on the issues of gender and development in developing countries and Japan in the era of globalization, have twofold objectives. First, we intend to derive from the rich stock of studies on Japanese women, methodologies, and perspectives useful for the analysis of gender issues in developing countries. Second, by way of the literature survey as well as interviews with the concerned researchers and activists, we aim to construct wider perspectives describing both the developing countries and Japan in the interlinked gender analysis.

As the outcome of the first year research, we published an annotated bibliography titled “Gender and Development in Japan with the Developing Countries’ Perspectives” (in Japanese). The studies on the female labor market, business entrepreneurship by rural women, livelihood improvement programs, female workers in the textile industry, and the discourses of modern families in Japan have been examined. Through the work, we have found that there is ample scope to benefit from Japanese women studies but that there is relative lack of empirical studies in recent years. Furthermore, the studies show that the gender inequality has worsened in Japan under globalization as in many other developing countries.

*Co-researchers:* Kazuko Kano (Japan Bank for International Cooperation), Kuniko Funabashi (Former Professor, Osaka Women’s University); Kaoru Murakami, Hiroshi K. Satō

### Family Businesses in Developing Countries

*Organizer:* Taeko Hoshino

It is quite common in enterprises of developing countries that management is firmly controlled by dominant owner families and is passed from one generation to another within the same family. We regard these enterprises as “family businesses.” Notwithstanding the successive economic crisis and fierce competition under globalization, family businesses continue to be the dominant

form of enterprises of developing countries. The purpose of this research is to study the mechanism of subsistence and transformation of family businesses under competitive conditions. Continuation of family businesses is related to social, economic, and political conditions of developing countries and family businesses innovate adapting to the changes in environment. These are our hypotheses to be empirically studied. The product of the first year of a two-year project is the “Research Guide on Family Businesses” (in Japanese) on eight countries of Asia and Latin America. It consists of two parts. The first part includes profiles of selected five representative family businesses of each of the countries, and the second part includes major systems that support family businesses.

*Co-researchers:* Yōichi Koike (Takushoku University), Akira Suehiro (University of Tokyo), Watari Takeuchi (Tsukuba International University); Kōichi Kitano, Aki Sakaguchi, Momoko Kawakami

### A Comparative Study of Welfare States in Newly Industrializing Countries: Asia and Latin America

*Organizer:* Kōichi Usami

This study project analyzed the characteristics and backgrounds of the welfare states in newly industrializing countries in Asia and Latin America. Recently, comparative studies on welfare states have been developed, especially since Espin-Andersen’s work was published. Some non-European countries have been treated among them. However, studies on welfare states in newly industrializing countries have just begun and few studies have been done yet. Therefore, we tried to study the framework of welfare states when we began the research in the case of newly industrializing countries. We must be careful about direct application of the theories developed in European welfare states studies to the newly industrializing countries in non-European regions.

As welfare states of newly industrializing countries, we selected Korea, Taiwan, and

Hong Kong for Asia, and Mexico, Brazil, and Argentina for Latin America. Furthermore, we included Cuba and the state of Kerala in India within our study as cases in which their per capita income is relatively low but their social indicators are relatively high. We call such countries and areas as underdeveloped welfare states. The final report of our two-year study was published under the title “Emerging Welfare States: A Comparative Study of Asia and Latin America” (in Japanese, I.D.E. Research Series No. 531) in March 2003. The comparison of these two regions revealed the differences in the social security systems between Asia and Latin America. Of course, we can notice easily the political, societal, and economic background differences between them.

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### Conflict in the Third World: Nation Building and International Relations

*Organizer:* Shin'ichi Takeuchi

Armed conflicts in developing countries actually attract worldwide attention. Although conflicts almost disappeared in developed countries after World War II, their number continually increased in developing areas in the same period. Armed conflicts not only destroy a precondition for development, but can also threaten the rest of the world by providing asylums for terrorists. In order to cope with these problems, we should at least understand the mechanisms and characters of these conflicts. In this research project, conflicts in Southeast Asia, South Asia, Central Asia, the Middle East, and Africa were analyzed in detail and compared. Though we do not have enough space to summarize each of the cases, several interesting points could be discovered through the comparison. For example, al-

though a majority of the conflicts were internal warfare, international factors were very important for their outbreak and development. Violence in civil society of many countries has been increasing since the 1960s, thus bringing many civilians into armed conflicts and blurring the boundary between conflict and crime, while armed conflicts in sub-Saharan Africa after the 1990s can be considered as a collapse of the “neo-patrimonial state” that formed in the postcolonial era, it is difficult to apply the same understanding to other areas.

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### Agricultural Marketing in Asia and Africa

*Organizer:* Tsutomu Takane

Agricultural marketing in developing countries is currently undergoing rapid changes. The era of structural adjustment heavily affected agricultural marketing systems in most African countries, and the shifts from government-controlled to market-oriented agricultural policies in some Asian countries also brought fundamental changes in agrarian societies. This study examined agricultural marketing under the changing policy environments in African and Asian countries. Attention was paid to changes in government policies and institutional arrangements that affected various players operating in different stages of agricultural marketing chains. The study also focused on the effects of policy and institutional changes on rural populations. Case studies were drawn from Ethiopia, Ghana, Zambia, Tanzania, China, Myanmar, Indonesia, and Vietnam. The result of the study was published under the I.D.E. Research Series No. 530 (in Japanese).

*Co-researchers:* Shirō Kodamaya (Hitotsu-

bashi University), Hitoshi Yonekura (Tohoku University), Gen Ueda (Tohoku University); Shōzō Sakata, Ikuko Okamoto, Yuka Kodama, Hisatoshi Hōken

### Supply Chain, Industrial Location, and Agglomeration in Knowledge-Based Society

*Organizer:* Masatsugu Tsuji (Osaka University)

Industrial agglomerations have been interesting as strategies for local economic development. Theoretically, spatial economics endeavors to explain some aspects of these agglomerations. Practically, there is some debate that firms can choose their location without geographical considerations due to the development of “information and communication technology” (ICT). However, there are several agglomerations in some industries such as Silicon Valley, traditional clusters of local industries, etc.

Therefore, we made a comparative study of locations and industrial agglomerations, and drew certain policy implications for developing economies. To do this, we organized three study teams: Japan, the EU, and the United States. We held an international workshop on December 9–10, 2002. Based on presentations at this workshop, we published a report at the end of the fiscal year entitled: *Industrial Agglomeration: Facts and Lessons for Developing Countries* (IJRP Series No. 7).

According to this project, we concluded that the success of these industrial agglomerations depended on (1) infrastructure (highways, ports, electricity supply, etc.); (2) institutional frameworks (legal systems, participatory actors, coordination among actors, etc.); and (3) government support (or foreign assistance) in terms of laws, taxation, and finance.

*Co-researchers:* Takuo Imagawa (Osaka University), Masashi Ueda (Kyoto University), Yasunari Miyauchi (JETRO); Mitsuhiro Kagami, Akifumi Kuchiki, Yasushi Ueki, Kōichirō Kimura

### Peculiarities of Developing Economies and Their Financial Systems

*Organizer:* Kōzō Kunimune

Given that globalization integrates developing economies into the international market and brings about flows of knowledge and technologies, globalization in financial transactions should exert much broader influences on the economic activities in developing economies than goods trade has done. In fact, in the 1990s, globalization in financial transactions evolved rapidly to such an extent that its influences cannot be ignored in discussion on developing economies. At the same time, the influences are diversified due to the peculiarities of developing economies. Thus, this research project aims at providing a comprehensive review on the effects, both general and specific, on certain economies, of globalization in financial transactions.

The analyses are grouped into three categories; influences on financial systems and policies, measures against currency and financial crises, and effects on financing measures of the corporate sector. As to the financial systems and policies, it is pointed out that globalization could be a constraint in the development of financial systems as well as a destabilizing factor for developing economies.

Regarding currency and financial crises, detailed comparative studies are conducted on the countermeasures at the national levels in East Asian countries, while the latest discussion on the “international financial architecture” as a preemptive countermeasure is covered thoroughly.

Finally, as to the financing of the corporate sector, case studies on Thailand, Korea, and China show the examples of diversified influences of globalization that systems or institutions such as stock markets and venture capital have been developing and functioning in peculiar ways in these countries.

The results will be published in a report of “Financial Globalization and Developing Economies.”



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### Monetary Policy Regimes in Developing Countries

*Organizer:* Toshikazu Yamada

Our objective in this project was to clarify the conditions for phenomena such as currency crises and high inflation that have occurred in developing countries since the 1990s. In order to accomplish that, we introduced the concept of a “monetary policy regime.” This is defined as a monetary policy framework, which is composed of a domestic monetary policy (typically represented as a control of money supply) and an exchange rate regime. The monetary policy regimes are basically classified into four: (1) fixed exchange rate, (2) money supply targeting under the floating exchange rate system, (3) inflation targeting under the floating exchange rate system, and (4) discretion under the floating exchange rate system.

This project undertook one theoretical study, seven case studies, and one econometric analysis of East Asian exchange rate policies. The theoretical study analyzed the effects of preventive interest rate policy and stability of supply function after interest rate changes in the context of an open economy under the inflation-targeting regime. In case studies, we analyzed functions of monetary policy regimes since the 1990s for East Asia (Indonesia, Malaysia, Thailand), Latin America (Argentina, Mexico), and the Middle East (Egypt, Turkey). The case studies were made with reference to the degrees of exchange rate flexibility and openness of capital accounts, government budget deficits,

and external debts, which closely relate to the sustainability of monetary policy regimes. The econometric analysis made a critical assessment of the so-called dollar-peg exchange rate policies of East Asian countries.

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### Economic Reforms and the Development of Transition Economies in Perspective

*Organizer:* Ken Morita (Hiroshima University)

It is now possible to categorize post-socialist countries into two groups. One is the group which is represented by Central Asian countries, dragging out political and economic confusion. The other is the group which is represented by East European countries, showing relatively favorable economic performance. For the former, it is necessary to consider the thresholds for economic development such as shortages of physical infrastructure and intellectual ones as found in financial sectors. Now, some progress in construction of infrastructures, such as gas pipelines and roads, can be observed. This is driven by foreign direct investment and provides some impact for development of these economies. For the latter, we intend to investigate the effectiveness of reforms conducted by the political counsel with the World Bank and IMF. If it does not turn out the way they expected, it is necessary to determine factors which impeded enforcement of their plan. We have conducted research from this perspective.

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### Estimation and Application of Trade Indices

*Organizer:* Yōsuke Noda

World economic models are employed to conduct quantitative analyses of the growth and trends of national economies. Trade relation models make it possible to analyze the mutual links between countries and regions. World trade matrices form the foundation of these models. To enable international comparisons to be made, it is essential that world trade matrices utilize common standards for national, regional, and product categories. In order to examine the problems associated with trade statistics and the formulation of trade relation models, which play such an important role in constructing world economic models, this research group formulated trade indices and conducted international comparisons, as well as comparisons between individual countries and regions. The group conducted empirical research as well as methodological studies which included the use of trade indices in the economic analyses of international competitiveness: (1) problems in the formulation and evaluation of world trade matrices, the formulation of time series data employing common product classifications, and the formulation and evaluation of trade price indices; and (2) international comparisons and economic analyses employing various trade and price indices, including horizontal specialization indices and intra-industry trade indices. The results were published in Statistical Data Series No. 87 titled *Compilation and Application of Trade Indices: In East Asian Countries and Regions*.

*Co-researchers:* Sōshichi Kinoshita (Sugiyama Jogakuen University), Kyōji Fukao (Hitotsubashi University), Hirokazu Kajiwara (Takushoku University), Kōji Tani-

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### Micro-efficiency of Firms in Developing Countries

*Organizer:* Sōya Mori

We organized this study with the idea that the relationship between the micro-efficiency of firms and economic development would be an important issue in modern development economics. The specialized topics taken up under this theme were: the organizational development of firms, efficiency of organizations, corporate governance, and the diffusion process of technology. In our report Mori wrote an introduction surveying the history of economic theories. Nogami discussed the theory of technology by Nelson and Metcalfe and showed that the evolutionary school took up an interest in the micro foundation of economic development. Kato surveyed issues concerned with efficiency in mainstream economics; he also did an econometric analysis using data on Indian firms. Kimura analyzed strategic paths for developing firms, categorizing them as “catch-up type” and “up-grade type”; he showed that the latter type is more valid for firms in developing countries. Kikuzawa employed new institutional economics to seek out reasons for the economic crises in Korea and Thailand. Tanaka built an evolutionary model for technology diffusion and did a panel-data analysis of it using data on Indonesian firms. Mori wrote about the current state of supporting industries in the Philippine automotive industry and sought to explain why these industries are still having difficulty with upgrade-type development.

*Co-researchers:* Atsushi Katō (Aoyama Gakuin University), Kenshū Kikuzawa (Chuo University), Tatsuo Tanaka (Keio University), Seishi Kimura (University of Cambridge); Hiroki Nogami

## New Movements in Development Economics

*Organizer:* Akira Kohsaka (Osaka University)

This research targeted new development strategies based on an integrated view of new trends in development economics which came to substitute for the Washington Consensus. In the 1990s, the world accumulated bitter development experiences like the setback of transition in the former Soviet Union economies, the confusion in Latin American reforms lacking safety nets, and the large financial crisis in Asia. They all brought serious doubts on the Washington Consensus and subsequent challenges to traditional development economics. Now, we confront essential questions: What are the appropriate development strategies for today's developing economies exposed to a swift tide of globalization? What should governments provide to accomplish the desirable strategies?

Putting our main focus on the relationship among markets, governments, and institutions, we studied what roles should be played by each of the three in the process of economic development. While establishment of an efficient market system should be a core of development strategies, it must be supported by various institutions and organizations including governments. We cannot neglect complementarity among them in elaborating a strategy. Our study results will be published in FY2004 as a book combined with the related papers by Kaushik Basu, Yoon Je Cho, Barry Eichengreen, Stephan Haggard, Jeffrey Nugent, Dwight Perkins, and Dani Rodrik.

*Co-researchers:* Fukunari Kimura (Keio University), Koichi Ohno (Nagoya City University); Kōji Nishikimi

## The Impact of Intellectual Property Rights Reform on Developing Countries

*Organizer:* Kensuke Kubo

Pro-patent policy is becoming mainstream in Japan, and the protection of intellectual

property is a very important concern for Japanese companies with production and sales abroad. The Trade-Related Intellectual Property Rights (TRIPS) agreement of the World Trade Organization (WTO) is ensuring that its member countries put in place effective systems for protecting intellectual property rights (IPR).

At first glance, the TRIPS agreement seems like an effective way to guide developing countries toward developed-country status. Closer inspection, however, reveals that the harmonization process may not deliver instant success.

Kimura pointed out that the international standardization of IPR is being promoted without a precise definition of the "objective function" to be maximized. The following two articles on IPR in pharmaceuticals, by Okada and Yamagata, showed that this objective function is indeed a complex and elusive one. Furthermore, they found no evidence that TRIPS has promoted research and development for drugs targeted for developing countries.

Plant variety protection is another contentious area. The articles by Itō and Kubo suggested that plant breeders' rights may not be able to deliver the promised growth in plant yields.

Not wanting to end on a negative note, however, the research project next year will delve further into the mechanics of IPR, and how it can be designed optimally for developing countries.

*Co-researchers:* Fukunari Kimura (Keio University), Yōsuke Okada (Hitotsubashi University); Tatsufumi Yamagata, Seirō Itō

## Reevaluation of Japan's Economic and Technical Assistance Policy: The Case of Human Resource Development Projects

*Coordinator:* Shigeaki Fujisaki

Ministry of Economy, Trade and Industry (METI) launched its own technical assistance program in developing countries in Asia as early as the late 1950s. Various technical assistance projects have been undertaken under this program since then.

In FY2002, at the request of METI, the Institute carried out a research project to re-evaluate the technical assistance program and reformulate the strategy for the program in the future. The research project is not designed to inspect and evaluate each and every projects completed or in progress. Rather, its principal objective is to focus on selected major projects which have been previously undertaken, in order to provide an overall evaluation, uncovering problems involved in the technical assistance program, selecting successful cases of assistance, and considering what should be done to make more projects successful. Through this it is intended to serve as a guide to the promotion of future projects under the program. The area targeted in FY 2002 was human resource development projects.

### Basic Study Project

*Coordinator:* Mikimasa Yoshida

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

In the project for FY2002, the following two studies were conducted: “China in the Period of the Sixteenth Congress of the Communist Party of China: Generational Changes and the Transition of Political and Economic Systems” (organizer: Yasuo Ōnishi) and “Studies on Input-Output Techniques—Compilation and Application” (organizer: Shunichi Furukawa).