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## Priority Projects

### East Asia's Integration and Co-development of Each Economy

*Organizer:* Daisuke Hiratsuka

This research group conducted analysis of present situation and direction of integration in East Asia and its obstacles, while examining a preferable form and direction of FTA so that economic benefits from integration are distributed equally among member countries. We have especially paid attention to development of economic and industrial structure of East Asia: will it be concentrated in a few countries, such as China or developed ASEAN members or will every member state develop together by specializing in different portions of productions, and how will less developed member states economically develop in the process of integration.

Our conclusions can be summarized as follows. De facto integration in East Asia has been advanced with high economic growth, increasing compatibility and industrial agglomeration. This has increased the need of de jure integration which will complement WTO's framework, ensuring efficient as well as stable trade and investment, while at the same time decrease the economic gap between member states. We have found from quantitative analysis that irrespective of the size, all member states will be able to economically benefit from integration. However, in order to ensure equal benefit among member states where differences of economic development are extremely large, additional action will be needed for member states with small home market effect. Moreover, it is expected that vertical as well as horizontal integration will continue to advance, and therefore, in order to ensure compatibility and sustainable development as an integrated region in de jure integration, not only tax barrier but broadly defined transport cost would need to be reduced. This means establishment of efficient logistic network while making an effort to reduce border related barriers in order to minimize the cost of moving parts back and forth across borders.

*Coresearchers:* Ken Itakura (Nagoya City University), Fukunari Kimura (Keio University), Motoyoshi Suzuki (Japan International Cooperation Agency), Nobuaki Hamaguchi (Kobe University), Kazuhiko Yokota (The International Centre for the Study of East Asian Development); Souknilanh Keola, Ikuo Kuroiwa

### Asian Regional Economic Integration from the Viewpoint of Spatial Economics

*Organizer:* Koji Nishikimi

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

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

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

In 2006, as the second year of two-year study plan, we discussed extensively on the results from our research and hosted an international conference. The main findings in the study are the following: (1) regional integration is likely to make the gap between “core” and “peripheral” wider; (2) a “deep” integration like EU is not feasible in East Asia at this stage; (3) “home market effect”, a central concept of new economic geography, is actually one of the important determinants of international division of labor in East Asia; and (4) a conventional concept of “comparative advantage” is still valid in analyzing the location choice and trade pattern of some industries.

The final achievement of the two-year project is to be published as *Economic Integration in East Asia: An Approach from New Economic Geography*.

**Coresearchers:** Ho-Yeon Kim (Sungkyunkwan University), Nobuaki Hamaguchi (Kobe University), Yoshihiro Otsuji (Ministry of Economy, Trade and Industry), Kunihiro Shinoda (Ministry of Economy, Trade and Industry); Masahisa Fujita, Toshitaka Gokan, Ikumo Isono, Akifumi Kuchiki, Satoru Kumagai

## **Political Economy of FTAs: Institutional Change in Asian Countries**

**Organizer:** Shigeki Higashi

Regional integration has become a global trend since the 1990s. Japan too signed an Economic Partnership Agreement (EPA) with Singapore in 2002, and since then, bilateral Free Trade Agreement (FTA) negotiations have accelerated. EPAs with Mexico and Malaysia are already in effect. Japan also signed an EPA with the Philippines, Chile, Thailand, Brunei and Indonesia. Furthermore, ongoing negotiations are being carried out with Korea, India, Vietnam and Australia. It can be said that enhancing linkages through FTAs has become an indispensable step towards community building as well as stability and prosperity in Asia.

While the country is in the process of FTA negotiation, what kind of interactions are seen between actors such as politicians, technocrats, legislative bodies, business organizations and the civil groups? How does each actor respond to the pressure of liberalization and structural reforms? What kind of process is being followed so as to form the policies? Did stakeholders such as business organizations and civil groups have opportunities to issue their statements or to be involved in the policy making process? Taking FTA negotiations as examples and by analyzing responses and changes in politics, government sector, business sector and the industrial structure, our study aims to describe the characteristics of institutional framework as well as policy making process of countries in focus.

Our findings from the country studies are as follows. In Malaysia, Cabinet ministers are showing their leadership in the negotiations, while in Thailand, bureaucrats are the leading actor. In the Philippines, it has been widely understood that bureaucrats do not have autonomous policy making power but the case study shows they have a certain role in mitigating liberalization for the industrial development. Business organizations have great influence in Mexico and Chile. In Mexico, umbrella business organization is in the center of influence, while in Chile, the role of sectoral business organizations is quite large. In Korea, the situation is twisted such that those supporting pro-FTA President are the business organizations that used to be in the opposition wing. The main strategy of Japan's EPA negotiation is to commit economic cooperation in order to strengthen industrial

competitiveness of the negotiating country. Taking advantage of this strategy, Indonesian bureaucrats are seemingly claiming Japanese counterpart a list of economic cooperation.

The final results will be published in the IDE Research Series (in Japanese) in 2007.

*Coresearchers:* Makoto Anazawa (Otaru University of Commerce); Yuri Sato, Satoru Okuda, Koichi Kitano, Yurika Suzuki

## **Emergence of the Chinese Economy and Re-organization of the Asian Industrial Structure**

*Organizer:* Nobuhiro Okamoto (Daito Bunka University)

After the launching of the “Open-Door Policy” in 1978 and the accession to the WTO in 2001, China realized rapid economic growth and has become one of the industrial centers of the world. China’s growing presence in the world economy has brought significant changes to the industrial network in Asia, i.e., a huge amount of investment by foreign multinationals has poured in while Chinese enterprises have extended their businesses to ASEAN countries.

This study group was organized to explore the mechanism of change of industrial networks in Asia brought by the rise of the Chinese economy by using the Asian international input-output tables as a central analytical tool.

Intensive analyses using the Asian international input-output tables revealed the emergence and the linkage structures of China’s industries in the Asia-Pacific region, especially in textiles and electronics industries. The project compiled the Transnational Interregional Input-Output Table between China and Japan 2000 that separates the national input-output tables of China and Japan into regions in order to serve as a tool for more accurate analyses on industrial linkages between China and Japan.

*Coresearchers:* Takaaki Kanazawa (Wakayama University), Tomoki Ishikura (National Institute for Land and Infrastructure Management, Ministry of Land, Infrastructure and Transport), Ryuichi Shibasaki (National Institute for Land and Infrastructure Management, Ministry of Land, Infrastructure and Transport), Masatoshi Yokohashi (Applied Research Institute, Inc.), Maki Tokoyama (Applied Research Institute, Inc.), Mitsuru Shimoda (Applied Research Institute, Inc.); Chiharu Tamamura, Satoshi Inomata, Hiroshi Kuwamori, Bo Meng

## **Major Projects**

### **Analysis of Current Affairs in Asia**

*Organizer:* Shinichi Shigetomi

This project aimed to analyze political, economic and social developments in the 28 countries and regions of the Far East, East Asia, Southeast Asia, South Asia and Central Asia. In addition to the country-specific reports, cross-country or extra-regional issues such as the current status of FTA negotiations and implementations in Asia, the developments of and around ASEAN and the US’s policy towards Asia were investigated.

The keyword, which featured Asia in 2006, was ‘resources’. Active diplomacy over the resources was demonstrated especially in Central Asia and Mongolia by China, Russia, Japan and other American and the European countries.

In the political field, contrary to the previous year when the way for stability was seemed to be paved, several countries including Thailand, Timor-Leste, Bangladesh and Nepal

experienced a massive turmoil which resulted in the change of government or political leadership. In Sri Lanka and Afghanistan, terrorism has been intensified. In contrast, the countries under one-party rule or authoritarian regime, namely, Vietnam, Laos, Myanmar, and North Korea saw a rather smooth political development.

The economies of Asian countries recorded the highest economic growth in the eleven years. Some countries such as China and Singapore have started to take distributional measures in the backdrop of widening economic disparities.

The growing economic and political presence of some Asian countries has squeezed out the US influence over the affairs in Asia as demonstrated in the issues related with North Korea. The ASEAN as a regional institution also failed to exert pressure over the military government of Myanmar to democratize its regime. Negotiations over FTAs were in progress among various countries and some of them reached a final agreement.

The results of the research were published in the *Yearbook of Asian Affairs 2007* (in Japanese) as well as *Ajiken World Trends* (monthly journal in Japanese).

**Coresearchers:** Sueo Sudo (Nanzan University), Kōji Murata (Doshisha University), Moon Ho-II (Hitotsubashi University), Shin'ich Koibuchi (Asia University), Miyuki Nakamura (Soka University), Kumiko Mizuno (Gwinnett Investments, Ltd.), Mitsue Osada (Tsukuba Gakuin University), Masami Mizuno (Nihon University), Kensaku Mamiya (Osaka University of Foreign Studies), Takeshi Yuasa (National Institute for Defense Studies), Kiichi Mochizuki (Hokkaido University); Mayumi Murayama, Jiro Okamoto, Satoru Okuda, Yuichi Watanabe, Ken'ichi Imai, Haruka Matsumoto, Takayuki Takeuchi, Hiroshi Ikegami, Minoru Teramoto, Mai Fujita, Naomi Hatsukano, Norihiko Yamada, Maki Aoki, Yurika Suzuki, Masashi Nakamura, So Umezaki, Yuri Sato, Koichi Kawamura, Toshihiro Kudo, Norio Kondo, Yoshie Shimane, Etsuyo Arai, Hisaya Oda, Momoe Makino

## **Projections for the Asian Industrializing Region (PAIR X)**

**Organizer:** Jinichi Uemura

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

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

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

In the beginning of the 21st century, various FTAs are being proposed in East Asia. We believe an econometrical analysis of these FTAs in East Asia makes an important contribution to understanding the Asian economies as well as to making our economic forecasts of these economies more accurate. We decided to set up a sub-project in PAIR in order to construct a new econometric trade link model to evaluate various FTAs in East Asia.

This new sub-project was initiated in FY2004 and completed in FY2006 with holding an international workshop "FTAs in East Asia - Final Reports -".

*Coresearchers:* Yoshihisa Inada (Konan University), Koichi Ishikawa (Asia University), Kanemi Ban (Osaka University), Yusuke Okamoto (Mitsubishi UFJ Research and Consulting); Chinami Yamaji, Kazushi Takahashi, Etsuyo Michida

### **Compilation and Application of Trade Indices III: The Relation between Trade Price Indices and Other Trade Indices**

*Organizer:* Yosuke Noda

Purpose of this research project is to focus on the data in examining the problems of formulating world trade models and to calculate trade indices and examine their utilization, including their relationship with industrial data. This project builds on previous research projects of the "World Trade Data System: Arrangement and its Application", "Estimation and Application of Trade Indices" and "Compilation and Application of Trade Indices II". This project has three main fields: (1) Problem-finding in the compilation and evaluation of world trade matrices, formulation of time series data employing common trade classifications, (2) Formulation and evaluation of trade price indices for East Asian countries and regions, (3) Investigation of international comparisons and economic analyses employing various trade indices in addition to trade price indices.

Part of the outcomes of the project was published as *Trade-related Indices and Trade Structure* compiled by Noda and Kuroko (Statistical Data Series No.91). Its Part 1 deals with a subject relating to (1) above: (a) Foreign trade statistics and trade structure of the CLMV countries, (b) Conversion of Taiwan trade statistics into UN standard form, (c) Estimation of distributed weight matrix for common commodity classification and its transformation; Part 2 is about (2) above: (a) Formulation of trade indices based on UN Comtrade for SITC revision, (b) Co-movement of sector export prices by country in the world market; and Part 3 is about (3) above: (a) Long-term changes in the global trade structure, (b) Trade and business cycle correlation in the Asian-Pacific region, (c) China gaining from triangular trade, (d) Technology choice, change of trade structure and a case of Hungarian economy.

*Coresearchers:* Soshichi Kinoshita (Sugiyama Jogakuen University), Kyouji Fukao (Hitotubashi University), Hirokazu Kajiwara (Takushoku University), Masanaga Kumakura (Osaka City University); Jun Nakamura, Hisao Yoshino, Masato Kuroko

### **Research Projects Contributing to Japan's Economic Cooperation**

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

*Organizer:* Reiitsu Kojima

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

More specifically, we focused on these following four points. First, our study provided a basic knowledge to readers concerning the forecast of the medium-range future through analysis of the emergence mechanism of the Chinese economic growth. Second, our study

analyzed how the high growth of mainland China's economy exerts an impact on economic interrelations in neighboring countries from the viewpoint of trade, foreign investment, and human interchange. Third, the whole East Asian region, as the "world's factory," is now becoming the place with the largest accumulation of foreign currency reserves and the biggest importer of resources. Our study analyzed the influence of this new situation on the world financial and trade markets and the structure of the develop-and-import scheme. Fourth, in order to analyze the influence of high growth of China's economy on other countries and regions, the researchers studying those countries and regions participated in the research team and collaborating with researchers studying China.

In FY2006 we conducted several field surveys in China and research meetings to improve the team members' draft papers before summer. Then, in September papers were submitted and reviewed by referees, and finally published in May 2007.

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

## (2) The Global Network Economy and Logistics in East Asia: Issues and Prospects

*Organizer:* Shigeaki Fujisaki

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

Although East Asian economies have been displaying high economic growth, the growth was greatly advanced by multinational manufacturing companies' investment. These multinationals have a strong incentive to seek a better location for their business, which in turn presses local governments to improve infrastructure and relax regulations. East Asian economies have been competing in constructing airports and seaports, and as a result, Singapore, Hong Kong and other East Asian seaports lead the world in container throughput. And the airports of East Asian economies enjoy high growth ration in air cargo.

As the economic integration in East Asia comes to the fore, the local governments have become aware that they need to prepare for inter-modal transportation, i.e., cross-border infrastructure building, standardized cross-border systems, and authorization of cabotage transportation. From the mid- and long-term perspectives, modal-shifts, e.g., road transport to railways or ocean freight, will also be required for the protection of the global environment.

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

*Coresearchers:* Koichi Ishikawa (Asia University), Toshiki Otaka (Nyk Line), Suelo Kojima (Kokushikan University), Toru Tatara (Asian Development Bank Institute), Hirokazu Negishi (Study Group on Chinese Logistics), Yoshio Miura (China Ports & Logistics Society), Wang Zheng Ren (Ritsumeikan Asia Pacific University); Hiroshi Ikegami, Yasuo Onishi, Isamu Wakamatsu

### (3) Myanmar at the Crossroads: Searching for a New Initiative in Myanmar Issues

*Organizer:* Toshihiro Kudo

More than 18 years have passed since Myanmar embarked on its transition from a centrally planned economy to a market-oriented one. However, its move to a market economy had stalled since the mid-1990s. Although Myanmar economy experienced a brief period of growth in the first half of the 1990s, it failed to effect any changes in the economic fundamentals, resulting in mounting structural problems and difficulties.

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

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

The study results will be published in 2007.

*Coresearchers:* Koichi Fujita (Kyoto University), Bi Shihong (Yunnan University), Haruyuki Shimada (Japan International Cooperation Agency); Masami Ishida, Ikuko Okamoto, Koji Kubo

### (4) Democratization of Egyptian Society and the Mubarak Regime

*Organizer:* Toshikazu Yamada

Egyptian society is facing challenges for political, economic and social reforms, i.e., transparent political procedures, respect for citizenship, and participation; sustainable growth and poverty reduction; and establishment of safety net for the vulnerable.

In 2005, 88 independent candidates of Muslim Brotherhood defeated the ruling NDP's candidates and others in the People's Assembly (444 elected seats) election after the election of President Mubarak for his fifth term. By the fact that elections disclosed the frustration of Egyptian people over political and economic lives, sincere implementation of the President's election campaign programs and a new thought of the ruling NDP centering on political reforms, employment, and improvement of living standard of the Egyptian peoples of various classes are required.

With these situations in the background, Tanada re-examined the influence of population changes in Egyptian society. As for the political aspects, analyses were conducted on the current governing structures: politics and government (Ino) and the recent politics played by political parties and parliament (Suzuki).

Nagasawa surveyed the history of economic reforms in modern Egypt from the political economic perspective. On current situations of the economic policies, Yamada dealt with economic reforms and the Mubarak's program with respect to sustainable growth and poverty reduction.

Trade and industry policies (Noguchi) and regional integration policies (Watanabe) during advancement of globalization and regionalism were analyzed from the viewpoint of

institutional development and theoretical justification. As for the agriculture, evolution of agricultural policy in successive governments and its impact on production was reexamined (Tsuchiya). Kashiwagi investigated the social and labor policies from the viewpoint of establishing the cheap government.

Finally, Egypt's development and environmental policies in energy and water resources were analyzed (Uchida) since these areas are crucial for the development and preservation of natural resources.

Our conclusion is that Egyptian society requires transparency and accountability for the development and stability, although the recent economic performance has improved due to the reforms of Nazif government.

*Coresearchers:* Takeji Ino (Wayo Women's University), Kenichi Kashiwagi (Tsukuba University), Eiji Nagasawa (University of Tokyo), Emi Suzuki (University of Tokyo), Hirofumi Tanada (Waseda University), Katsumi Uchida (Japan Bank for International Cooperation), Matsuo Watanabe (Japan International Cooperation Agency); Katsuaki Noguchi, Ichiki Tsuchiya

## Spot Research Projects

### **Vietnam's New Socio-economic Development Strategies Towards 2010**

*Organizer:* Shozo Sakata

In 2006, Vietnam celebrates its success of 20 years' *Doi Moi* reform. While Vietnam has achieved rapid economic growth, more than 7% GDP growth per year on average, there still remain many challenges ahead. These challenges include state owned enterprise (SOE) reform, administrative reform, human resource development and environmental protection, all of which are necessary for the further pursuit of 'quality of growth'. It is predicted that the forthcoming five years from 2006 to 2010 be the period in which changes in Vietnam's external economic relations will bring about various transformations in socio-economic, administrative, and political spheres. Vietnam is in the process of institutional building in order to adapt new external economic conditions.

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

The study results were published as Current Affairs Report No.3 in October 2006 (in Japanese).

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



## **Toward a Single Market of the Greater Mekong Sub-region - The Potentiality of the Three Economic Corridors -**

*Organizer:* Masami Ishida

This research project tried to analyze the economic impacts of three economic corridors of Greater Mekong Sub-region (GMS) Economic Cooperation Program: East-West, North South and Southern Economic Corridors. GMS Economic Cooperation Program has been conducted in six countries: Cambodia, Laos, Myanmar, Vietnam, Thailand and China at the initiative of Asian Development Bank (ADB). This research project was timely planned, marking the completion of the Second International Mekong River Bridge of East West Economic Corridor between Savannakhet and Mukdahan.

Through our research project, it became clear that cross-border linkages have been much closer in a region that used to be unstable because of wars from 1950s until the beginning of 1990s, and that this region has played a role of bridging between China and ASEAN. For example, chambers of commerce of north-eastern parts of Thailand and middle part of Vietnam have tried to increase exchanges. In addition, efforts to strengthen logistic ties between Hanoi and Southern China and between Hanoi and Bangkok have been made by private logistic companies. In Guangxi, which joined GMS in 2005, has started to strengthen ties with not only the GMS area but with other ASEAN countries by utilizing sea ports. For Cambodia and Laos that suspect they would be by-passed due to the economic corridors, it is expected that Thailand will build roads and develop industrial estates in border areas. In Myanmar, border areas have been better developed than the central regions such as Yangon and Mandalay.

*Coresearchers:* Zhengming Zhu (Yunnan Academy of Social Science), Ryo Ikebe (JETRO Guangzhou); Toshihiro Kudo, Daisuke Hiratsuka, Takao Tsuneishi, Naomi Hatsukano, Souknilanh Keola

## **The Japanese Generic Pharmaceuticals Market and the Manufacturers of India and China**

*Organizer:* Kensuke Kubo

The Japanese generic pharmaceutical market has been growing steadily in recent years, as a result of policy measures designed to promote the usage of generic drugs, as well as to strengthen the supply of such drugs. This will lead to lower national medical expenditures, as generic drugs are less expensive than their brand-name counterparts. While the Japanese generics market is supplied mostly by domestic companies that manufacture finished formulations, a large proportion of the pharmaceutical ingredients is being imported from abroad: traditionally from Italy, Spain, Israel and other industrialized countries, and more recently from India and China. Moreover, several foreign manufacturers – including Indian companies – have entered the Japanese finished formulations market in recent years. This study assesses the role of Indian and Chinese manufacturers in the Japanese generic pharmaceutical market, both as suppliers and as competitors. In three chapters on the Indian pharmaceutical industry, we analyze the source of competitiveness of Indian firms, and discuss two domestic issues that need to be confronted by Indian policy makers: improvement of quality regulation towards small-scale manufacturers and the control of drug prices in the face of new patent legislation. In two chapters on China – coauthored by researchers of the Enterprise Research Institute, Development Research Center of the State Council – we describe the structure of the Chinese pharmaceutical industry, and explain the

policies that have contributed to its growth. As in the case of India, the enforcement of quality standards, the control of domestic drug prices, and ensuring the profitability of domestic companies are the key issues in China. In the final two chapters, we consider the source of competitiveness in the global generic pharmaceutical market. In particular, national patent laws are shown to have a significant effect on the competitiveness of firms, as such laws determine the timing of market entry.

*Coresearchers:* Chen Xiaohong (Enterprise Research Institute, Development Research Center), Atsuko Kamiike (Konan University); Kazuki Minato, Mariko Watanabe, Xiang Anbo (Enterprise Research Institute, Development Research Center), Zhang Zhengjun (Enterprise Research Institute, Development Research Center)

### **Local Industries in Competition with Asian Drivers in Africa**

*Organizer:* Eiichi Yoshida

Local industries and policy makers in Sub Saharan Africa are facing a severe competition with Chinese and Asian products in African market and in the exporting market in EU and the USA in the last couple of years. This research project aims to measure and clarify the significance of this Asian drivers' impact on local industries in Sub-Saharan Africa and it also aims to discuss general trend of trade relations between China and Africa and diplomacy to African states.

Particularly in the apparel sector in Africa, local industries are much affected in the exporting market in the USA and domestic and regional market on the continent with Asian products. Some local industries lost export and local market but apparel firms in Kenya are trying to remain in the local market by shifting the production range and specializing in the uniform wear market. Producers in South Africa have achieved productivity upgrading. These show different reaction to the Asian drivers' impact. Some firms have already moved out foot loosely and others are trying to remain by managerial efforts. Now, it is becoming an imperative for the local and national governments to take hand in hand with firms trying to remain in the market and put various counter measures to the influx.

This project argues for African local industries to survive in this inter LDC (least developed countries) competition, government policy guidance is critical. Each government needs to identify competitive local industries in each country, enhance production environment and institutions. For this achievement, each government in Africa has to maintain competitive negotiation and coordination capacity. They are also expected to build sufficient trade incentives for local industries and reasonable regulations to products from Asian countries. It is also critical for African states to differentiate a trade negotiation and discussion on development aid particularly with the Chinese government who offers numerous opportunities and development aid programmes.

*Coresearchers:* Sayaka Ogawa (Kyoto University), Hiromichi Hara (Japan International Cooperation Agency), Akio Nishiura (Soka University); Ding Ke, Takahiro Fukunishi, Akifumi Kuchiki

## Basic and Comprehensive Studies

### ASIA

#### Asia General

##### Development and Restructuring of the Iron and Steel Industry in Asian Countries

*Organizer:* Hajime Sato

This two-year research project studies the development and restructuring of the iron and steel industry in Asian countries. There are two main reasons why we decided to focus on this industry. First, it has been changing rapidly, in terms of production, technology and trade patterns. Second, the steel industry has significant backward and forward linkages to other manufacturing sectors. The aim of the project is as follows: first, to study changes in the iron and steel industry in each economy; second, to delineate the patterns of development and restructuring of the industry; and third, to discuss the relationship between the changes in the steel industry and economic development as a whole. For the first year of the project, we have focused on the first purpose mentioned above, and published a research report. In the report, the introduction shows the increasing importance of Asia in the world steel industry, and the first chapter sheds light on various technologies in iron and steel making and rolling process. These set the benchmark for considering development stages of steel industries of each country. The other chapters respectively study steel industries in five countries, namely, South Korea, Taiwan, India, Malaysia, and Vietnam. The former three countries are the example of countries which have integrated steel works launched as governmental project, while the latter two are the example with no integrated steel production. The report has found that inter-action between policies and the industry, and inter-relation between steel companies and steel users should be studied further for the both cases, to achieve the second and third goals described above. Advancing these studies in this second year of the project, the final results will be published in the IDE Research Series in 2008

*Coresearchers:* Etsuro Ishigami (Fukuoka University), Nozomu Kawabata (Tohoku University), Takashi Sugimoto (Osaka City University); Makoto Abe, Yukihito Sato, Yuri Sato

##### Decentralization and Environmental Policies in Asia

*Organizer:* Tadayoshi Terao

Although local governments have been entrusted with many aspects of environment policy, the enforcement process has often been hindered by shortages of budget and human resources before the progress of decentralization. However, in the process of decentralization, some budgetary and human resources have been transferred from the center to local governments and therefore the conditions that hampered the execution of environmental administration by local government are changing drastically.

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

Analyses of (1) the influence of decentralization on the relationship between central and local governments, (2) the role of the local political process concerning “development and the

environment” and environmental administration, and (3) the policy of the local governments are important for gaining an overall view of the environmental policy of each country as a whole.

This research project attempts to establish a framework for analyzing the effectiveness of local environmental policy in developing countries, by examining the relationship between the central and local governments, and the environmental policy and administration of the local government. As a result of this research project, we compiled papers of case studies in Indonesia, Thailand, Mainland China, Taiwan, and Japan. Although we observed many examples of negative effects of decentralization on development of environmental policies, they could be considered as short term effects. In the long run, decentralization might realize effective environmental policies, by enabling information disclosure, and participation of more wide varieties of actors.

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

### **Recycling in Asia**

*Organizer:* Michikazu Kojima

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

*Coresearchers:* Yoshifumi Fujii (Bunkyo University), Hiroyuki Miyake (University of Kitakyushu), Ken'ichi Togawa (Kumamoto University), Aya Yoshida (National Institute for Environmental Science), Rie Murakami-Suzuki (National Institute for Environmental Science), So Sasaki (Hokkaido University), Chung Sung Woo (Hokkaido University); Tadayoshi Terao

### **Elections and Developing Democracies in Asia**

*Organizer:* Norio Kondo

Developing countries in Asia are in the different stages of consolidation of democracy. In the process of the consolidation of democracy, the institutionalization of election is essential. It has two aspects, namely, the establishment of the public institution and the acclimatization of people to the institution. The latter is more difficult, especially in developing countries, because the government in the initial stage does not enjoy enough confidence of people and the people themselves are often so divided socially or ethnically that the election can not be a process to integrate nation. In this research project, our focus is on the two points, that is, the influence of social or ethnic cleavages of society upon the voting behaviours of people, and the effect of people's evaluation of the government performance, especially economic policy, upon their voting behaviours. The basic purpose of this two-year research project is the

comparative study of India, Turkey, Sri Lanka, Malaysia and Indonesia in terms of the two points.

This year, we made reviews of election studies in each country. After reviewing, first, we came to know that it is very difficult to prepare a consistent and continuous aggregate election data-set except for India. Secondly, it became clear that the research focussing on the effects upon the voting behaviours of both the socio-economic and ethnic cleavages on the one hand, and the people's evaluation for government performance on the other, is very important in all the five countries. The outcome of the reviews was published and is available on IDE's website.

*Coresearchers:* Hiroki Miwa (University of Tsukuba); Yasushi Hazama, Masashi Nakamura, Koichi Kawamura

## East Asia

### **Chinese Enterprises: In Quest of Industrial Upgrading amid Transition**

*Organizers:* Kenichi Imai and Ding Ke

In recent years China has been in the process of establishing itself as a nation with the largest manufacturing capacity in the world, churning out overwhelming varieties of products from textiles to automobiles. Indigenous Chinese firms are gaining competitiveness in export-oriented manufacturing which was once almost completely dominated by foreign firms. Behind this accelerated industrialization we can witness tides of transformation of industrial sub-sectors underway. On the one hand, China is building up capacities for producing industrial materials such as steel and petrochemical, including hi-value-added products which have been largely imported from industrialized countries to date. In advanced sub-sectors such as communication equipment and semiconductors, the country is eager to build its own technological capabilities. On the other hand, in labor-intensive sub-sectors in which China still boasts strong competitive advantage, Chinese firms are making their way aggressively into the international market, exploiting its huge industrial agglomeration as leverage.

In this context, our China project focuses on survey of recent development in some representative sectors (mobile phones, automotives, automotive parts, steel, textiles and garments, daily commodities, beer, and physical distribution), with special emphasis on industrial upgrading and building-up of production networks. We then explore the questions of how corporate and industrial evolutions affect both China's economic growth and the development of the world economy. In FY 2006 we published as an interim report *Trends of Industrial Upgrading in China: Evolution of Industries and Enterprise*. Our final report, which will be a fully-updated version of the interim report, will be published early FY 2008.

*Coresearchers:* Huang Xiaochun (Hirosaki University), Tomoo Marukawa (University of Tokyo), Nobuhiko Nakaya (Nagoya University), Jingming Shiu (University of Tokyo); Yasuo Onishi, Shigeki Higashi

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

*Organizer:* Satoru Okuda

Korea's economic growth is gradually decelerating as its per capita income is reaching \$20,000. Nevertheless, Korean people still eagerly seek for a higher standard of living. In order to maintain and improve the quality of life, further development of their major industries is a critical challenge of the country. At the current stage, special efforts have been made in the form of globalization, and maintaining and enhancing the technological advantage. Such efforts of Korea stimulate other competitors, notably Japan and China. Considering these entire situation surrounding Korea, our study analyzed major industries of machinery, auto vehicles, steel and semiconductor industries, along with banking industries and 'de facto' industrial policy that underlie the development of the major sectors. Also our study compared Korea's technological advantage vis a vis Japan and China, making an extensive use of the trade-related indicators.

The industry-wise analysis revealed that Korea's major industries have rigorously practiced external strategies such as constructing overseas factories, leading the architecture of a product, enhancing exports to the Chinese market and allying with Japan. Our study also sketched the recovery of the banking sector after receiving the public rescue fund, and the government's recent efforts to stimulate R&D by offering tax incentives. Finally, the analysis of the trade data showed that Korea is gradually catching up Japan, but at the same time losing its advantage against China at a rather rapid pace.

*Coresearchers:* Tamio Hattori (University of Tokyo), Kim, Bong Gil (Toyama University), Yuichi Takayasu (Cabinet Office, Government of Japan), Hidemi Yoshioka (Kyushu University); Makoto Abe, Yuichi Watanabe

## Asian Capitals' Competition and Cooperation in China

*Organizer:* Yukihito Sato

We did research on the entangled relations among Asian enterprises in China with the following three questions in mind. First, who are the actors? Second, are they competing or cooperating with one another, and in what ways and why? Third, which area, in particular which industries, comprises the field of their activities?

Ito analyses Japanese-Taiwanese joint ventures in the multiple sectors in China. The paper focuses on the cooperation between Japanese and Taiwanese firms and shows that the peculiar resources of Taiwanese firms and the mutual trust among companies are the factors that strengthen their cooperative relations.

Sato's paper examines Seven-Eleven Japan and FamilyMart's strategies of entering China's convenience store business. FamilyMart's strategy was utilizing its Taiwan subsidiary and cooperating with the Tin Hsin International Group, while Seven-Eleven Japan chose to set up operations alone. The paper shows that their choices stemmed from their different experiences.

Cheng argues two sets of alliances between Taiwanese and Japanese auto producers, Yulon/Nissan and China Motor/Mitsubishi. Their geographical fields of investment include both Taiwan and mainland China. He demonstrates how Taiwan's automakers became independent from Japanese leasers when the latter was in a slump and how they tried to maintain their autonomy when Japanese counterparts recovered.

Within ODM transaction of notebook PC which Kawakami analyzed, Taiwanese manufacturers and American and Japanese customers cooperate with one another competing with other customer/manufacturer teams. At the same time, the manufacturers compete for customers and the customers compete for better manufacturers. Kawakami shows that a manufacturer can acquire more knowledge through transactions with many customers rather than with a single customer.

Huang's study focuses on Korean firms in Chinese markets such as automobiles and mobile phone sets. He examines the competition between Korean firms and technologically advanced foreign multinationals which have already built up business operations in China, and shows that despite their latecomer status, Korean firms have won substantial shares in some markets through the strategic investment of marketing resources.

*Coresearchers:* Lin Huang (Kobe University), Lu-Lin Cheng (Institute of Sociology, Academia Sinica), Shingo Ito (Mizuho Research Institute); Momoko Kawakami

## **Comprehensive Study on Taiwan I: Growth and Transformation of Taiwan's Firms and Industries**

*Organizer:* Yukihito Sato

Our research started with the following understanding on Taiwan's economic transformation since the mid-1980s: Taiwan's economy has transformed from the exporter of labor-intensive manufacturing goods to the supplier of intermediate and capital goods to overseas Taiwanese factories as well as to the high-tech producers. The drastic contraction of the labor-intensive industries has brought in the declining share of the manufacturing sector in the economy despite the growth of capital- and technology-intensive industries. Instead, the tertiary sector has substantially boosted its presence.

Through our one-year discussion, we discovered there still remained many problems to be solved. First, it is not apparent whether the sophisticated division of labor system which had developed in the exporting sector before the mid-1980s has entirely disappeared or succeeded in upgrading. Second, many new industries have been established by the business groups. At the same time, however, they tend to seek rents in the protected market. We need to solve this paradox. Third, our understanding about the development of the service sector is obviously limited.

We also found in the 2000s some aspects of Taiwan's economy diverged from the trends in the 1990s. First, the overseas production by Taiwanese firms considerably expanded the scale, extended the scope and raised the level in the 2000s. Second, the TFT-LCD industry which began to grow in the late 1990s has different development mechanism from such preceding high-tech industries as personal computers and semiconductors. Moreover, in the mid-2000s Taiwanese TFT-LCD manufacturer succeeded in getting rid of technological dependence on the Japanese companies. Third, the division of labor between public and private sectors needs to be argued in the late 2000s when government almost completed privatization of the public enterprises which were easily privatized.

In the second year of our project we will examine these problems.

*Coresearchers:* Shingo Ito (Mizuho Research Institute), Jun Akabane (Mitsubishi Research Institute), Michiko Kitaba (Hosei University); Hiroshi Ikegami, Momoko Kawakami

## **Sustainable Governance for River Basins: A Review of Experiences in Japan and China toward International Cooperation**

*Organizer:* Kenji Otsuka

Water crisis is recognized seriously enough in the world to promote governments, international organizations and NGOs to take concrete measures to mitigate it. In Japan, amendment of River Law in 1997 and enforcement of Nature Restoration Promotion Law in 2003 are requiring public involvement and stakeholders' participation in the process of river management and nature restoration plans. After amendment and enforcement of these laws, consultative committees with broader stakeholders including experts, local NGOs and community representatives are set up in many river basins and other wetlands. Besides legislative actions at the national level, many local governments (prefectures) are now introducing or considering taxation, which aims to promote water resources and forestry preservation in sharing the part of its cost among beneficiaries upon decentralization reform. NPOs are also playing an important role to initiate water works in Japan. While Japan is moving forward sustainable river basin governance with decentralization and broader stakeholders' participation, China is still struggling with how to reform river basin management to mitigate water crisis such as long term depletion of river water flow, frequent flood, and serious water pollution. China is also stepping into building sustainable river basin governance system, but not like Japan, it has faced a lot of institutional barriers. This study group aims to examine sustainable governance for river basins both in Japan and China, and possibilities of their international cooperation.

In this study, we focused on such issues as institutional reform of river basin management, institutional reform of grassroots-level system of rural water, roles of NGOs and journalists in river basin environmental preservation, situations and tasks in wetland management, and international river basin management in China. We also focused on Japanese experiences and challenges in river basin management in the Yodo River and taxation for water resource and forest preservation by prefectures. Furthermore, we examined international cooperation for water resource and river basin management in China.

*Coresearchers:* Naoki Kataoka (Tokyo Keizai University), Mikiyasu Nakayama (University of Tokyo), Kaori Fujita (Momoyama Gakuin [St. Andrew's] University), Kayo Onishi (University of Tokyo); Nanae Yamada

## **Challenge to Political Stabilization in China: Risk Factors and the Political System**

*Organizer:* Norihiro Sasaki

After the acceleration of the transition toward the market economy of 1990's in China, various actors have arisen, political process has complicated, and Communist party of China has confronted serious problems.

Our study attempts to draw a comprehensive picture of China's problems by analyzing political and social issues such as community administration in urban area, expropriation of land in rural area, labor relation, state-owned assets administration, state integration, and foreign policy. All these problems and issues are intricately intertwined each other. Only a comprehensive understanding of the nature of China's problems might make the international community possible to assist its future socioeconomic development and political stabilization.

The results of the study were published in Japanese as a working paper.



*Coresearchers:* Kazuko Kojima (Tsukuba University), Fumiki Tahara (University of Tokyo), Masahiro Hoshino (University of Shizuoka), Takeshi Watanabe (Kyorin University); Haruka Matsumoto

## **Regional Integration Theories and East Asia**

*Organizer:* Jiro Okamoto

Economic relations among East Asian countries (Japan, China, South Korea and ASEAN members) after WWII had been gradually deepened without institutional frameworks such as free trade agreements (FTAs). In recent years, however, many FTAs have been concluded between these countries and even the creation of an 'East Asian (Economic) Community' has been widely discussed, partly due to the perceived inability of existing multilateral and regional regimes, such as the WTO and APEC, to deliver economic gains to their members. Nevertheless, arguments on the proliferation of FTAs and the creation of a community in the region so far have tended to be discussed from normative and/or policy points of view. There is much less discussion on how recent 'integration' phenomena in East Asia can be understood from theoretical perspectives.

Theories on regional integration have been developed in International Relations and International Political Economy through discussions on the conditions for individual states to cooperate in the international society. It is not yet clear how well these theories, developed mainly in Europe and the United States, can explain the recent 'integration' phenomena in East Asia and, if they do not explain them fully, a new view point or an analytical framework needs to be established.

As a first step to explore the necessity of such a new view point, this research project first reviewed existing theoretical frameworks, then examined the economic integration process in East Asia. Taking two countries in the region (Japan and Thailand) and one extra-regional country (Australia) as cases, it also investigated their incentives for participating in the economic integration process in East Asia.

*Coresearcher:* Maki Aoki

## *Southeast Asia*

### **Vietnam's "State and Society" in the Doi Moi Period**

*Organizer:* Minoru Teramoto

This two-year research project aims to verify Vietnam's situations in the Doi Moi period from "the State and Society relations" as well as to understand real situation of various arenas. The outcome of the first year of the research was published as a research report titled "Concerning the Relationship between the State and Society in the Doi Moi Period." Following previous years, in FY2006 members of our study group worked on subjects such as labor migration (Iwai), research with Development Economics Approach (Takeuchi), civic movement (Nakano), and welfare for the handicapped (Teramoto). While all the points made by each study in this project are of value, here are some main findings which are related to the relationship between the State and Society.

We could confirm various patterns of the relationship between the State and Society as follows. Firstly, the State succeeds in mobilizing the Society with its consent and they cooperate with each other and make united efforts to accomplish certain purposes. Secondly,

the State and the Society play their own role to accomplish certain purposes, even though they can not reach the level of “cooperation.” Thirdly, the Society bears the burden in spheres where the State is not able to respond properly. Fourthly, the Society opposes the establishments and makes a proposal to transform it. The State interferes with it and reinforces control over the movement, etc.

Putting accounts together, the State of Viet Nam has been proceeding state-building by leaning on the Society, while sometimes it is shaken by the Society.

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

### **Thailand in the Era of Reforms: Political and Administrative Reforms since 1997 to the Thaksin Administration**

*Organizer:* Yoshifumi Tamada

Thailand went through the massive movements to call for political reforms in the period marked by two coup d’etat, Coup in February 1991 and Coup in September 2006. In this research project, we focused on the process and features of these political and administrative reforms of importance (e.g., election system, jurisdiction system, decentralization, education reforms, administrative reform, socio-economic policy mechanism, social welfare scheme, foreign policy) and synthesized their impact on Thai politics in the long run. In analyzing the respective field of reforms, we shared the common perspective as the following: (1) to clarify the impact of major political change such as democratization, promulgation of the 1997 Constitution and the Thaksin administration and (2) to describe the process of reforms since the beginning of the change until the most recent phase. The final report of this project will be published in FY2007.

This book concludes that Thai political and administrative reforms since the 1990s seem to head toward the principle of “good governance” whose indicators consist of democratization, accountability for political power, rule of law, efficient administration and civilian control, etc. The process of reforms is mainly influenced by the two features, namely “democratization” and development toward “middle-income countries.” As a result, aside from suppression of corruption, most of the indicators of “good governance” in the reforms improved by the end of the Thaksin administration. Among other things, the most remarkable change was retreat of Royal Army from the front stage of Thai politics which enabled continuous Prime Ministerial elections since 1992 and allowed the elected Prime Minister to hold stronger power to realize more efficient administration. However, the fifteen year’s reform process was suddenly interrupted by coup in 2006 led by military junta who intended to protect monarchy and to combat corruptions in the Thaksin Administration. It seems that political situations and some sort of reforms in Thailand would go back to the time around 1997; however, it is not predictable until the promulgation of the new constitution and general election expected in the year end of 2007.

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

## South Asia

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

*Organizer:* Hiroshi Sato (Tokyo University of Foreign Studies)

Economic globalization has had a far-reaching impact on the world economy, bringing about multi-dimensional changes in various sectors including trade, finance and information and employment. Up until now, however, its impact on employment and the labor situation in developing countries has not been as well researched as other dimensions. In South Asia, as in other regions, globalization has given rise to new industries and created new employment opportunities in sectors such as the IT industry in India and readymade garment industries in Bangladesh and Sri Lanka. At the same time, globalization has brought changes in employment practices both in the public and private sectors, resulting in a shrinking of formal employment and an expansion of non-standard work arrangements.

The major objective of this two-year research project was to draw a comprehensive picture of employment and labor problems of South Asia today. The countries covered were India, Pakistan, Bangladesh and Sri Lanka. Cross-country studies have been made on the important themes such as non-standardization of employment, competition and the protection of workers or the underprivileged, labor law reform, employment in readymade garment industry, and migration and well-being. The findings show both the similarities and dissimilarities among the four countries. While in the backdrop of the process of 'job creation' and 'job loss' under globalization, increasing flexibility or informalization as well as homogenization of the labor market have been observed across the four countries, the differences in socio-economic and cultural characteristics of households, communities, and countries in which workers, thus the sites of production are embedded, have precluded a random application of standardized labor policies and also presented differed opportunities and challenges.

The outcome of the research will be published in English. Following the introductory chapter which examined central themes of our project and outlined the theoretical and methodological positions of each chapter, ten articles are compiled under four sections, i.e., Dissecting the Changes in the Workplace, Employment: Law and Policy Reforms, Employment: Assessing the Regulatory Effects, and Migration, Employment and Well-being.

*Coresearchers:* Junko Kiso (Ferris University), Takahiro Sato (Osaka City University), Arup Mitra (Institute of Economic Growth); Mayumi Murayama, Hisaya Oda, Etsuyo Arai, Yoshie Shimane, Momoe Makino, Hitoshi Ota, Yuko Tsujita

## Central Asia

### **Mobilization of Ethnic Minorities and International Relations: "Triadic Nexuses" in Kazakhstan**

*Organizer:* Natsuko Oka

Why has Kazakhstan succeeded in maintaining political stability despite its complex ethnic composition since Soviet dissolution in 1991? Our project tackled this puzzle by focusing on state policy and international relations. The extant literature explained Kazakhstan's stability by its ethno-demographic balance with no single absolute majority, identities that divide or cross-cut ethnicity, and obstacles to fully-fledged Kazakh nation-building, while paying little

attention to state strategy for avoiding ethnic mobilization. In the mid-1990s, some observers warned that the Russians in Kazakhstan were likely to organize a separatist movement, which would find support from Russia, and which would thus fuel conflict between the two states. This fear, however, proved unfounded. Meanwhile, non-Russian ethnic minorities in the republic were almost ignored in the context of domestic and international politics.

This study examined Kazakhstan's state strategy aiming to avoid politicization of ethnicity by applying the "control" model proposed by Ian Lustick. Based on Rogers Brubaker's triadic nexus model, it also focused on the relationship between Kazakhstan's minorities (Russians, Uzbeks, Uighurs, and Koreans) and their respective ethnic homelands (Russia, Uzbekistan, Xinjiang Uighur Autonomous Region of China, North and South Korea), as well as the relationship between Kazakhstan and these states or a region.

The findings of the study are summarized in the following two points. Firstly, control is a highly effective strategy for managing ethnic divisions under authoritarian rule, as it simultaneously serves to depoliticize ethnicity and also maintain the regime. Secondly, in a triadic relationship between the host state, its minority, and the minority's kin state, the power of ethnic linkages between minority and their kin state is often overemphasized; in fact, it is quite limited. Rather, the host state is in a position to manipulate such relationship to its advantage.

## MIDDLE EAST

### Law and Custom in Real Estate Transactions of Iran

*Organizer:* Yoko Iwasaki

The focus of this project is the historical development of customary practices in real estate possession and the related legal system in Iran and Egypt since the 19th century. Although both nations formerly observed Islamic Law called Sharia, they introduced the majority of their present legal systems from Europe during modernization. However, the introduction of the modern Western legal system did not invalidate all traditional legal criteria. Their legal reforms were instead implemented in the form of a mixture and compromise between the two. In order to examine how regional customs and an Islamic mindset in these countries remained in their new legal system in the process of "localizing" Western Law, this project focuses on the property rights of real estate, emphasizing the following topics: Waqf, the preemption of land, and usufruct of shop lease-holders.

Existing literature on the legal system in the Middle East, paying too much attention to apparent changes after legal reform, tended to assume a serious discontinuity between the pre-modernization period and after the subsequent era. However, by virtue of this project, it was proved that various rights *in rem*, which had been established in traditional law and which were seemingly demolished within the Western-styled legal system, managed to survive in the actual application of laws and socio-economic institutions in Iran and Egypt.

The research results were published in our periodicals *Asia Keizai* (Asian Economy) in Japanese, June 2007.

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

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

*Organizer:* Sadashi Fukuda

This study aimed to analyze the effect of social transformation on the political system in Iran, GCC states and Yemen. Iran and GCC states have peculiar political systems such as Islamic republics and absolute monarchies. Yemen's political system is deeply rooted on its tribal society. Their political systems have remained almost unchanged since the 1990s, though they have experienced many political incidents. However, the social transformation that has taken place in the course of economic development is exerting a deep influence on the political systems in those countries.

In the starting year of this two year research project, we studied political system, economic developments and social transformation in those countries, gathering basic data on the topics. With regard to Iran, we studied the Basij as an example representing the relation between ruling power and people. We also studied the rural political assembly and its history of development. Then we analyzed the ruling system in Saudi Arabia, political and economic system in Kuwait and Qatar, political and economic change in Yemen. We continue our studies to deepen the analysis on the effect of social transformation on the political system next year.

*Coresearchers:* Hidenobu Sato (Ministry of Justice), Hiroshi Matsumoto (Daito Bunka University), Takio Mizushima (Tokushima University); Hitoshi Suzuki

## Political Structures and Interrelations in the Contemporary Levant States

*Organizer:* Hiroyuki Aoyama

Since the outbreak of the Iraq War, the Arab world has witnessed unprecedented changes resulting from the external pressure justified under the propaganda "War on Terror" and "democratization." Syria and Lebanon are not exceptions; the assassination of former Lebanese Premier Rafiq al-Hariri (February 2005) triggered a Syria-bashing campaign in the international community (especially the U.S. and France) and the so-called "*Intifadat al-Istiqlal*" (or "Cedar Revolution," an anti-Syrian campaign) in Lebanon. In consequence, Syria was forced to abandon its control over Lebanon, which raised uncertainty regarding the political stability and national security. On the other hand, Lebanon has faced the internal strife over its domestic and foreign policies after the "restoration of sovereignty" (the Syrian withdrawal from Lebanon). The Lebanon Conflict (July-August 2006) deteriorated this situation, which led to substantial paralysis in politics.

This research project aims to analyze: (1) how the power structure of both Syria and Lebanon have transformed in the abovementioned situation; (2) how the intertwined relations between the power structures of the two states have been reconstructed especially after the assassination of former Premier al-Hariri; and (3) how these transformation and reconstruction influence the political stability (or instability) of Syria and Lebanon as well as the whole Arab world.

The project launched in April 2006 and is planned to continue for two years. In the first year (2006), the research was conducted for clarifying the characters of the power structures and the major political actors both in Syria and Lebanon, as the first step for understanding their political reality, whose outcome was compiled and published as the interim report (in Japanese) in March 2007. The final report will be published in the IDE Research Series (in Japanese) in 2008.

*Coresearchers:* Kota Suechika (Ritsumeikan University), Masaaki Watanabe (on administrative leave since September 2006)

### **International Relations of Afghanistan and Its Neighboring Countries**

*Organizer:* Hitoshi Suzuki

This study project intends to clarify the basic needs for successful long-term re-construction process of Afghanistan nation through the multilateral relationship of neighboring countries such as Pakistan, Iran, Central Asian countries, India, China and Russia. In our understanding what is most needed at this stage is a political stability inside and outside Afghanistan borders.

Japan, together with the United States and EU countries, is responsible for the successful process of Afghanistan re-construction. This study project aims at gathering basic knowledge and data for the effective and sustainable support for the future development of Afghan society. Our purpose is to mark a firm start-point for the future shaping of area-studies of Afghanistan in Japan.

As the project is in the fourth and also the final year, we made every effort to discuss effectively for the preparation of a report which is intended for a broader scope of readers who are practically interested in Afghanistan issues. Also, we conducted a field survey in Pakistan (Fukamachi) and Central Asian countries (Shimizu). Our understanding is that Afghanistan's future is still dependent on the very complicated relationships of surrounding countries, interested countries and superpowers.

The result of our study will be published in the IDE Study Series (in Japanese), and a summary of the results appeared in *Ajiken World Trends* (monthly journal in Japanese), April 2007 issue. In these publications, we intend to present a basic structure of relationships and main problems surrounding Afghanistan for the purpose of effective and sustainable re-construction of Afghanistan.

*Coresearchers:* Manabu Shimizu (Sophia University), Hiroki Fukamachi (Obirin University), Koichiro Tanaka (JIME Center, Institute of Energy Economics), Kazushige Shibata (Afghan Network), Terue Okada (University of Tokyo); Madoka Onishi

## **AFRICA**

### **Economic Liberalization and Rural Livelihoods in Malawi**

*Organizer:* Tsutomu Takane

Malawi is one of the poorest countries in the world and its population is predominantly rural. The livelihoods of rural dwellers rely mainly on small scale agriculture, but are constrained by unfavorable conditions such as land shortages, low agricultural technologies, erratic rains, food deficit, and labor shortages caused by the spread of HIV Aids.

In the past two decades, Malawi government adopted a series of reform measures that aimed to transform the smallholder sector. The measures included liberalization of agricultural commodity prices and marketing channels, removal of subsidies on fertilizers, reforms in rural credit systems, and liberalization of burley tobacco production by smallholders.

Based on the data obtained from micro-level fieldwork, this study aimed to clarify the ways in which these reforms affected the livelihoods of smallholder households. The result of the

study will be published in a book in the IDE Research Series (in Japanese). The book contains eight chapters. After an introductory chapter, Chapter 1 traces the historical change of colonial and post colonial governments' policies on the smallholder sector in Malawi. This is followed by the description of six case study villages in which the author conducted his fieldwork. Chapter 3 examines the dynamics of customary land tenure in the study villages, while Chapter 4 reveals patterns of labor deployment and characteristics of labor contracts in agricultural production. Chapter 5 provides an in-depth analysis of production of two main crops, maize and tobacco. Chapter 6 analyzes the income portfolio of rural households. Chapter 7 examines the livelihood strategies of female headed households. Chapter 8 concludes.

### **Reconsidering Personal Rulership in Sub-Saharan Africa**

*Organizer:* Akira Sato

This two-year research project focusing on rulers in Sub-Saharan Africa was launched, being expected to find a new perspective of analysis on African politics and states. We use here the notion of rulers to refer collectively to kings, presidents, prime ministers, heads of sole party in Marxist-Leninist states, and head of military juntas. Except for a few works, including the well-known pioneering one published in 1982 by Robert Jackson and Carl Rosberg which presented the notion of "personal rule," African rulers have never fully been examined from an academic perspective. The notion of personal rule, though we admit it could still be useful vocabulary to describe the way of governing in the case of some rulers, seems too narrow to encompass the various forms of rulership. Moreover, although we admit as well the novelty of the personal rule perspective which attempts to explain the different ways of ruling in terms of "system," the whole structure of the relationship established and maintained between the ruler and the ruling elites, it seems more important to broaden the notion of "system" by incorporating the other factors and aspects than the limited sphere of ruling class, such as human networks, institutions, historical back-ground, and external relationships, in expectation to understand the whole structure of power that makes rulers. This re-examination of the personal rule perspective allowed us to proceed to in-depth analyses. Case studies elaborated in this project are as follows: comparative study of eight military rulers in Nigeria (Ochiai); re-examination of legacies and meanings of Siyaad Barre's rule in Somali history (Endo); analysis of the Kenyan power-struggle from a viewpoint of draft constitutions as "endorsed" political agreement to designate the future power holders (Tsuda); the nature of Habyarimana regime in Rwanda and the local-level power structure observed in the genocide in 1994 (Takeuchi); comprehensive portrait of John Garang in Sudan (Kurimoto); Houphouët-Boigny's moral of governing seen from a remote village (Majima). The final report of the research, which contains, in addition to these case studies, an introductory chapter and a comprehensive list of rulers in Sub-Saharan Africa (both are by the organizer), will be published in 2007.

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

## Post-Conflict Challenges in Africa

*Organizer:* Shinichi Takeuchi

Although a number of armed conflicts broke out in the 1990s, many of them tend to calm down recently: serious conflicts in such countries as Liberia, Sierra Leone, Burundi, and Democratic Republic of the Congo, came to an end in the 2000s. While we know that armed conflicts still continue in countries like Somalia and Sudan, and that the peace attained after the above-mentioned conflicts are generally fragile, recent political situation in Africa has clearly changed in comparison with that of the 1990s. Taking the change into account, this research project aims to clarify political processes leading from war to peace as well as the actualities of countries that had experienced serious armed conflicts, in order to examine challenges with which they are now facing. For this purpose, it is both necessary to understand deeply the situation in these African countries and to compare them with similar cases in other regions. In order to discuss these wide ranges of issues, not only researchers on African studies but also specialists of peace-building on the background of International Relations as well as International Law were invited to participate in this project. From the discussion of the first year, we have noticed the importance of international community in the peace process in African countries. Intervention of the international community such as United Nations, governments of developed countries, and international NGOs varies from mediating peace negotiations, sending Peace Keeping Operations, assisting elections, to aiding the DDR, security sector reform, and so on. In the second year, we continue to research on the actualities of African countries after the breakout of conflicts in order to shed light on their challenges and to reflect on the background of this active intervention of the international community. The result of the first year research was published as a report titled "Post-Conflict Challenges in Africa: a mid-term report" (in Japanese).

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

## LATIN AMERICA

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

*Organizer:* Taeko Hoshino

Increase of primary-goods exports and diversification in its contents is a remarkable phenomenon observed since the 1990s in Latin American economy. Although traditionally Latin American exports had been concentrated on a limited number of primary commodity goods, newly developed commodity goods and formerly non-existent value added primary products have been gaining importance in exports in recent years. What are the factors which made possible an increase and diversification of primary-goods exports? What is the perspective of sustainable growth of these primary-goods export industries? The purpose of this research is to answer these questions by empirically analyzing trajectories of development of several primary-goods export industries of principal Latin American countries.

The industries analyzed in this research are soybeans and chicken meat in Brazil, pork meat of Mexico, asparagus of Peru, wood and pulp of Chile, bananas of Ecuador and petroleum of Venezuela. Their recent development was analyzed by focusing especially on



technologies of production, specific natures of goods, the structure of their world trade, their industrial organization within each country, characteristics of principal actors of production and distribution, especially local ones, and the role of government in its export growth. Our analysis shows that recent increase and diversification of primary-goods exports was made possible by changes in both demand and supply sides. For the changes of demand side, those factors such as expansion of the Chinese market, lowering of trade barriers in the world, expansion of markets for value added primary products in developed countries are important. These changes made Latin American producers possible to access to wider range of markets. With regards to changes in supply side, the advance of technological and managerial innovation carried out by principal producers is important. Our analysis also stressed the important role played by governments in lowering export barrier and in promoting local producers.

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

### **Educational Development in a Mexican Indigenous People's Region: The Case of Mixe, Oaxaca**

*Organizer:* Akio Yonemura

In Mexico, indigenous peoples have appeared in the social and political arena as important protagonists since the government's bilingual education policy began in the 1970s. As this shows, the educational development among and influence upon them is an essential factor to understand their social and political situation. This study aimed to comprehend historical processes of the educational development, focusing upon interaction between the state and indigenous peoples. Furthermore, the study tried to grasp the level the educational development has reached from the viewpoint of national integration through an analysis of children's educational aspiration data.

The study resulted in two articles. "Educational Development in Mexican Indigenous People's Regions: Government's Policies and Peoples' Responses" analytically depicts the educational development in indigenous peoples' regions. It reveals that the bilingual education policy was undertaken as practical and easy measures for the state to train and supply teachers for indigenous peoples' areas in order to promote quantitative diffusion for national integration.

"Permeation of 'Modern' Educational Aspiration in a Mexican Indigenous People Region, Mixe, Oaxaca: Primary Students' Educational Aspiration and Views about Spanish" analyzes, based upon 1991 and 1998 field survey data, the level of achievement of national integration and its heterogeneity within the region. Some of the findings are as follows: children's aspiration towards formal education is considerably high; thus, the intention of national integration by the state is also considerably achieved; at the same time, influence of ideology of indigenous peoples' movement over students' view about Spanish is detected; and synthesis of these results suggest that indigenous peoples' ideology and their movement do (or can) not negate the formal education system but rather this is a fight for political control over education in the definition of meaning of education.

## GENERAL

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

*Organizer:* Akifumi Kuchiki

In 2006, the forerunner of this research project completed the task of constructing a flowchart model to serve as a prototype for industrial cluster policy in Asia, North America, and Latin America. The current research group seeks to clarify the conditions required for and the process of formation of innovation mechanism. We also seek to generalize this flowchart model by conducting a comparative research on diverse industrial agglomerations in Asia, North America, and Latin America.

The goal of this project was two-fold. First, we develop and apply a simple flowchart model with R&D in each industrial cluster or establishment to estimate conditions for formation of new industrial cluster with endogenous innovation, by using each case study. Second, we analyze the following specific issues: (1) the effects of industrial development on the competition in industrial agglomeration and (2) the effects of adoption of new technology on emergence of product and process innovation in each industrial cluster or establishment. Thus we show how to extend our approach to characterize counterfactual evidence using the estimated model to estimate the impacts of local public policy relates to fostering industrial agglomeration on the emergence of innovation. This enables us to have comparable characteristics of each industrial cluster and present alternative policy recommendations.

In the next step, we are going to explore ways to tighten the causal relationship between industrial agglomeration and fostering innovation systems using evidence-based policy-making motivated from economic theory and convincing fact-finding.

*Coresearchers:* Masatsugu Tsuji (University of Hyogo), Aya Okada (Nagoya University), Yumiko Okamoto (Doshisha University), Yoshiaki Hisamatsu (Toyo University), Shoichi Miyahara (Aoyama Gakuin University), Kentaro Yoshida (Center for Strategic and International Studies), Jobaid Kabir (Environmental Compliance Lower Colorado River Authority), Somrote Komolavanij (Thammasat University), Chawalit Jeenanunta (Thammasat University); Yasushi Ueki, Ding Ke, Tomohiro Machikita,

### **Institution Building for Local Economic Development**

*Organizer:* Yoshiaki Nishikawa (Nagoya University)

In the recent discussions in the local development discourse, a local discretionary power/authority and its empowerment has become an important issue among local economic development practitioners who are involved in Japan and in the least developed countries (LDCs). At the moment there is not sufficient research on this in the Western countries, Japan and even in LDCs. In the practical scene on local development, it has become a consensus that each locality should have an autonomous development policy apart from the central, urban or costal regions to make the local development more sustainable. But practical institutional building has just been started to do so.

Through the comparative study in Asia and Africa, the research project aims to clarify conditions including actor relations and resource accessibility necessary for institutional building in such locality.

As a mid term report of the two year project, project team members tried to conceptualize endogenous development, local actor's relation with external parties, and participation of

local producers in forming the demand driven market. Other members discussed and reported on the endogenous rural tourism by the producer cooperatives and relations between external and internal actors in the development aid project management. Also, changing perspectives of central and local authorities and residents toward the local development have been discussed through a case on a remote island development policy. Besides these, files and archives of various local development projects have been compiled in the report, including a time series file on the one village one product movement in Oita, Japan.

*Coresearchers:* Akira Munakata (Asian Productivity Organization), Yoshinobu Sato (Nagasaki Wesleyan University), Masanobu Kiyoka (Japan International Cooperation Agency); Eiichi Yoshida, Azusa Harashima, Kazuhisa Matsui

### **Financial Markets and Money in Developing Countries**

*Organizer:* Hisayuki Mitsuo

We analyzed banking and currency crises, fragilities associated with debts denominated in foreign currencies, and central bank's balance sheet management in developing countries.

Banking crises which occurred frequently in developing countries for the past quarter century are often associated with output decline and liberalization of deposit interest rates. "Models of Banking Crises: Explaining Associations with Output Decline and Financial Liberalization" introduces representative models of banking crises.

"Understanding Krugman's "Third-Generation" Model of Currency and Financial Crises" presents a dynamic version of the Krugman's model and confirms existence of the equilibrium in which currency and financial crises are involved. It also examines economic structure in which the 'crisis equilibrium' tends to exist.

In the model of the "Foreign Currency Debt as a Barrier to Price Adjustment in a Financially Constrained Economy" paper, it is assumed that a monopolistically competitive firm has debts denominated in foreign currency and that the net profit of the firm can not be non-negative, because of the strong need for repayment. If a negative shock to export demand hits the economy, the firm lowers output for the non-negative net profit constraint.

Due to increases of capital flows, the importance of managing foreign exchange reserves of central banks in developing countries is rising. "Monetary Policy, International Liquidity and Central Bank Balance Sheet in Emerging Market Economies" shows determinants of the lower bound of the ratio of money to capital in the central bank's balance sheet when the central bank targets its ratio.

"Lessons from Financial Deregulation Policy, Financial Development and Crisis - Case of Indonesia" analyzes behaviors of state owned banks and business group banks, international capital movements, and fiscal and monetary policies in Indonesia until the currency and financial crises in 1997/98.

The research output was compiled as *Financial Fragilities in Developing Countries*, edited by Hisayuki Mitsuo (Chosakenkyu-Hokokusho, June 2007).

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

## **The IMF and Developing Countries**

*Organizer:* Kozo Kunimune

It is very important for any developing country to maintain stable macroeconomic environment because it is a necessary condition for sustaining economic development. When the external macroeconomic stability (i.e., stability in the balance of payment and exchange rate) becomes unsustainable, the international community will provide help normally via the IMF (International Monetary Fund). In other word, the IMF is expected to be the keystone of international safety net for macroeconomic stability. However, it is sometimes called into question whether the IMF measures up to this expectation. Especially, it was criticized about its operations during the Asian currency crisis in 1997-98.

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

We compiled an interim report in FY2006. We will complete the study in FY2007, the result of which is expected to be published in 2008.

*Coresearchers:* Hirohisa Kohama (University of Shizuoka), Masanaga Kumakura (Osaka City University); Chie Kashiwabara, Masahiro Kodama, Rika Nakagawa

## **Macroeconomic Implications of Imperfect Markets in Developing Countries**

*Organizer:* So Umezaki

Since the rational expectations revolution in the 1970s, macroeconomic models have been reconstructed as dynamic general equilibrium models basing on rigorous micro-foundations. In developing the models, macroeconomists often assume a representative agent who consumes, invests and provides labor. The representative agent determines the levels of consumption, investment, labor and so forth, in order to maximize his expected life-time utility. Let us call this type of macroeconomic models as "dynamic macroeconomic models". As is usual in the development of economic theories, dynamic macroeconomic models have been developed to be applied to advanced countries. At present, explicit application of dynamic macro-economic models to developing economies is very limited. One reason for this shortage may stem from the unrealistically strong assumptions which are often used in the standard versions of dynamic macroeconomic models.

This special issue, focusing on the applicability of dynamic macroeconomic models to analyze developing economies, consists of two strands of researches. The first strands, Yuki (2007), Kodama (2007), and Kawabata (2007), directly apply dynamic macroeconomic models to analyze macroeconomic issues in developing economies. Yuki (2007) develops a dynamic macroeconomic model to explain the structural changes in the Philippine economy, and numerically analyses the factors behind the changes. Kodama (2007) incorporates consumption composition, typical in African countries, with a dynamic macro-economic model, and numerically investigates the effects of changes in consumption composition on business cycles. By conducting an empirical analysis with time series models, Kawabata (2007) examines the implication of a dynamic macroeconomic model into which dynamic changes in the demand structure are taken account. The second strands, Umezaki (2007) and Kunimune (2007), deal with the issues which may be abstracted from the dynamic

macroeconomic models, due to strong assumptions of the models. Umezaki (2007) casts doubt on the open-economy trilemma, which is a popular implication from the standard macroeconomic theory, by econometrically describing the monetary policy in Malaysia. Finally, Kunimune (2007) examines whether self-fulfilling multiple equilibria can be formed when we drop the assumption of a representative agent, which is the very basic assumption of the second generation models of speculative attacks.

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

### Theories and Realities of Rural Development

*Organizer:* Masami Mizuno (Nihon University)

In the context of Japan's international development, the word "rural development" has been used as a synonym for "agricultural development". Only recently, rural development becomes recognized as a broader concept which includes the interventions for poverty reduction. Once it covers poverty reduction and social development, a planner of the rural development needs to consider socio-cultural conditions of each rural society where he is trying to intervene. Sociology, anthropology and area studies have accumulated the knowledge of rural societies in developing countries. But very few of that knowledge have been utilized in planning rural development intervention. This study tries to find the way to bridge the knowledge about rural society and rural development strategy. Through two-year research, we revealed that Japanese rural development experiences, especially those in Post World War II era have a lot of relevant lessons to today's developing countries.

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

### Theorizing Law and Development Issues

*Organizer:* Masayuki Kobayashi

Theoretical studies on "law and development" began in the 1960s in the United States, but it became stagnant by its self-criticism that it might unjustifiably force its own institution to the recipients. Later in the 1990s, prior to the implementation of legal technical aid projects in developing countries, studies on "law and development" began to re-emerge and many studies including empirical ones have flourished since then. The objective of this research project was to seek for new ideas on methodologies on "law and development" and new research topics. We have surveyed preceding studies regarding "law and development" and other legal theories supporting legal technical aid practices.

The project, while re-considering the role of law in development, examined many preceding studies and has published the outcome as a research report. In the report, the relation between "law" and "development" was examined by discussing the status of law in existing "law and development" studies and the relation between law and economics basing on the history of economic analysis. Furthermore, as a future direction of research, emergence of the concept of ethnicity, expansion of scope to the field of disability, and issues related to law and politics were discussed. We have recognized that in order to advance

studies on “law and development,” further collaboration with other disciplines such as area studies and development studies is indispensable in addition to carrying out legal studies basing on the field.

We have also coauthored a book review on Nobuyuki Yasuda’s *Law and Development - A Study on Legal Systems of Asian Post-Development States* (The University of Nagoya Press, 2005), which was published in *Ajia Keizai*, vol.48 no.2, 2007, pp.66-72 (in Japanese).

*Coresearchers:* Shinya Imaizumi, Hajime Sato, Miwa Yamada, Naomi Hatsukano

## **Globalization and Changing Peasants’ Economy in Developing Countries**

*Organizer:* Shinichi Shigetomi

Peasants have long been the major actors of agricultural production and rural society in developing countries. The globalization after the 1980s has been rapidly changing their economy. The impact is twofold. Firstly, they become involved in the market economy more extensively than before. It means that peasants can hardly escape from the deep impact of market. Secondly, they are now facing with new conditions of market. They find new buyers, demands for new produce, new quality standards, and new institutions of transaction. In some cases, they find new market for their labor force out of agriculture. Our question is how peasants in developing countries are coping with these impacts. A number of literature has argued the impact of globalization to rural economy, but mostly through macro economic data. We intend to understand the situation of peasants through the field survey on farm economy. Our study covers nine countries in Asia, Africa, and Latin America.

We have found out that every peasant does not necessarily enjoy the economic opportunity which is brought by the globalization. We identify four kinds of restrictions to the peasants. Firstly, the market opportunity at the locality limits the number of peasants who can sell their products to the market. Secondly, peasants face limitation of access to some inputs, such as land and capital, since they are not necessarily provided through a free and globalized market. Thirdly, some resources for production have the limitation of natural endowment. Lastly, internal resources of each farm condition the accessibility to external resources. The peasants without enough internal resources, such as owned land, education, and social capital, are often excluded from the opportunity to access to the market of inputs.

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

## **Poverty Reduction through Generating Employment Opportunities**

*Organizer:* Tatsufumi Yamagata

Poverty reduction became the ultimate goal of international development as one of the Millennium Development Goals in 2000. This research project attempted to figure out ways to address poverty reduction by generating income of the poor rather than giving goods and services, as have commonly been resorted to. The report written as the final product of the project was divided into two parts: the one to study the roles of production sectors to generate income of the poor through creating employment, and the other to scrutinize the effectiveness of various institutional schemes designed for poverty reduction.

A cross-country study with thirteen developing countries seeking for general patterns of structural changes in composition of employment of the poor leads Part I. The following three chapters are case studies of poverty reduction by generating income of the poor in Japan, a

pair of Least Developed Countries, i.e., Bangladesh and Cambodia, and Kenya. Japan has a long history of continuous poverty reduction, while Bangladesh and Cambodia recently achieved industrial development led by the garment industry which is labor-intensive and highly export-oriented. Kenya suffers from underemployment with high average wage rate which seems to prevent FDI from massively flowing in.

Part II exhibits four institutional experiments to assist the poor to get out of poverty, namely microfinance, social fund, employment by the public sector, and reservation of employment for people with disability. Now microfinance is so proliferated that it contains finance for both profit-making business and subsistence economic activities. The social fund is another financial scheme directly applied to rural communities by international donors bypassing the central government. The public sector has played a key role in creating employment opportunities for the poor in an emergency due to economic adversities such as a natural disaster and acute economic crisis. Finally, schemes for employment of people with disability undertaken in India and the Philippines are critically reviewed.

*Coresearchers:* Takeshi Daimon (Waseda University), Akio Nishiura (Soka University); Miki Hamada, Takayuki Higashikata, Seiro Ito, Soya Mori, Hiroki Nogami, Hiroko Uchimura.

## **Health Service and Poverty: Making Health Services More Accessible to the Poor**

*Organizer:* Hiroko Uchimura

Health is increasingly a critical concern in the context of poverty reduction. Poor people suffer most from ill health and disease; by the same token, people are more likely to fall into poverty because of ill health. Reflecting this vicious cycle of poverty and ill health, health is a focal issue in development. In fact, three of the eight Millennium Development Goals (MDGs) require substantial improvements in the health sector by 2015.

Although international concern about health is increasing, health outcomes do not appear to be improving at a steady rate. Recent evidence shows that the MDGs relating to health are unlikely to be accomplished in many developing countries. A fundamental problem is that necessary and affordable services do not reach those in need. What factors hinder the poor from accessing the health care services they need? Family characteristics, such as education level, have an effect on the behavior of the poor when they are seeking health care services, which is an issue on the demand side. Other issues are on the supply side, for instance in the provision of health goods and services, or in the financing of health systems. A limited capacity to provide health services in developing countries is a critical concern in the health sector and a major bottleneck for improving the access of the poor to health care services. This supply side issue is our underlying focus in this study.

In this context, this research program studied resources for health, in particular finance for health as well as medical personnel and medicine for health, as the first year of a two-year research program. The interim report included the issues on health financing systems, fiscal decentralization and health, external fund for health (aid for health), medical personnel migration, and antiretrovirals (ARVs) procurement prices, which was released as Joint Research Project Series No. 142.

*Coresearchers:* Masako Ii (Hitotsubashi University), Banri Ito (Global Security Research Institute, Keio University), Hiroko Yamane (National Graduate Institute for Policy Studies); Seiro Ito, Kensuke Kubo, Tatsufumi Yamagata

## **New Issues in Development Studies and Social-Welfare Studies**

*Organizer:* Soya Mori

Our research team found the following conclusion through the research project. For an effective approach to disability and development, the social model of disability, not medical model, should be the basic framework. The development should be disability inclusive development approach, not the charity approach nor the social welfare approach, under the two important courses of empowerment and mainstreaming.

Mori's first paper is the introduction for "disability and development" study. Nogami's paper reviews the UN's Human Development Report and exiting disability statistics by UN and governments. Kuno's first paper argues that the participation of disabled persons should also be an important viewpoint for development assistance. Nagase analyzes the negotiation process of UN's Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities. Kobayashi's paper analyzes situation of access to justice for the disabled in China. Kuno's second paper evaluates community-based rehabilitation (CBR) in Malaysia and claims that the capability approach and inclusion of the people with disabilities would be the key for its success.

Kamei's paper suggests a new model of development from the observation of African experiences in deaf education. In his conclusion, he claims that the empowerment to the deaf community as a linguistic minority group would be important. Nakanishi's paper argues the necessity of a new movement from CBR towards independent living (IL) in Asian countries. Kano analyzes the deaf organization and the history of deaf education in Sri Lanka in contrast with the background of this country's Buddhist nationalism and ethnic conflicts. Mori's second paper describes the deaf education and the history of deaf community in the Philippines and the glory and downhill of self help group (SHG).

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

## **Social Movements and Popular Political Participation in Developing Countries**

*Organizer:* Shinichi Shigetomi

In recent years, we observe an increasing number of social movements in developing countries. With area studies specialists on Asian, African and Latin American countries as project members, this research project aims to obtain new perspectives on social movements in developing countries, based on deep understanding of political, economic, and social structures of local communities. As the first year of a two-year project, our focus in FY2006 was to study and discuss existing theories on social movements, which had been developed mainly in the context of developed countries. We used Nick Crossley's *Making Sense of Social Movements* (Buckingham: Open University Press, 2002) as a textbook, and reviewed theories and concepts such as collective behavior, rational actor theory, resource mobilization, networks, political opportunity structures, political process approach, repertoire, framing, protest cycles, and "new" social movements. We also conducted literature reviews on respective social movement fields (areas and issues) which each project member would study further in FY2007. We published an interim report titled *Development and Social Movements: A Literature Review* (in Japanese), in which Shinichi Shigetomi, the organizer of the project, argued that existing theories on social movements could be characterized as



“marketing approach” since they put emphasis on the role of social movement organizations with resources and capacity to “sell” the issues of their movements. Shigetomi argues that this approach does not give a suitable framework for analyzing social movements in developing countries. As the forms of social movements, as well as the mechanisms of movement generation and development, are highly dependent on local socio-economic and political structures, we need to integrate these structural conditions into analysis of social movements in developing countries, which we will pursue in FY2007.

*Coresearchers:* Noriko Hataya (Sophia University); Mayumi Murayama, Katsuya Mochizuki, Kenji Otsuka, Kumiko Makino

### **Employment and Social Security in the Newly Industrializing Countries**

*Organizer:* Koichi Usami

In the process of globalization, transformation of industrial relations, especially flexilization of industrial relations in the formal sector, was observed, or at least discussed in the newly industrializing countries of Asia, Latin America and Africa. In Latin America and South Africa, the phenomenon of informalization of formal sector is also paid attention to. In Asian countries which we discuss here, their unemployment rates are relatively low compared to Latin American countries, although expansion of non-standard employment becomes a social problem. At the same time, social security reform becomes one of the primary policy issues in Latin American countries and the social security system itself is expanding in East Asian countries. In China, her social security system which was based on nation owned companies is required to change while her economic system is transforming into market economy. In Malaysia which is short of labor force, the situations of foreign laborers now become a problem.

The aims of this research group are to clarify (1) the transformation of industrial relations in the newly industrializing countries after the 1980s by paying attention not only to institutional change but also real change in each labor market, (2) how to correlate that transformation of industrial relations with social security reform or their expansion, and (3) how to regulate the transformation of industrial relations and social security systems. We paid attention to the corporatism in each country that affected the industrial relation and social security reform.

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

## **ALL-JETRO Projects**

### **Taskforce for Japan-China Economic and Business Cooperation**

*Organizer:* Akifumi Kuchiki and Tomoharu Washio

It is easy to imagine that in the near future China will exceed Japan in terms of scale of economy and presence in the world economy and East Asia. What should Japan do to boost its presence? It is time to construct a new relationship between Japan and China. This project aimed to explore the ways to construct a good economic relationship with China.

We set a stable increase of Japanese companies' FDI to China as the mid- and long-term goal and discussed problems and prospects for future cooperation between China and Japan as follows: (1) obstacles that Japanese companies face in doing business in China and possible solutions for them, (2) business alliances between Japanese companies and Chinese local companies, (3) manufacturing strategy of Japanese and Chinese companies, (4) present situation and prospect of international division of labor between Japan and China, (5) cooperation in the field of intellectual property right, (6) technology level of Japanese and Chinese companies in major industries such as electronics, automobile, steel and textile and possibility of technical cooperation.

"The Memorandum of Understanding of co-research for developing economic relationship between Japan and China" was concluded between JETRO and Chinese Academy of International Trade and Economic Cooperation, the Ministry of Commerce of the People's Republic of China. These two organizations set up a study group respectively and promoted study which will contribute to developing cooperation between the two countries in trade and investment, and to formulating "The Mid- and Long-term Vision between Japan and China for Cooperation in Economic and Trade" of the Ministry of Economy, Trade and Industry of Japan and the Ministry of Commerce of the People's Republic of China.

We held a seminar on March, 2007 to present our research findings and we invited Mr. Chen Wenjing, Vice President of the Academy, as a keynote speaker.

*Coresearchers:* JETRO Headquarters – Atsuke Kawada, Dai Hakozaki; IDE – Toyojiro Maruya, Hiromichi Ozeki, Kumiko Sato, Toshitaka Gokan

## Collaborative Research

### The Regional Development Strategy in Southwest China

*Organizer:* Nobuhiro Okamoto (Daito Bunka University)

Despite the launching of the Western Area Development Strategy in 2000, the southwest region of China still remains underdeveloped. In particular, Guizhou is China's most underdeveloped province. In order to clarify the problems of regional development in Southwest China, we focus on the causes of its backwardness from the main viewpoints of rural community, economic development, and political institution. This research project has been conducted as a joint research between the IDE and Yamaguchi University, which has an exchange research program with Guizhou University in China.

The main outcomes are as follows: in order to catch up with the development of the coastal area, it is necessary for the southwest region to make the other factors except labor and capital work well. In particular, human resource development of peasants and a practical policy should be implemented by the local governments; in the field of economic development, proper industrial policies in commerce, energy and trade, which fulfill needs of local people and economic development should be pursued; and in the field of political institution, it is important to realize its regional development by making use of market mechanism such as implementation of state owned enterprises reform and government reform.

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

## Overseas Joint Studies on Economic Development Issues

*Coordinator:* Susumu Imura

This research project, launched in 1987 as “Joint Studies on Economic Development Policies in ASEAN and Neighboring Countries,” aims to analyze economic development policies in developing countries or regions and identify policy orientations for achieving development goals. Local collaborative research groups comprising academics, policy makers and other specialists in the fields are organized in the countries under studies. Through joint activities of group members, including discussion meetings, field surveys, workshops, data processing, the results, findings and recommendations are published and disseminated in English from the IDE.

In FY 2006, four projects were conducted in Singapore (Singapore), Jakarta and Makassar (Indonesia) and Beijing (China).

### **Economic Integration in Southeast Asia: Location of Industries, Production Networks, and Development Strategy**

*Organizer:* Ikuo Kuroiwa (in Singapore)

In this study, the focus is on how developing economies in Southeast Asia ride on the wave of globalization that brings along benefits and economic growth with expanding trade and investment linkages. The central concept used in this study is the production network which aptly reflects the importance of an economy to be a cogent component in the network in order to enjoy the benefits of globalization. Inability to plug into such a network may disadvantage the indigenous enterprises with lagging competitiveness.

This study is composed of two parts. In the first part, we will explore the factors which have promoted the formation of the production network in Southeast Asia. Especially, we focus on such factors as advancement in logistics and supply chains, regional trade agreements, and industrial policies in this region. These factors are considered to play an important role in shaping the production network and industrial cluster in this region. In the second part of the study, the bio-medical science cluster in Singapore, the electronics clusters in Malaysia and Indonesia, and the automotive cluster in Thailand are chosen to exemplify the avenues and derivable benefits from strategic participation in the production network.

*Coresearchers:* Toh Mun Heng, Shandre Thangavelu, Henry Wai-chung Yeung, Sum Chee Chuong, James Ang (National University of Singapore); Hank Lim (Singapore Institute of International Affairs); Rajah Rasiah (University of Malaya), Nipon Poapongsakorn, Kriegkrai Techakanont (Thammasat University); Fukunari Kimura (Keio University)

### **Law and Democratization in Indonesia after the Legal Reform 1998-2004**

*Organizer:* Naoyuki Sakumoto (in Jakarta)

Legal reform or “Reformasi Hukum” in Indonesia in the post-1998 period can be characterized as the largest legal reform undertaking in the history of Indonesia. Almost all areas of laws were covered in the legal reform and a tremendous number of laws and regulations were either enacted or repealed during the reform period from 1998 to 2004.

Seven areas of laws were taken up to study the development as well as the tasks left behind after the legal reform. They are Independence of Judiciary, Constitutional Court,

Administrative Court, Human Rights Guarantee, Intellectual Property Law, Labor Law and Environmental Law. Some of the findings are that even though such new laws and institutions were established, there are still shortcomings of political will, subsidiary laws, and legal consistency. Especially in the political law areas, while very advanced institutions such as Constitutional Court and Administrative Court are established, there are problems in implementation. In laws of socio-economic areas, several factors such as international influence have accelerated the reform; however, lack of implementing the laws is pointed out. Further, it becomes clear that in some official documents of Indonesia, political democratization is defined as one of the national development policies; however, the attainment of democracy is not defined as the goal of legal reform. In this sense, it can be concluded that the legal reform in Indonesia has not yet been completed in its substantial sense. The research results were published as *Reforming Laws and Institutions in Indonesia: An Assessment* (ASDEP Series No. 74).

*Coresearchers:* Rifqi Assegaf (Institute for an Independent Judiciary); Benny Harman (Abdul Hakim Nusantara & Partners Law Office); Hikmahanto Juwana, Agus Sardjono, Anna Erl yana, Az.Nasution, Alloysius Uwiyono (University of Indonesia)

### **An Empirical Study on Corporate and Industrial Growth in China: Strategy, Competition and Institution**

*Organizer:* Mariko Watanabe (in Beijing)

Since 2006 Spring, China's policy and politics have been turning towards a direction whereby the "distribution of fruits of reform" is stressed more than the "growth first" policy. This political change is affecting corporate and industrial institutions and policies are being re-designed in order to alleviate the negative side effects of the "growth first" priority.

This research project focuses on the case of the pharmaceutical industry. Although the latter has successfully achieved drastic growth in order to become an active global ingredient production base, China remains far behind India as an exporter of generic pharmaceuticals. The industry suffered from excessive competition and sheer profit, as well as weak development capacity to enjoy substantial market share and profit. Conversely, the prices of drugs in China are the object of complaints, since they are perceived as too expensive relative to the income level of the household sector, which is currently an issue focusing social and political attention. All these problems are significantly affected by the current institutions of the pharmaceutical industry, i.e., policies such as pricing, patents and "new drug market exclusivity," or a corporate system, where the state and government engage in strong intervention as owners.

This project started in September 2006 and the primary investigation is complete. Based on the analysis of the primary research, intensive field research and the construction of a database will be conducted in the first half of 2007. The project aims to collect sufficient information and analysis to form an effective policy on the development of Chinese industry. In order to accomplish this target, the project will both conduct field research to obtain effective qualitative information and also compile related data in order to capture a macro view of the industry.

*Coresearchers:* Chen Xiaohong (Enterprise Research Institute, Development Research Center), Cao Jinyan (State Intellectual Property Office, Intellectual Property Development Research Center), Shi Luwen (Department of Pharmacy Administration and Clinical Pharmacy International Research Center for Medicinal Administration, Peking University)

Chen Jing (Department of Pharmacy Administration, Peking University) Zhang Zhengjun (Enterprise Research Institute, Development Research Center), Xiang Anbo (Enterprise Research Institute, Development Research Center)

### **Regional Development Policy after the Direct Election of Local Head in Indonesia**

*Organizer:* Kazuhisa Matsui (in Makassar, Indonesia)

This study aims to analyze the impact of the direct election of local head, which started in 2005, after the introduction of the direct election of president and vice president in 2004 in Indonesia, on the formulation and implementation of regional development policies in Indonesia. Especially, it focuses on East Indonesia where is the most prioritized area set by the government of Indonesia, to get some implications for regional development policy of East Indonesia. In Indonesia where decentralization policy had started since 2001, the direct election of local head may give more impact on regional development policy because the intention of the local head may be directly realized in the policy.

We set up our study group including seven scholars who were recommended by rectors of five national universities in East Indonesia on this theme. The first meeting of our study group was held in November 25, 2006 at Makassar and discussed schedule and contents of our study. Our members are now going to prepare their own final papers based on case studies about such as fiscal decentralization and local government finance, peace building and regional development policy in Ambon city, issues and problems of special autonomy in Papua, and regional development policy of newly established local governments.

According to our discussion, we have three assumptions on regional development policy after the direct election of local head: (1) the impact of the direct election of local head as like as American system might be bigger than the introduction of decentralization, (2) democratization policies might give some negative impacts to native democratic system in local origin, and (3) local government might be more centralistic or be as like small kingdom because decentralization drive from local government to village/community is stagnant.

The final report will be published in September 2007.

*Coresearchers:* Abdul Madjid Sallatu, Andi Lolo (Hasanuddin University), Lucky Sondakh (Sam Ratulangi University), Joyce Lopian (Sam Ratulangi University), Fenty Puluhulawa (Gorontalo National University), Tonny Donald (Peiela Pattimura University), Mohammad Musa'ad (Cenderawasih University)

## **Commissioned Research**

### **Industrial Waste Management and Recycling Policy in Asia**

*Organizer:* Michikazu Kojima

The project was consigned by Japan's Ministry of Economy, Trade and Industry. In recent years, there has been progress in measures of proper waste management and proper recycling in Japanese companies located in Asia. Responding to requests from Japanese manufacturers who generate waste, several Japanese recyclers made investments in other Asian countries. However, there is a lack of basic information, such as on legal systems' provisions for waste management and recycling in Asian countries. The need to share information on regulations related to waste management and recycling in each Asian country

was pointed out by the Working Group for Enhancing International Recycling in the Industrial Structure Council. The project is a response to the request of the working group.

As part of this project, an “Industrial Waste Management and Recycling Policy” study group has been organized at the IDE. The trends in the industrial waste and recycling policies in 11 nations and territories, i.e., Republic of Korea, China, Hong Kong, Taiwan, the Philippines, Vietnam, Thailand, Malaysia, Singapore, Indonesia and India were studied. The information collected by the study group includes the definition of a fundamental legal system, related ministries and government offices, associations of industries and NGOs, responsibilities of waste generator, waste treatment and recycling industries, manifest system for industrial waste, the international trade of recyclable waste.

*Coresearchers:* Rie Murakami-Suzuki (National Institute for Environmental Studies), Aya Yoshida (National Institute for Environmental Studies), So Sasaki (Hokkaido University), Chung Sung Woo (Hokkaido University); Etsuyo Michida

### **Potential of Energy Conservation in China’s Power Industry**

*Organizer:* Nobuhiro Horii

China is now the second largest energy consuming country next to the United States. 69% of primary energy was supplied by coal, which causes severe environmental pollution. China is also the second largest power producing country and 80% of power is produced by fossil fuels. More than half of total coal consumption is used by power industry. Therefore, improvement of the efficiency of coal utilization in power industry contributes not only to slowing down energy consumption increase but also to reducing air pollution.

In fact, there seems to be very big potential of energy efficiency improvement in China’s power industry. The countermeasures are of many varieties because the whole system of power industry is very wide from generation, transmission and distribution. Potential would be very big not only in improving generation efficiency but also in building up efficient coal supply chain and cutting off the loss of transmission and distribution. It is needed to review the whole system and evaluate the potential of energy conservation in each part of the system.

The final purpose of this study was to evaluate the potential of energy conservation in China’s power industry and to recommend concrete measures towards Japan-China cooperation. Final report was prepared through several field and questionnaire surveys including recommendations on Japan-China cooperation in power industry.

*Coresearchers:* Taishi Sugiyama, Takeo Imanaka (Central Research Institute of Electric Power Industry)

### **FY2005 Thematic Evaluation of “Improvement of Living Environment and livelihood in Poor Communities in the Case of Peru”**

*Organizer:* Seiro Ito

This study aims at giving quality control to the Thematic Evaluation, “Improvement of Living Environment and livelihood in Poor Communities in the Case of Peru” of Japan Bank for International Cooperation. Impact evaluation was conducted by Grupo del Analisis para el Desarrollo (GRADE) of Peru. The team members at the IDE gave technical advice and have submitted a commentary report on GRADE’s evaluation report.

*Coresearcher:* Tatsuya Shimizu

## **Taskforce for Economic Integration in East Asia**

*Organizer:* Shuji Uchikawa

Japan's Ministry of Economy, Trade and Industry (METI) proposed establishment of Economic Research Institute for ASEAN and East Asia (ERIA) in order to conduct research, analyses and studies on regional-economic integration at the 13th AEM-METI Consultations which was held in Kuala Lumpur, Malaysia on August 23, 2006. The ASEAN Ministers welcomed the proposal and requested Japan to discuss this proposal further with the ASEAN Secretariat.

The IDE was commissioned the Project on Economic Integration in East Asia by METI and therefore invited experts from 15 countries in East Asia to discuss the establishment of ERIA. The IDE sponsored meetings at Jakarta on November 4 and December 1-2, at Beijing on January 16 and at Manila on March 31, 2007.

Experts of 16 institutes including the IDE agreed to set up a physical institute not a network of research institutes, which is independent of governments and international organizations. The agreement was approved by the governments of Asian countries. Six projects: (1) Developing a Comprehensive Roadmap toward the ASEAN Economic Community and Beyond, (2) International Infrastructure Development in East Asia, (3) Analyses of Industrial Agglomeration, Production Networks and FDI Promotion, (4) Development Strategies for CLMV in the Age of Economic Integration, (5) SMEs in Asia and Globalization, and (6) Energy Project, will be conducted at Bangkok Research Center of the IDE in FY 2007.

*Coresearchers:* Masahisa Fujita, Akifumi Kuchiki, Toyojiro Maruya, Daisuke Hiratsuka, Mitsunori Yokoyama, Masami Ishida, Koji Nishikimi, Toshihiro Kudo, Akihiro Nagamori, Akihiko Ueno, Naoko Endo, So Umezaki, Yasushi Ueki, Satoru Kumagai, Ikumo Isono, Toshitaka Gokan

## **Legal Study on Competition and Banking in Asia**

*Organizer:* Shin'ya Imaizumi

This study analyzes the law and policy toward enhancement of competitive environment of financial sector in Asian countries. The financial industry has been the most typical case of highly regulated industry, but there is a growing trend to give much emphasis to the competitive aspects in financial sector reforms in developed countries, as well as in Asia. After a decade from the Economic Crisis, there is a strong indication of the recovery of financial industries in Asia. Many Asian countries have shifted their policy priority from the rehabilitation of their damaged financial system to the rationalization and restructuring of regulatory and supervisory framework to enhance the resilience of financial institutions, as well as to ensure the stability of financial sector in the middle or long run. The pressure for liberalization and deregulation of financial sector, mainly from WTO/GATS or other international commitments, also encourages such changes. This study surveys the recent changes of the regulatory and supervisory framework on financial institutions (e.g., regulation on entry, branching, foreign banks, consumer protection, etc.), as well as the applicability and influence of competition or anti-monopoly laws to financial industry. The focus of this research is banking sector, and other sectors such as insurance and securities business may be considered to limited extent. The study covers China, Korea, Indonesia, Malaysia, the Philippines, Thailand, Vietnam and India. This study is commissioned by the Financial

Services Agency (FSA) of Japan. The research result will be available from the website of FSA.

*Coresearchers:* Soichiro Kozuka (Sophia University), Masao Yanaga (Tsukuba University), Motoaki Tazawa (Meijo University), Yuka Kaneko (Kobe University), Shigeki Kozuka (Kyoto Sangyo University), Takeshi Kawana (Waseda University), Seo Hee-Seok (Hitotsubashi University); Chie Kashiwabara, Rika Nakagawa

### **Basic Data Building for Future Emission Inventory in China, Russia and India for Atmospheric Composition Change Forecasting Model**

*Organizer:* Nobuhiro Horii

Building atmospheric composition change forecasting model is definitely needed to clarify change of density and composition in greenhouse gas, ozone, aerosols, and so forth. The effect of chemical transport and photochemical reaction should be considered in the model and therefore emission inventory of chemical materials influencing the change of density, composition and distribution of air pollutants is a very important part of building model. Japan Agency for Marine-Earth Science and Technology (JAMSTEC) already created emission inventory of 28 countries in Asia for the years 1995 and 2000 and started to estimate gaseous pollutants emission caused by fuel combustion for 2010, 2020 and 2030.

JAMSTEC recognizes the importance of China and India, the largest emission sources in Asia, and Russia in enhancing accuracy of model forecasting and decided to outsource the task of collecting and preparing basic data related to these three countries' future emission estimates to the IDE.

Research approach was firstly collecting data through published or unpublished statistics and literatures and interviews with policy makers, thereafter investigating collected data carefully and converting them into model input.

## **Grant-in-Aid for Scientific Study**

### **Recycling in Asia and Policies for Managing International Trade of Recyclable Resources and Promoting 3R**

*Organizer:* Michikazu Kojima

This research is funded by grant in aid for scientific research on waste management, provided by the Ministry of Environment, Japan. The purpose of this research is to make a policy proposal on management regime of the recyclable resources in Asia and the legal system for domestic recycling, which takes into account international trade of recyclable resources, based on study on present condition of the recycling systems and industries.

To collect basic information on recycling systems, we are conducting field surveys, interview with government officials, business man and researchers. In the Philippines, we are conducting questionnaire survey to junk shops, traders and recyclers, with Center of Integrative and Development Studies in University of the Philippines. In Vietnam, we are conducting questionnaire survey to recycling villages, with Institute of Economics in National Center for Social Sciences.



Regarding recycling of electric and electrical waste, the legal systems of Japan, South Korea, and Taiwan are reviewed. Draft laws on recycling e-waste in China and Thailand are also studied. We compare responsibility of producer, collection system, cost sharing mechanism and obligation of dismantling factory.

On the system concerning transboundary movements of recyclable resources, we are studying regulation on import and export of hazardous waste and recyclables. To identify problems in implementing such regulation, case studies on ship-back are conducted.

*Coresearchers:* Rie Murakami-Suzuki (National Institute for Environmental Studies), Aya Yoshida (National Institute for Environmental Studies), So Sasaki (Hokkaido University), Chung Sung Woo (Hokkaido University); Tadayoshi Terao, Shozo Sakata, Hajime Sato