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## **I . Goals, Research Mission and Policy of the Institute of Developing Economies (IDE)**

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The Institute of Developing Economies (IDE) hereby establishes the following policy for its research activities for FY2009 with the aim of enhancing the understanding of research activities at home and abroad and to implement them in an effective and efficient manner. Putting emphasis on “research for sustainable growth in developing countries,” IDE will make policy recommendations to contribute to an expansion of trade and promotion of economic cooperation in the Asian region, analysis to underpin policy recommendations as well as fundamental and comprehensive research to support the analyses. In FY2009, IDE will focus its resources on research on “China,” “India,” “Regional Integration in East Asia” and “Poverty Reduction and Development Strategies” as included in the priority research area of its Second Medium Term Program, and will broadly address the needs at various levels of government, industry and academia.

### **1. Our Goal: Making Intellectual Contributions to the World**

IDE aims to make intellectual contributions to the world as a leading center of social science research on developing economies. We accumulate locally sourced knowledge on these issues, clarify the current state, issues and challenges the developing economies are facing, and disseminate, both domestically and abroad, a better understanding of them. It is our hope that these activities improve the international understanding of Japan and provide an intellectual foundation to facilitate cooperation between Japan and the international community for addressing development issues.

### **2. Our Research Mission: Promoting/Facilitating Sustainable Development in Developing Countries**

Our research mission focuses on ways to achieve sustainable growth in developing countries and regions. Achieving such sustainable development in these regions requires careful consideration of the balance between the demands of sustained economic growth and those of political and social stability. IDE aims to carry out research activities that fully consider both of these development aspects.

#### **1. Research Contributing to Sustained Economic Growth**

This area of the Institute’s research is aimed at improving the overall state of public welfare in the world’s developing nations and regions. This aim is underpinned by the desire for these economies to avoid over-dependence on aid and material support, and to achieve well-balanced economic growth with long-term sustainability. Today, countries are required to achieve economic growth while also improving the living standards of the world’s poorest people and preserving the global environment. Such issues, which are epitomized by the United Nations’ Millennium Development Goals, are a matter of pressing concern to the global community. IDE is engaged in studying a variety of developing economic issues, from economic activity and legal systems to human resources, poverty and the environment. All of these areas need to be considered when seeking ways for sustained economic growth that would help eliminate poverty and preserve the Earth’s natural environment.

#### **2. Research Contributing to Political and Social Stability**

In this context, political and social stability refers not only to the absence of violent conflict, but also encompasses a guarantee of safety at various levels between states, within states and regions, and among individuals. This means being able to establish and maintain conditions in which human rights are free and unfettered. In looking to establish the appropriate conditions for this in developing countries and regions, various factors that can lead to conflict need to be removed through a range of measures. Foremost among these is eliminating armed conflict and promoting changes to democratic forms of government and society. Taking this view, IDE aims to be at the center of current research on national governments, social

structures, conflict issues, and peace-building in developing economies.

### **3. Current Conditions Surrounding Developing Countries**

In light of our mission and its two related policy areas, IDE has the following interpretations on the current conditions surrounding developing areas.

#### **Sustained Economic Growth**

The global economy is experiencing its largest wave of turmoil in recent years. Although many countries have continued to show relatively steady economic growth since the beginning of the century, the sharp increase in oil, metal and grain prices against the background of the global expansion of investment funds had severe affects on business management and a considerable impact on the lives of citizens. Since the fall of 2008, the situation has completely changed. The economic crisis triggered by the collapse of the housing bubble and the confusion in the financial market in the United States has driven the entire world into the worst economic recession since the Great Depression.

This dramatic change in the global economy has had a severe negative impact on developing countries and regions. Sudden shrinkage in both foreign demand and incoming capital flow, engines of economic growth, has caused extremely severe damage to many developing economies, which had maintained economic growth based on exports to markets in advanced countries and inward investment from abroad. A large number of countries suffered from sharp devaluation of their currencies and some of them are already facing serious difficulties in repaying foreign debts as promised.

In these circumstances, efforts greater than ever before are required to resume the process of sustainable economic growth and achieve further development. It is necessary to properly cope with the confusion in the global economy, rebuild the stable framework of the market economy and continuously address the environmental and other long-term challenges. It is becoming increasingly significant to make efforts to reduce poverty in African countries and other regions liable to be left behind the growth.

#### **Political and Social Stability**

The worst case of political and social instability besetting developing countries is the collapse of governmental systems through racial conflicts and wars that lead to civil war. In countries such as Afghanistan, Iraq, Sudan and Somalia, which are confronted by this kind of problem, large-scale interventions by the international community are failing to work effectively. Countries with fragile national mechanisms and racial or religious rifts may find themselves in severe political and social instability, if not in civil war.

The establishment of democracy is an important factor for securing political and social stability. Countries such as Myanmar and DPRK where democracy is denied amidst serious human rights problems have become isolated from the international community and face great difficulty in developing themselves. It is also likely that these countries would become politically unstable through elections held during the process of establishing democracy in such regions.

In the present years of growing globalization, political instability often spreads internationally. The international diffusion of terrorism stemming from religious antagonism and racial conflict in the Middle East and South Asia is one example of such. Even in East Asia and Latin America, which have been relatively stable regions, the global economic recession might lead to intensified labor movements, growth of extreme groups and other social instability.

Political and social stabilization in developing countries requires, depending on the case, strengthening of their national systems and establishment of democracy therein. However, these are contradictory objectives, and policy measures corresponding to situations in such countries need to be implemented to overcome such difficulties.

## 4. Research Policy for FY2009

Based on our goal, research mission and the above-mentioned interpretations of the current global conditions, IDE's research policy for FY 2009 is set forth as follows:

Priority Research Projects will focus on four areas: (1) Comprehensive Study of China, (2) Comprehensive Study of India, (3) Multilateral Study of Regional Integration in East Asia, and (4) Poverty Reduction in Developing Economies. Fundamental Research Projects will focus on four priority areas: (1) Growth of Business Enterprise and Industrial Development, (2) Foreign Trade and Capital Movement, (3) Development and Governance and (4) Food and Environment. Regular Research Projects with a long-term perspective will be continued as heretofore.

### 1. Priority Research Projects

Priority Research Projects have been consistently taken up during IDE's current mid-term planning period (from FY2007 to FY2010). In consideration of the current conditions surrounding developing countries and regions, the following four issues will be studied through the Priority Research Projects:

#### (1) Comprehensive Study of China

While China's presence grows in the Asian and world economies, various domestic issues have arisen in the country due to its rapid economic development. IDE will analyze some of these issues, envisage mid- and long-term perspectives on economic development and political change, and assess their intrinsic risks.

##### [ Related Research Projects ]

- The Dynamics of China's Economic Growth and Policy-Making in the Transitional Period

#### (2) Comprehensive Study of India

While India has attained stable economic growth, disparities among its regions have widened and poverty has become more acute in the least developed areas. These widened disparities and rapid changes brought about by globalization have led to political and social problems in the country. This fiscal year, IDE will focus its research on the conditions for economic growth and the democratic system, and analyze them comprehensively and systematically. A comparative study of India and China will also be conducted.

##### [ Related Research Projects ]

- Comparative Study of the Industrial Development Processes of China and India
- An Approach to Inclusive Growth: India's Challenge
- Diplomatic Relations of Modern India: Search for a Way to Become a Major Power

#### (3) Regional Integration in East Asia

In East Asia, economic integration has been progressing rapidly on both *de facto* and *de jure* bases, with countries concluding an increasing number of free trade agreements (FTAs) and economic partnership agreements (EPAs). This deepening integration has brought increased trade and investment liberalization, and is expected to further accelerate the economic growth of the Asian region as a whole. This growth also has the potential to widen disparities among countries, regions within a country, and even local and foreign firms. Focusing on issues such as changes in industrial and trade structures within the region, development of supply chains and the formation of industrial clusters, IDE will analyze various issues accompanying regional integration from a variety of perspectives.

##### [ Related Research Projects ]

- Formation of Industrial Clusters in Asia and Regional Integration
- Economic Integration and Change in Industrial Locations in CLMV Countries

#### **(4)Poverty Reduction and Development Strategy**

In order to reduce poverty in developing countries from a long-term perspective, new institutional frameworks need to be closely linked with the policy objective of poverty reduction. On this basis, IDE will focus on analyses of the socially vulnerable disabled and aged people who have often been left out of the poverty reduction debate.

##### **[ Related Research Projects ]**

- Life Security System for the Elderly in Emerging Countries
- Disability and Law in Developing Countries: From the Perspective of Establishment of Legal Rights
- Development Strategies of Least Developing Countries (LDCs)
- The Disabled and Policy Measures for Disability in South Asia: From the Perspective of Disability and Development

## **2. Regular Research Projects**

The fundamental analysis of the political and economic movements in Asian countries, the preparation and utilization of the International Input-Output Tables and the maintenance of a trade statistics database that IDE has been continuously conducting will be continued.

- Analysis of Movements in Asian Countries
- Preparation and Utilization of the International Input-Output Tables for 2005
- Preparation and Utilization of Trade Indices (V)

## **3. Priority Themes of Fundamental Research Projects**

In conducting the Fundamental Research Projects, IDE will place a priority on the following four themes for FY 2009:

#### **(1)Growth of Business Enterprise and Industrial Development**

Along with the development of globalization, the position occupied by enterprises of East Asia, BRICs and other emerging industrial nations in the international network of division of labor has been steadily advanced. It is commonly observed in these countries that the formation of industrial clusters tends to lead to further improvement of their competitiveness. In countries in the Middle East and Africa, on the other hand, various factors including undeveloped market systems and administrative failures by governments have often restrained the growth of local enterprises and formation of industrial clusters. They have also disturbed the creation of a self-sustaining dynamism to lead economic development. Under this research theme, efforts will be made to analyze and clarify the various factors that influence the growth of local enterprises and industrial development in developing countries under the rapid environmental changes including globalization and the resulting global interrelationship of economic fluctuations.

##### **[ Related Research Projects ]**

- Private Sector Growth and Challenges in the Middle East
- African Enterprises under Economic Growth
- Family Business in the 21<sup>st</sup> Century: Examples in Mexico
- Economic Management and Industrial Structure in DPRK
- Globalization of Islamic Finance and Responses of Other Countries
- Enterprises, Industries and Non-regular Employees under International Trade
- Engineers and Industrial Development
- Growth and Conversion of Chaebols in ROK in the Post-development Period
- Growth Mechanism of Enterprises in the Least Developed Countries through the Toll Manufacturing Business: An Analysis of Note PC Manufacturing in Taiwan
- Development of a Technology Network between Japan and ROK
- The Front Line of Spatial Economics

## (2) Foreign Trade and Capital Movement

Developing countries seeking economic growth have so far accepted direct investment by advanced countries and incorporated themselves into the global production and trade networks of multinational enterprises. They have also moved to strengthen their financial trade with advanced economies riding a wave of financial globalization. In the recent global financial crisis, however, the developing countries have been unable to escape the severe negative impacts on their trade and finance. Under this research theme, IDE will examine and analyze the trends and challenges in foreign trade and capital movement in developing countries on the basis of these recent situations.

### [ Related Research Projects ]

- International Movement of Capital and Emerging Market Economies in East Asia
- Economic Integration in East Asia: Theory and Practice
- Will Fair Trade Activities Lead to Poverty Reduction?
- Study with a Macro-Econometric Model to Assess Policy Measures

## (3) Development and Governance

In the context of development theory, governance means the comprehensive governing capabilities comprising democracy, administrative functions and control over corruption. Previous studies have reported that good governance promotes economic growth while economic growth does not necessarily improve governance. Under this research theme, the impacts of governance on development will be examined in the first place by taking up various governing entities and policy measures. In the second place, political and social conditions to improve the quality of governance will be studied.

### [ Related Research Projects ]

- Stability in Emerging Democracies
- New Development of the Chintanakarn Mai (The New Thinking) Policy in Laos
- Disputes and Formation of Countries in Africa and the Middle East
- Comprehensive Studies of Cuba: Government, Economy and Society under the New Raul Administration
- Participation by Taiwan and Hong Kong in Regionalism in East Asia
- Development of Farming Villages in Developing Countries: Approach from Social Network Analysis
- Governance Problems in Fiscal Management in Developing Countries
- New Development of Regional Mechanisms in International Security
- Pacific Island States under Globalization
- Comparative Study of Governance in Autonomous Bodies in South East Asia
- The Lawmaking Process in Thailand and Its Changes

## (4) Food and Environment

Sharp fluctuations in food prices in recent years have caused a large impact on developing countries while agriculture continues to be a significant sector of their economy. As global warming becomes increasingly serious, however, interest in the environment is growing in developing countries as they are forced to address such problems. The issues of food and environment have thus become the focus of attention but their impacts vary in regions and industries. Under this research theme, the combined impacts of these problems across the borders of developing countries will be analyzed.

### [ Related Research Projects ]

- The “Food Crisis” and Corn Supply System in Developing Countries
- Productivity in Agriculture and Economic Development: Impacts Caused by Deficiencies in Factor Markets and Farmland Ownership Structures
- Formulation of Environmental Resource Preservation Policies during the Process of Economic Development
- Creation of Water Basin Governance Aimed at Resolving China’s Water Pollution Problem – Case Study of Community Roundtable Discussions in the Lake Tai Hu Drainage Area
- Institutional Design of International Recycling

In addition to the above, fundamental studies of the following themes will be conducted broadly covering the problem areas confronted by developing areas.

- Factors Determining Attendance to Secondary Education Schools and Their Changes: Examples in Farming Villages in Indonesia
- Development and Division of Finance from Policy: Relationship between Finance and Policy in Government and Its Impact on Development
- The Future of the Military Regime in Myanmar
- The Nation and Ethnic Groups in Kazakhstan after Independence
- Development of “Political Movements” and/or “Political Parties Conducting Social Movements” in Latin America and Their Political Significance
- Comprehensive Study of Taiwan III: Centripetal and Centrifugal Forces of Society
- Public Aspects of Turkey

#### **4. Spot Research Projects and Collaborative Research Projects**

In order to address the issues of high national interest as well as the urgent and emerging issues, IDE will conduct researches and studies in a flexible and agile manner. The findings of such studies will be promptly and adequately released through various means. In response to requests from JETRO Headquarters, universities, outside research institutes and local governments, IDE will conduct joint researches utilizing the knowledge of the collaborating parties. Themes for such joint researches will be set when deemed necessary.